Think Ahead ACCA

CFOs and the C-suite – focusing on effective collaboration

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Executive Summary

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The business leaders interviewed for this report expressed the view that effective collaboration, both amongst the C-suite and with external partners, is key to driving successful innovation and growth. However, wanting to collaborate and understanding the need for it is not enough. Effective collaboration often requires a shift in culture, mind-set and behaviour.

Many organisations are encountering obstacles to effective collaboration, which include cultural and behavioural challenges, lack of diversity, and lack of goal congruence amongst different functions. Given the wide remit of the finance function, the CFO is well positioned to take a leading role in driving effective collaboration across the organisation.

The CFO will increasingly need to collaborate effectively with the right internal and external partners to respond to specific strategic challenges impacting the future finance function. The challenges posed by sustainability, digitalisation and the fast-changing macro-economic environment will require CFOs to mitigate risk without inhibiting innovation, master communication and influencing skills, help unite teams around well-defined goals, and ensure that the finance function provides strategic value to the rest of the business.

1. Introduction

One of the key recommendations for CFOs in today´s highly competitive, fast changing, volatile and interconnected world is that they should pursue collaboration, which goes beyond classical business partnering.

ACCA´s *CFOs and the C-Suite – Leadership Fit for the 21st Century* provided an overview of the changing business imperative and the implications for today´s organisations and the C-suite (ACCA 2015). One of the key recommendations for CFOs in today´s highly competitive, fast changing, volatile and interconnected world is that they should pursue collaboration, which goes beyond classical business partnering.

The question is no longer whether companies, and specifically members of the C-suite, should collaborate internally as well as externally with customers and suppliers, but rather how to collaborate in order to thrive and not just merely survive as a business and as a leader. These days everyone talks about collaboration but only a few companies/individuals do it well. Leaders usually consider either collaborating more in general or the extent to which one party might collaborate with another but rarely put much thought into how they collaborate.

This report examines the importance of collaboration in the context of innovation and the current business environment, explores what lies at the heart of successful collaboration, discusses obstacles to effective collaboration and offers a 'road map' of dos and don´ts for successful CFO collaboration.

Disclaimer: To explore the collaboration landscape, structured interviews were conducted with CEOs, CFOs, chief human resources officers (CHROs), chief information officers (CIOs) and chief marketing officers (CMOs) in the UK, Europe, Asia and the US. These are supported by conversations with academia, government and the private sector as well as a review of the literature currently available in the public domain.

2. Collaboration is the name of the game

There is a growing recognition of challenges presented by the pace of change, uncertainty and turbulence in the business environment in the 21st century.

There is a growing recognition of challenges presented by the pace of change, uncertainty and turbulence in the business environment in the 21st century. That environment is continuously changing, interconnected, complex and volatile. In addition, there are broad social and demographic changes affecting how and where business is done to meet the demands of a changing global consumer population amid the broader economic rebalancing of the world´s economy (ACCA and IMA 2014). Nonetheless, it is undoubtedly the speed of change of technological innovation, including SoMoClo (the acronym for the social, mobile and cloud technologies: collaborative technologies, accessible everywhere, that are converging), which is having the biggest impact on the business environment. With developments in artificial intelligence (AI) being one of the biggest trends of 2016 and new technologies constantly emerging, the speed of change is likely to be maintained.

In addition there is the rise of the sharing economy with increasing numbers of agile players with innovative business models entering the marketplace. The competitive landscape is becoming more complicated and unpredictable while established ideas and business models are being continuously challenged by innovation. With information readily available just a mouse click away and some technical skills likely soon to be replaced by AI, creativity and innovation are becoming distinguishing factors for success. As a result, long-established enterprises need to take a hard look at their business models and ask a simple question: how can we adapt to survive and thrive? (ACCA 2015).

As the environment is different, the old ways of operating no longer work and leaders need new rules of engagement. It is widely recognised that collaboration is key for being competitive in the 21st century. In *The Executive Edge*, Harvard Professor Bill George sums it up succinctly: 'leadership today – and in the future – is going to require very flat organisations, without so many layers in between. It´ll be all about collaborating within the organisation not about competing. The organisations that compete internally will not be successful in the future. Successful organisations are going to compete externally, and they´re going to learn how to collaborate, even with competitors and customers' (George 2015; ACCA 2015).

'Companies with better collaborative management capabilities achieve superior financial performance.'

The leaders interviewed for this report expressed the view that increased collaboration among the C-suite personnel is absolutely key to driving successful innovation and growth and meeting the challenges of doing business effectively in the 21st century. A McKinsey paper titled *How do I Drive Effective Collaboration*, cites research that 'indicates that companies with better collaborative management capabilities achieve superior financial performance' (Dewar et al. 2009). In other words, if a company wants to outrun the competition, it is not enough to look at how people work, but also at how they are working together.

'The need for collaboration has increased manifold, we change how we adapt to this environment. We need to work in a more regulated fashion. As a result we are looking at more vertical organisations with matrix structures, which gives the functions more autonomy, but have increased collaboration between functions, between thinking teams and execution teams.'

CFO Asia, Fortune50 company

According to *Harvard Business Review* (HBR), 'the fashion for collaboration makes some sense; the point of organisations is that people can achieve things collectively that they cannot achieve individually. Talking to your colleague can spark valuable insights. Mixing with people from different departments can be useful' (Cross et al. 2016). In particular, the challenges caused by a customer-focused and digital knowledge economy demand cross-functional, cross-regional, cross-cultural and cross-hierarchical collaboration. In a time where the customer is 'king', improving customer satisfaction increasingly requires collaboration between all parts of the business from R&D to distribution. Products and services need to be designed with the customer needs in mind, which requires a feedback loop between market-facing functions, design teams and production.

'Most of the people I work with realise that collaboration is more than the addition of skills but integrating multiple views gets you much further than siloes. You need to have the ability to go beyond your scope, expand the scope and open the doors. If you don't know what happens in sales, then the supply chain has too much stuff. If the marketeer doesn't know the asset base, he/she might have ideas that are too expensive.'

CMO, PE-backed food company

In order to serve global accounts successfully the organisation needs seamless collaboration across geographies. The March 2016 *McKinsey Quarterly* adds some urgency to the topic, by saying that 'companies have long struggled to break down silos and boost cross-functional collaboration – but the challenge is getting more acute. The speed of market change requires a more rapid adaptation of products and services, while customers increasingly expect an organisation to present them with a single face. Even well-established multinationals routinely fail to manage operations end to end. The result: interactions with customers are sluggish; complex, customized products are hard to create on time and on budget; and blocked lines of communication make new sales and distribution channels difficult to navigate' (Schaubroeck et al. 2016). In addition, the changing market dynamics require not only internal cooperation but also external collaboration with customers in the form of co-creation and building collaborative and transparent networks with suppliers, governments and academia.

In other words the question is no longer whether collaboration is key to success but, more pertinently, what is required in 2016 for successful C-suite collaboration?

Most leaders speak about collaboration, but there often seems to be a misconception about what it means in practice and the word is often used interchangeably with cooperation, ‘Collaboration is taking over the workplace. As business becomes increasingly global and cross-functional, silos are breaking down, connectivity is increasing, and teamwork is seen as a key to organisational success.’

teamwork and, in the case of CFOs, ‘finance business partnering’. The Cambridge Dictionary defines collaboration as ‘the situation of two or more people working together to create or achieve the same thing’, which requires alignment around a clearly defined common goal/ outcome. Cooperation, on the other hand, is defined as ‘the act of working together with someone or doing what they ask you’, team-work is defined as ‘the ability of a group of people to work well together’ and finance business partnering is described as ‘an advisory unit that can proactively or reactively assist in the financial and commercial evaluation of opportunities to improve business performance, or develop the business in new areas and directions’ (Grundy 2016). Cooperation, teamwork and finance business partnering all lack collaboration’s emphasis on uniting around a common goal and working towards a clearly defined common result, which is essential in meeting the challenges of today’s business environment.

‘CFO, CEO and HR run together on problems with a smooth handover. Running of operations, driving productivity, performance improvement, and profitability encompasses all functions; we have real common goals and principles. We discuss long-term upfront strategic investment such as what technology to invest in and how, discuss sales top-line and work together to put processes and procedures in place to increase market share and margins.’

CFO UK, DAX30 company

‘For collaboration to be successful we need to find a common ground. Sharing what I care about, what I am passionate about and understanding the motivation of some of my colleagues opens the space for having a discussion around you and I want to achieve the same [sic], how can we make it happen? If I am vested in something and the other person is vested in something, we start out on a common level.’

Human Resources Director General, UK Civil Service

Over the past few years many articles and leadership books have been written about the need for and value of collaboration and it has become one of the hallmarks of great leadership. Yet in 2016, reputable publications such as *HBR* have begun to warn that collaboration can easily become a burden and hinder innovation, productivity and performance if it is not done thoughtfully. The *HBR* article ‘Collaborative Overload’ argues that ‘collaboration is taking over the workplace. As business becomes increasingly global and cross-functional, silos are breaking down, connectivity is increasing, and teamwork is seen as a key to organisational success’. According to data that the authors have collected over the past two decades, the time spent by managers and employees in collaborative activities has ballooned by 50% or more. The article further states that three-quarters of an employee´s time is spent communicating with colleagues (Cross et al. 2016).

Many of the executives interviewed for this report complain that their days are filled with back-to-back meetings and there is hardly any time for thinking or catching up with their inbox. ‘Collaboration nowadays extends beyond formal teams and global virtual teams are the norm, not the exception. Communication tools such as Slack, Chatter, FB, Twitter, LinkedIn, VC, Skype and others have put connectivity on steroids and enabled new forms of collaboration that would have been impossible a short while ago’ (Vitasek 2015).

‘The challenge is not to cultivate more collaboration. Rather it is to cultivate the right collaboration, so that we can achieve great things not possible when we work alone.’

According to collaboration ‘guru’ Morten T. Hansen, although the collaboration imperative is a hallmark of today´s business environment, ‘the challenge is not to cultivate more collaboration. Rather it is to cultivate the right collaboration, so that we can achieve great things not possible when we work alone’. Hansen also says, ‘the conventional wisdom rests on the false assumption that the more employees collaborate, the better off the company will be. In fact collaboration can just as easily undermine performance... Collaboration per se is not a problem. But business leaders need to determine when it makes sense and crucially when it doesn´t. Too often a business leader asks, How can we get people to collaborate more? That´s the wrong question. It should be, Will collaboration on this project create or destroy value?’ (Hansen 2009). The business leaders interviewed for this report agreed and cautioned that there is a risk that people collaborate for collaboration´s sake.

‘I definitely see a need for collaboration between the C-suite. However, we need to make sure it is not collaboration for collaboration´s sake. We need to get the right balance between collaboration and focusing on our own area and delivering what we need to deliver. The executive team needs to be really aligned around strategic direction, support it and trickle it through the organisation, bringing together brains with functional and commercial expertise across hierarchies.’

Group Treasurer, FTSE100 company

‘I see multiple ways of collaboration: A with B, C, D, and B with A, C, D, but also the need for clear role descriptions and accountabilities for each role. As a top professional, what is your role, responsibility and accountability? You can’t hide – you are either part of the problem or the solution.’

CFO EMEAI, Fortune50 company

Nonetheless, if done in the right way, collaboration offers tremendous benefits. Writing in *HBR*, Jeff Weiss and Jonathan Hughes report that research suggests that getting collaboration right offers tremendous benefits, ranging from presenting a unified face to consumers, faster internal decision-making, and reduced costs through shared resources, to the development of new products (Weiss and Hughes 2005).

So when leaders think about collaboration it is important to ‘pick the right battles’. They need to make a conscious decision if collaboration is needed for a particular project, to what extent it is needed, what the best team would be and how to overcome potential obstacles to collaboration.

3. Collaboration and innovation

Collaboration is often mentioned as a key requirement for innovation.

Collaboration is often mentioned as a key requirement for innovation. Looking back in history, successful entrepreneurs such as Steve Jobs, Larry Page, Tim Berners-Lee and Bill Gates, who transformed their industries and simultaneously our lives, achieved success not as lone geniuses but through collaboration, mastering the art of uniting people around a common goal. In this way they maintained their relevance and kept themselves tirelessly creative (Isaacson 2015).

In today´s environment, there is a growing recognition that good ideas can come from anywhere and are not strictly linked to hierarchy or functional expertise and do not necessarily have to come from inside the company, either. In the *Harvard Business Review* article 'Building a Collaborative Enterprise', Paul Adler writes 'few would argue that today´s market imperative to innovate fast enough to keep up with the competition and with customer needs while simultaneously improving cost and efficiency can be met without the active engagement of employees in different functions and multiple levels of responsibility. To undertake that endeavor, businesses need a lot more than mere compliance. They need everyone´s ideas on how to do things better and more cheaply. They need true collaboration' (Adler et al. 2011).

'We need to ensure collaboration happens and that there are no functional silos. Sometimes a lack of experience can be great when you deal with the unpredictable. It is not about more senior people having all the answers, but [getting] everyone to collaborate. The reverse mentoring we see around courage (the younger generation mentoring the older generation) is fantastic and digitally savvy youngsters also mentor senior people when it comes to social media and technology.'

Group Head HR, FTSE100

‘There is emerging evidence that such collaborations enable firms to accelerate innovation and create more competitive market positions.’

‘We are thinking about how we can build communities of people cutting across hierarchies to drive innovation.’

CFO UK, DAX30

‘The way we interact with each other and the team is changing. We are becoming much more collaborative and are engaging less top-down with teams. We do more transversal projects with a mix of different expertise, different generations. As a leader you need to be open, there is a need to connect to young people in the team, be open to the world.’

President Europe, luxury goods company

Collaborative Innovation, a report published by the World Economic Forum (WEF 2015) suggests that the traditional research, development and innovation model is under pressure owing to the increasingly competitive global environment. The report further states that while firms have traditionally focused on developing their R&D capability purely internally, ‘most large multinational companies expect the focus of their innovation investments to change significantly over the next decade, moving towards riskier initiatives and breakthrough or disruptive innovations. Due to lack of internal capacity in this regard, firms are increasingly collaborating with external parties, moving to more open forms of innovation, leveraging partners’ discoveries, and commercialising innovations with other parties whose business models are better suited to bring[ing] new goods or services to market’. According to the WEF ‘such a shift towards collaborative approaches seems to make business sense – there is emerging evidence that such collaborations enable firms to accelerate innovation and create more competitive market positions, whereas firms that remain internally focused face slower time-to-market, higher development costs, and loss of competitive position’ (WEF 2015).

A good example of an organisation where collaboration and innovation go hand in hand successfully is NASA, which implemented a ‘culture of open innovation’, involving people across the entire organisation and even opening up to the broader public via crowd-sourcing platforms (Knowledge@Wharton 2013). When asked about the benefits for innovation, Dr Jeffrey Davis, the head of the Human Health and Performance Directorate at NASA´s Johnson Space Center, said ‘It allowed us to open up our problems to the crowd, if you will, and we got some novel ideas back. Since then we’ve been building [open innovation] into our basic problem-solving structure. This was about finding new approaches, new people and new organisations that were previously unknown’. He added, ‘We thought we knew all of the players in the field, but we really didn’t’ (Knowledge@Wharton 2013). A great example of innovation spurred by cross-company collaboration is the case of Procter & Gamble (P&G). In 2000, P&G´s new CEO created a concept called ‘Connect & Develop’, the goal being that half of P&G´s products would come from internal labs and half would come through external collaborations. This approach brought about a large wave of innovations, which came from collaborations with ‘outsiders’ (Vitasek 2015).

‘Involving more collaborators leads to a larger pool of ideas, which creates more opportunities to identify a single idea that consumers truly love.’

There is also a growing body of research that looks at the benefits that internal collaboration has for innovation. Sarnoff Mednick, a professor emeritus at the University of California, who has made significant contributions to the scientific study of creativity, suggests that more creative people have the ability to come up with a broader variety of associations than less creative people. According to INSEAD

Professor Herminia Ibarra: ‘research has consistently shown that diverse teams produce better results, provided that they are well-led. The chance for new ideas is much greater when you have people with different backgrounds working together. The ability to bring together people from different backgrounds, disciplines, cultures and generations and leverage all they have to offer, therefore, is a must-have for leaders’ (Ibarra and Hansen 2011). This suggests that putting people from different backgrounds together is likely to lead to a larger variety of associations, which will lead to better ideas.

A February 2016 *New York Times* article titled ‘What Google Learned from the Quest for Building the Perfect Team’, stated that ‘studies show that groups tend to innovate faster, see mistakes more quickly and find better solutions to problems’. The same article also referenced a study from 2015, where ‘executives said that profitability increases when workers are persuaded to collaborate more’ (Duhigg 2016). This is echoed by a McKinsey paper that states that ‘academic research shows the ability to collaborate in networks is more important than raw individual talent to innovativeness; it also boosts employees’ overall performance and loyalty’ (Dewar et al. 2009).

The market research firm Nielsen has come to a similar conclusion, suggesting that ‘involving more collaborators leads to a larger pool of ideas, which creates more opportunities to identify a single idea that consumers truly love. According to the data, teams of six or more people generated concepts that performed 58% better with consumers in pre-market testing than the brands’ initial, ‘starting point’ concepts. Those starting point concepts were developed by teams of two people and performed only 16% better than baseline results with consumers’ (Nielsen Company 2015).

4. Obstacles to effective collaboration

As with business partnering, which has been a priority concern for CFOs for many years, collaboration is much easier said than done.

While there is wide agreement among business and academia that effective collaboration is key to tackling the challenges presented when doing business in the 21st century, only a few companies and leaders seem to get it right. As with business partnering, which has been a priority concern for CFOs for many years, collaboration is much easier said than done. Jeff Weiss and Jonathan Hughes sum this up: 'Despite billions of dollars spent on initiatives to improve collaboration, few companies are happy with the results. Time and again we have seen management teams employ the same few strategies to boost internal collaboration. They restructure their organisations and re-engineer business processes. They create cross-unit incentives. They offer teamwork training. While such initiatives yield the occasional success story, most of them have only limited impact in dismantling organisational silos and fostering collaboration – and many are total failures' (Weiss and Hughes 2005).

The crucial question, then, is why is it so difficult to get it right?

When thinking about collaboration, there is a tendency for leaders to think first about **implementing processes, structures and technology**. Yet effective collaboration involves much more than that. It involves cultural change and change on the individual level. There is a danger to focusing solely on 'external stuff' at the expense of the 'internal stuff', the 'soft stuff' that is key when it comes to successful collaboration. Creating a new culture and changing behaviour is hard and it takes time.

'Today more than ever the C-suite level needs good EQ. A leader has to be credible. Authenticity is key – you have to be who you are and not be afraid, be humble [and] say I don't know, can you help me?'
CFO EMEAI, Fortune 50 company

> 'For the sake of efficiency, we tend to make new decisions based upon old frames [of reference], memories, or associations.'

Wanting to collaborate and understanding the need for it intellectually is unfortunately not enough. Organisational transformation expert Ron Ashkenas makes the point: 'Everyone seems to agree that collaboration across functions is critical for major projects and initiatives. The reality, however, is that meshing the skills and resources of different departments, each focused on its own distinct targets, to achieve a larger organisational goal is much easier said than done. In fact, it takes much more than people being willing to get together, share information, and cooperate' (Ashkenas 2015).

Leaders often mistake **cooperation for collaboration**. Most executives display friendly, collegial, cooperative behaviour but collaboration goes way beyond that. It requires people to unite with a common goal/purpose and to commit to a clearly defined outcome with clear accountabilities for the participating individuals. Uniting to achieve a common goal will involve dealing with conflicting individual agendas/goals at some point. Ron Ashkenas sums this up by saying: 'Collaboration involves making tough decisions and trade-offs about what and what not to do, in order to adjust workloads across areas with different priorities and bosses. And despite all the well-meaning cooperative behaviours, this is often where interdepartmental collaboration breaks down' (Ashkenas 2015). In addition, a common purpose/goal is often formulated quite vaguely, for example 'achieving what´s best for the customer, the company or the shareholders', yet such words might be interpreted very differently by a CFO and CMO. According to Jeff Weiss and Jonathan Hughes, 'breakdowns in collaboration almost always result from fundamental differences among business functions and divisions including competing objectives and limited resources. People need to quickly and creatively solve problems by managing the inevitable conflict so that it works in their favour' (Weiss and Hughes 2005).

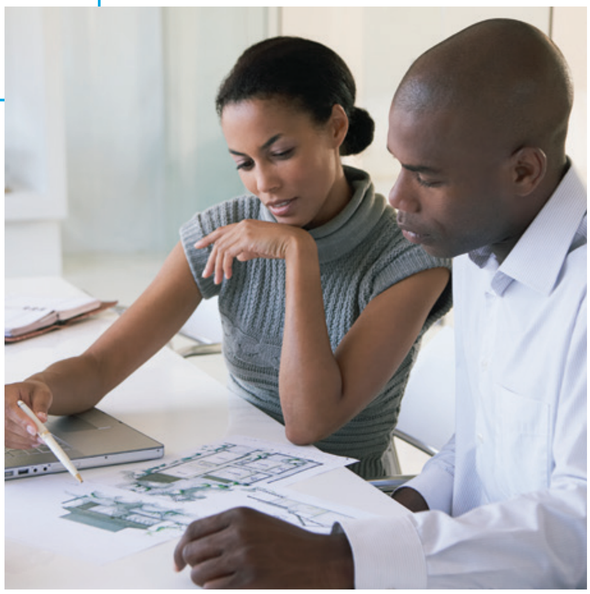
As a result, collaboration requires a shift in culture, mind-set and behaviour. **Behavioural change is hard.** It takes conscious effort, as individuals have to leave their 'comfort zone', and it takes time. According to research, approximately 40 per cent of what people do on a daily basis is habitual and automatic, meaning that individuals do not make conscious choices about their behaviour (Society for Personality and Social Psychology 2014). Through the course of the day hundreds of habitual patterns and reactions are going 'online' and 'off-line' without one's consciously noticing it. It takes awareness of what one is doing and conscious effort to change existing behaviour (Society for Personality and Social Psychology 2014).

> 'You can´t allow yourself to be stressed, as when you get stressed, you make wrong decisions.'
> CFO PE-backed industrial company

Most people are **more biased** than they are aware of. Writing in *HBR*, Talbot-Zorn and Edgette (2016) reference Timothy Wilson, a professor at the University of Virginia: 'our brain is poorly equipped to handle the 11 million bits of information that we are bombarded with and can only process about 40 of those bits of information [at a time]. For the sake of efficiency, we tend to make new decisions based upon old frames [of reference], memories, or associations.' Innovative companies like Google offer workshops on unconscious bias to help their employees become more collaborative. In the words of Brian Welle, director of People Analytics at Google 'We are so powerfully guided by the things we expect to be true in the world' (quoted in Porter 2014). These old assumptions, unquestioned beliefs and filters stand in the way when trying to build effective relationships (eg making assumptions about counterparties) or be creative (resulting in the inability to come up with novel ideas).

A healthy debate and a diversity of opinion are key requirements of successful C-suite collaboration.

Another possible obstacle to effective collaboration is that individuals and departments are mostly rewarded for their individual performance and often **not offered monetary incentives for collaboration**. As a result there is a natural tendency to think 'what´s in it for me' and the busier executives get, the more likely it is that they will focus on their own individual agendas and drop participation in collaborative projects.



As discussed in ACCA's *CFOs and the C-Suite – Leadership Fit for the 21st Century*, we are living in a time where the ability to focus has become a precious commodity (ACCA 2015). These days, executives are distracted by a myriad of tools such as Skype, WhatsApp, Twitter, LinkedIn, Facebook, videoconferencing, etc. Many executives are struggling with the number of meetings they have every day. Working in open-plan offices adds to the overall distractions and many executives voice concerns about being constantly interrupted by colleagues. As a result, many of the executives interviewed for this report suggest that they get their best work done when they are working from home or very early in the morning before anyone else is in the office, as no one interrupts them and there are no meetings. Hence more meetings, more emails and more tools can hardly be the answer. Yet when leaders think about collaboration one of the first things they usually consider is using more tools, structures and processes. While collaboration tools, such as Slack and Chatter and others, are very useful and can be supportive of good collaboration, they are not going to foster collaboration if the culture, individual mind-sets and behaviours do not change. In fact all tools can actually obstruct work as they add to the constant distraction and 'white noise' in people´s already too-busy schedules and minds.

Another obstacle to effective collaboration is that many C-suites still **lack diversity** of gender, age, race and, consequently, opinion. A healthy debate and a diversity of opinion are key requirements of successful C-suite collaboration. In fact, even when companies have diversity among employees, they often 'subject them to homogenizing processes that kill creativity' according to INSEAD professor, Herminia Ibarra (Ibarra and Hansen 2011). If the C-suite is too homogenised and the individuals have been working together for a very long time, there is also a **danger of 'groupthink' and insularity**. According to Daniel Goleman: 'cognition is distributed among members of a group or network: some people are specialists in one area, while others have complementary strengths of expertise. When information flows most freely among the group and into it, the best decisions will be made. But groupthink begins with the unstated assumption *We know everything we need to*' (Goleman 2014).

'At the senior level, conversations are sometimes forced through the business cycle and don´t allow for creativity. I like to shake things up by bringing diverse people into diverse situations to increase creativity.'

Group Head of HR FTSE100 company

What is needed is an environment that allows sharing, honesty and mutual trust.

A further obstacle to effective collaboration in the boardroom is often the **communication culture**. It only needs one person dominating the discussion or shooting other people down when they are voicing their opinions to stifle collaboration and consequentially innovation. As we have seen, the answer is not to adopt an overly consensus-oriented style either, as in the eye of conflict someone needs to be able to make the tough decisions. What is needed is an environment that allows sharing, honesty and mutual trust. Google embarked on a quest to find the make-up of the best-performing teams five years ago and came to the conclusion that the two key components of such teams were '"conversational turn-taking" and "average social sensitivity" as aspects of what's known as psychological safety – a group culture that the Harvard Business School professor Amy Edmondson defines as a "shared belief held by members of a team that the team is safe for interpersonal risk-taking"' (Duhigg 2016).

'There is a greater need for collaboration, but even more important is that the board needs to select people that can work together also from their personal styles. A charismatic CEO needs other people to debate an issue and they need to be able to raise their voice. If you have that, it will increase collaboration.'

CFO EMEAI, Fortune50 company

'One of the things that makes a good leader is to be authentic and approachable by everyone in the company; they should know they can speak to you, you take care of them and show compassion for them. They must know if they have an issue they could come to you, you would listen and respond well.'

CEO France, consumer goods company

'Leaders also need to be able to clearly communicate the objectives, what is working well and what is not working well.'

CEO France, consumer goods company

'Our culture allows for challenging the status quo. We have an org[anisation] chart with little boxes and the key to success is to never accept being put in a box. The trick is to fill the boxes as quickly as possible, then operate outside of these boxes. I actively encourage junior employees to speak up and drive change to make their own lives better. No revolution starts at the top – it is the people who get out and start a revolution.'

CFO UK, DAX30 company

5. What does the collaboration imperative mean for CFOs?

CFOs need to become collaborative leaders and hone their 'softer' skills.

As times are changing, the old 'command and control-style' leadership model is not fit for purpose for meeting today´s challenges of the fast-paced, interconnected, customer-focused, global volatile, uncertain, complex and ambiguous (VUCA) world. CFOs need to become collaborative leaders and hone their 'softer' skills. The senior executives who participated in this study suggested that for CFOs to be successful in this new environment, effective partnering across the organisation is critically important, and new leadership traits and qualities must be acquired. In addition, the advent of the 'second machine age', with its looming possibility of the computerisation of technical skills, creates some urgency for CFOs to become collaborative leaders in order to continue playing a relevant role in the boardroom.

In the present customer and information-centric environment, innovation and competitive advantage are closely linked to data insights. The growing digitisation of businesses, a more entrepreneurial climate, and new, successful business models that meet customer needs more efficiently drive a highly competitive enterprise landscape, which has profound effects on the future of the finance function. In the fast-moving data-rich business environment, enterprise data insights will be central to creating advantage and corporate value (ACCA and IMA 2014). As a result, the finance function has the opportunity to play a crucially important role in supporting the business with intelligent and timely data insights.

The CFO function is unique in that most business activities and projects touch the finance function in some way. Therefore the CFO has an outstanding opportunity to take a key leadership role in developing collaboration. The CFO is uniquely positioned to have a helicopter view, see the bigger picture and create a common language, acting as the glue that binds the C-suite together. As ACCA has previously reported, 'the CFO function needs to foster a spirit of collaboration and entrepreneurialism that will be needed for a united strategy. As the keeper of the purse strings it is they who must primarily drive required enterprise ROI. But in today's connected environment,

In the current and future environment, CFOs are required not just to work as the right-hand of the CEO, but also to establish broader collaboration across the C-suite and beyond.

understanding and leveraging the value of enterprise IP [intellectual property] is critically dependent on reaching out and building alliances with the CMO, the CIO, the CHRO and other new emerging C-suite roles. The CFO can create the base for common understanding and a common language; for example, how to effectively invest in leveraging enterprise data provides an outstanding opportunity for CFOs to move the dial on peer collaboration. Collaboration of this kind will bring much greater clarity and agreement across the executive table on the processes that will create value in the future, it will mean a much more effective capital allocation strategy for the business, and it should help the CFO lead a clearer line of sight tracking, measuring and reporting on the activities that matter' (ACCA 2015).

'The CFO has a big role to play across the organisation in provoking the right conversations. The CFO has the most visibility across the organisation and externally in terms of what are the right things we should be thinking about as an organisation, he brings [a clearer] lens to it.'

Group Treasurer, FTSE100 company

In the current and future environment, CFOs are required not just to work as the right-hand of the CEO, but also to establish broader collaboration across the C-suite and beyond. In addition, CFOs can play a crucial role as the public face of the brand. This means that CFOs have to broaden their external relationships from traditional stakeholders such as banks, tax authorities, auditors and investors to include customers, suppliers, supply chain partners and the media, who can all have a massive impact on a company´s brand and reputation. The range of stakeholders with whom CFOs will have to engage with in the future will be significant. The future finance leader will need to deliver consistent messages but adapt the language used to suit a wide range of traditional and non-traditional finance relationships.

'Externally, the finance community interacts more directly with customers and is more involved in end-to-end processes, helping to create more efficiencies, more interaction. The finance community is looking at how to provide more value to the business using KPIs of current performance to better predict future performance.'

CFO UK, DAX30 company

While the current environment offers a great opportunity for CFOs to take a leading role in collaboration, it also presents them with significant challenges. Providing information insights to support better decision-making is nothing new and CFOs have been doing this for a while. On the other hand, successful collaboration is easier said than done and often these skills are not as 'natural' to CFOs as financial analysis and controllership. As ACCA and KPMG have previously reported, 'the concept of finance business partnering has been evolving for several years, but fulfilling the role's potential has proved challenging' (ACCA and KPMG 2011, 2014).

The changing business environment creates additional challenges. According to ACCA and IMA, 'the changing technological landscape and evolving business environment have resulted in ineffective finance business partnering. It is no longer sufficient to be viewed as the scorekeeper providing management accounting data'. In addition, 'many practices in finance business partnering are failing to keep pace with the rapidly changing environment'. ACCA and IMA name three impediments to successful business partnering: 'leadership and strategic alignment of these practices are falling short, the finance department is often "tooled up" with poor technology; and there remains a shortfall in capability and talent equipped to deal with this changing environment' (ACCA and IMA 2014). One key reason is that the CFO role requires individuals with a varied skill set: financial business partners must combine technical knowledge, commercial understanding and strong 'softer' skills.

The development of a collaborative culture is essential, and reconfiguring the perception of finance and its purpose in the minds of business leaders outside the finance function is fundamental to its success (ACCA and IMA 2014).

In addition to their core financial and accounting expertise, financial business partners need to be able to act like business entrepreneurs, proactively working with the organisation and taking the initiative to identify issues where finance can provide added value. This means that they need a deep understanding of the value drivers within their organisation. Financial business partners must also be able to communicate clearly, explaining financial analysis in simple terms to business leaders. Similarly, influencing and conflict resolution skills are important for winning the support of internal stakeholders (ACCA and KPMG 2011, 2014).

The question, then, is what can CFOs do to become collaborative leaders?

5.1 SECURING THE MANDATE

In order to capitalise on the opportunity to provide the enterprise with clever decision-making support, the CFO has to secure the relevant mandate first. In many organisations, the perception of the finance function needs to shift and CFOs need to provide proof that they can add value to the organisation, beyond being the holder of the purse strings. Senior executives need to believe that collaborating with finance is valuable to them. If they do not, they might get decision-making support from individuals with a commercial, non-financial background or engage with the chief strategy officer, a role which is on the rise. While the foundation for securing the mandate will undoubtedly be the ability to bring the numbers to life from a financial and commercial point of view and running complex future scenario planning, building and maintaining strong relationships across the organisation are crucial for ensuring influence when major decisions are made. It is important not to 'push' the decision-making support onto the organisation but to create a 'pull' from the business, which can only be achieved through a strong collaborative process. This usually takes time and commitment and cannot be forced. The success of finance insight-generating activities will depend on demonstrable support and commitment from executives across the wider enterprise. The development of a collaborative culture is essential, and reconfiguring the perception of finance and its purpose in the minds of business leaders outside the finance function is fundamental to its success (ACCA and IMA 2014).

5.2 CONFLICT MANAGEMENT

As discussed in section 4 of this report, being united around a common purpose and goal is crucial for successful collaboration. Yet businesses and departments often have competing interests. What is 'good for the business' might be interpreted very differently by different parts of the organisation. In the case of sustainability or innovation, businesses often face a conflict with short-term business interests and goals such as cost reduction. As a result, CFOs need to have the ability to balance short-term and long-term needs of the business, which includes the confidence to challenge decisions that are not in the long-term interest of the enterprise. This is also very relevant when it comes to working with the CEO. Here, CFOs have to find the right balance between collaboration and independence. While CFOs need to support the CEO in strategic decision-making, they also need to maintain their independence and challenge the CEO to avoid potentially catastrophic groupthink or poor strategic decisions. According to ACCA and IMA, 'CFOs need to act as a voice of caution in the face of poor investment strategies and business decisions that are short-term and detrimental to shareholder value in the long run' (ACCA and IMA 2012).

'As a leader you need to be a role model of collaborative behaviour; even if things are rough you try to stay calm, kind, logical, keep the personal out. I do this by going back to the vision/the purpose. Always asking are we on track towards our vision? If we are not, there is a reason to be frustrated, if we are then we just stick to it. I assess the strategy and continue. It is useless to blame, but rather find out what is not working, how we can fix it, what really needs to be addressed. I try to have a fact-based manner [and act] as humanly possible, [making] as little judgement as possible. Get everyone to agree on facts, problems. I am less worried on judgement delta as there is interpretation. The facts are important.'

CMO, PE backed food company

'Ideas and innovation will be at the heart of future commercial success. Today´s finance function has to support innovation not stop it.'

5.3 ENTREPRENEURIAL MIND-SET

Innovation, entrepreneurial spirit and 'customer-centricity' are at the heart of today´s most successful enterprises. In order to thrive, CFOs need to embrace a more entrepreneurial spirit. An increasing body of research suggests that innovation requires taking calculated risks and embracing failure as part of the innovation process. CFOs need to find the balance

between challenging the business and help mitigate risk without inhibiting innovation. In many ways, CFOs have to approach the innovation process like venture capitalist investors, taking calculated risks and betting on a number of different ideas, without expecting each of them to succeed. This includes embracing failure as exemplified by successful Silicon Valley companies such as Google or Facebook. At Google, failure is celebrated. It is OK to fail and acceptance of failure is culturally encouraged. In the words of Aimee O´Malley, Google´s Head of HR 'we just want people to fail fast, so that they don't get stuck doing the wrong thing for too long because they are afraid to admit that it is not working' (HR Grapvine 2015). In ACCA and IMA's report, *Financial Insight: Challenges and Opportunities*, Sunil Golecha, CFO ASEAN and North Asia, Thomson Reuters, sums this up by saying 'if you look at many of the great commercial successes over the last 10 years, their starting point has been solving the customer problem, or making the customer happy, then figuring out the most appropriate business model to achieve this. This is not necessarily very intuitive for the finance function. We need to be prepared to take more risks and let the business take more risks too, and allow some failure – within reasonable parameters. CFOs definitely need to be able to challenge the business but they need to do this in a way that does not prevent really innovative decision-making. Ideas and innovation will be at the heart of future commercial success. Today´s finance function has to support innovation not stop it' (ACCA and IMA 2014). It also involves being able to ride the creative rollercoaster with all its ups and downs without falling into unconscious reactive patterns that often lead to derailing the creative rollercoaster prematurely when a project or idea encounters an obstacle or resistance. CFOs need to have more of a 'can-do' mind-set and say yes more and no less often, while continuing to challenge the business. In order to do so, CFOs need to learn how to embrace uncertainty and new technologies, increasing their commercial acumen and understanding of consumer needs while becoming increasingly comfortable with taking calculated risks.

'As a CFO you have to make decisions as you know the overall direction in which you are heading... You make quick decisions; even if they are wrong decisions, you can change them as long as it is quick.'

CFO PE-backed industrial company

'Leaders' powers of persuasion rest as much on skilful listening as on articulacy. Yet many business people struggle to listen; and the more senior they are, the worse the effect may be.'

5.4 COMMUNICATION SKILLS

It is increasingly important for CFOs to master communication and influencing skills to win the support of internal and external stakeholders for key finance messages. 'Message alignment' is important, in other words, communicating the same message in appropriate language for each group of stakeholders. CFOs must master constantly evolving communication technologies (see ACCA and IMA 2013a).

There is often a tendency to think of 'communication' as persuasion and 'talking' skills, but effective communication actually starts with effective listening. A 2014 *Financial Times* article 'The Quiet Art of Being a Good Listener' references a study by Columbia Business School, which 'found that leaders' powers of persuasion rest as much on skilful listening as on articulacy. Yet many business people struggle to listen; and the more senior they are, the worse the effect may be'. The article also cites James Heskett, emeritus professor at Harvard Business School, who says: 'Unless the leader is good at listening, not much listening goes on, because people watch [the boss] and emulate' (Clegg 2014). Effective listening means being open and receptive and giving your full, undivided attention to another human being. This is easier said than done; many people check their emails or mobile phones while being in conversation with a colleague or are already rehearsing their next question as they are listening. Effective listening also includes being aware of your 'listening filters', which include a closed mind-set fixed on previously formed opinions on a particular subject.

'I try to spend quality time with the team. Time to really listen to them and share my experience.'

Regional Director Sales & Marketing, FTSE100 company

'In order to have [the] right conversations in a c-suite meeting, [leaders] need to be good communicators and influence across the organisation. [They] need the ability to really communicate internally and externally what the organisation should be thinking about.'

Group Treasurer FTSE100 company

'These days leaders need to be charismatic and good speakers. Good communication skills are important. If that does not come naturally, it needs to be acquired. A credible leader has to go out with a message and depending on the audience he will adjust and not be scared.'

CFO EMEAI, Fortune 50 company

'I introduce a degree of informality into conversations to bring people together.'

Group Head of HR FTSE100 company

CFOs are finding themselves managed by their inbox and reacting to other people´s demands instead of being able to follow their own priorities.

5.5 SMART TIME MANAGEMENT

The increasing need for collaboration and managing virtual teams across a variety of geographies requires CFOs to become masters at time management. Carving out time to think through complex issues and work on long-term strategic projects is becoming increasingly difficult. A typical CFO's diary is often characterised by back-to-back meetings and conference calls, and in the remaining time CFOs are playing catch-up with their inbox. Increasingly, CFOs are finding themselves managed by their inbox and reacting to other people´s demands instead of being able to follow their own priorities. Furthermore, the current information overload is not likely to decrease in the near future. Hence there is a need for a more mindful engagement with email, meetings and managing priorities. Working hard is no longer enough. It is about 'working smart', which includes having the ability to say no to activities that are only contributing to 20% in outcome while requiring 80% of effort.

'The problem is [that] as a CFO you tend to have a lot of admin things that take a lot of time. You constantly need to decide about the important versus the urgent. Last deal first out, is an easy impulse. If you try to keep up with your email constantly, you can fall into a trap. You need to be consistent and ask yourself: am I covering what is really important? There is a risk of burning out. As there are not enough hours in the day, I try to discipline myself and work off-line very early in the morning until lunchtime. I try to not [do] multitasking as it causes burnout and dissatisfaction.'

CFO EMEAI, Fortune 50 company

'In our company, everyone has the ability to carve out space just for themselves. For example, some people only come in at 11am, as the morning commute tends to be the most stressful part of the day. I come in very early in the morning before everyone else and listen to music over my headphones, just working away. In my team, we have a 90 minutes time-out every two weeks where everyone just focuses on himself or herself. For two weeks they think about what project they would like to think about during these 90 minutes. Then once you have picked one, you can work on it and make some progress.'

Chief People Officer, financial services company

'Sometimes, I have to work on things that are not very interesting. Then I shut myself off and focus and then move on to the next thing.'

CFO PE-backed online services company

'I always ask employees how much free time they have in a week. Some say I don't have any time in my day; just ask yourself, are we paid to be busy? As one moves up the organisational ladder one is not paid to be busy but paid to think. At the top one should be thinking not be busy. 25% of my working day is free. Initially this was a difficult process but once people know you don't have meetings at a particular time a day, they do not ask for it anymore.'

CFO UK, DAX30 company

‘Some people have no meetings Monday and Friday. I do not have meetings before 11am as this is the time where I read, think and prepare for meetings. I move email to the end of the day. People accept that and I always get back within a day, not immediately. I also have a good PA and if something is urgent, they can call my PA. She puts my emails into urgent, interesting and read at some stage. I then look at my emails at the end of the day and they are cleared at the end of the evening.’

CFO UK, DAX30 company

‘It is important not to get confused by the multitude of issues that you find in an organisation. There are 1000 things that need to be fixed and changed and you can’t do that. Don’t start many things at once. One needs to constantly withdraw, stand back, and pick the top three issues. Then decide, those issues are important to me at this time and continuously check if they are still relevant. If you can find another issue that is more relevant, drop one that you have been working on, only work on three things, which also helps with clear communication.’

CFO UK DAX30 company

‘There is never enough time. You need to make time and know what the five things are you need to do to be successful otherwise you will be constantly doing only the urgent. If you know this, other things can wait. I can say confidently these are the five things I need to focus on and I am struggling to do these well, as this is not one of them, I can’t deal with it. I try to focus on what really matters. I keep track on a personal basis on what the critical things are and keep it visible to my CEO and the team. I want them to appreciate what the five critical things are and agree on them, which helps me to say I don’t think this deserves my attention right now. I have been very transparent with [my] team on what matters to me. I created mind maps of all the things I want to do in marketing, created five key things that are critical for business success. This also enables the team to say no to me.’

CMO, PE-backed FMCG business

‘I had to really train myself to create space in my schedule. Initially I blocked out time in my diary just for thinking space. I need that thinking space and time to think about the next three to five years out. Over the years, I have developed that muscle to think in that way as it can be very easy to get caught up in the here and now. But as a leader one needs to do more bigger thinking while the team needs to do more of the fire fighting. If the C-level spends too much time in operational stuff, that is a really misdirected use of their time. It does not add value – leaders need to be conscious of where they spend their time for the optimum use.’

Group Treasurer FTSE100 company

‘A lot of my activities are routine activities, but I carve out time for strategic things. Projects are usually planned activities, but I try to put aside time in the day for unscheduled thinking time for four to five things which are not burning issues; they are either projects, long-term activities or people planning.’

CFO Asia-Pacific Fortune 50 company

SMART EMAIL

- Don´t check your email first thing in the morning.
- Switch-off all email notifications.
- Schedule two to three times per day for dealing with your inbox.

SMART MEETINGS

- Make a conscious choice: do you really have to attend a meeting or could you send a team member?
- Shorten your meeting times from 60 minutes to 45 or from 30 minutes to 25 to carve out time in your schedule.
- Introduce a ‘no phones’ policy to meetings.
- If your mind wonders off to thoughts, bring it back to listening to whoever is speaking.

SMART WORKING

- Divide your tasks into online and off-line work.
- Make a conscious choice about what you would like to focus on.
- Carve-out time in your schedule for ‘thinking time’.
- Don´t multitask.

> Leading effectively: 'is less about mastering situations – or even mastering social skill-sets – than developing a genuine interest in and talent for fostering positive feelings in the people whose cooperation and support you need.'

5.6 EMOTIONAL INTELLIGENCE, MINDFULNESS AND ENERGY MANAGEMENT

CFOs are traditionally very good at tactical issues, but successful collaboration, often across different cultures, geographies and hierarchies, requires emotional intelligence, which is quite a different characteristic. According to Daniel Goleman, the 'father of Emotional Intelligence', leading effectively: 'is less about mastering situations – or even mastering social skill-sets – than developing a genuine interest in and talent for fostering positive feelings in the people whose cooperation and support you need' (Goleman and Boyatzis 2008). This being so, CFOs need to increase their self-awareness, which is at the heart of emotional intelligence. Becoming aware of when particular responses are triggered in one's nervous system and one is in danger of reacting in an 'automatic' fear-based manner is crucial when making decisions and even more important in governing one's interactions with others. Once CFOs have increased their self-awareness, influencing, conflict resolution and inspiring others will become much easier.

> 'As a company we work on resilience, have a development programme which works on how individuals can develop the ability to hold their shape in tough situations. The programme starts with people getting in touch with themselves and increasing their self-awareness. It involves an education on what behaviours people would demonstrate if they are not resilient, becoming aware of how we put more pressure on ourselves and becoming aware of dominant styles that undermine other people's resilience.'
>
> Group HR Director FTSE100 company

As discussed in *CFOs and the C-suite: Leadership Fit for the 21st Century* (ACCA 2015), mindfulness is an effective tool for helping CFOs thrive. In particular, mindfulness can change an unconscious 'caveman-like' reactivity to stress and uncertainty and increase self-awareness, including awareness of one's mind-sets and filters. Mindfulness is focused on working with behaviour and experience in the present moment. Hence, it is not another independent leadership construct, teaching an additional intellectual skill, but enables CFOs to change their mind-sets and frameworks for action, leading to sustainable behavioural shifts (ACCA 2015). Mindfulness also actively encourages one to challenge assumptions and beliefs and invites one to question everything routinely, including old and previously successful ways of operating.

MANAGE YOUR NERVOUS SYSTEM

When you feel tense or agitated during a conversation, or on seeing your full in-box, take a few conscious breaths (inhaling counting to three, exhaling counting to six), which will help calm down your nervous system.

HOW TO GET STARTED WITH MINDFULNESS

- Challenge all your assumptions, bringing curiosity to any situation.
- Make a formal commitment with yourself to sit every day for meditation practice.
- Like training for a marathon, start with a length of time that you can do every day (for example, three minutes), which is challenging you enough, but does not feel like a chore.
- After a few weeks of practice, you will become comfortable with three minutes; slowly build up your practice, increasing the time every few weeks until you build up to 10 – 15 minutes per day.
- Regularity is key; in order to strengthen your 'attention muscle' it is better to practice three minutes every day, instead of one hour each Sunday.
- When you walk to a meeting, do not read your emails while you are walking, but focus on your breath or the sensations of your feet on the floor.

As time management becomes increasingly difficult, the lines between work and home are blurring and burnouts become more frequent, so being able to manage their energy becomes increasingly important for CFOs.

Increasing responsibilities result in growing pressure for CFOs as their days, like other people's, have only 24 hours. As time management becomes increasingly difficult, the lines between work and home are blurring and burnouts become more frequent, so being able to manage their energy becomes increasingly important for CFOs. When executives are overloaded, there is often a tendency to push harder and work even longer hours, which is not only not sustainable in the long run, but also arouses the more primitive parts of the brain, which can hinder effective collaboration. In other words, stress is not the problem, but the lack of recovery on the physical, psychological and emotional level does cause problems. In order to continue thriving in a fast-paced environment it is important to plan time for recovery on a daily, weekly, monthly and yearly level. This means taking time for performance breaks of 10–15 minutes every one to two hours, taking time out to exercise, getting a good night's sleep, taking time off at weekends and planning regular holidays. Even though the ways in which they recharge differs, the senior executives interviewed for this report all emphasised that taking time to recharge was integral to their success.

'I believe in energy management, not time management. I recharge my batteries and make sure they never get completely empty.'
CFO EMEAI, Fortune 50 company

'I manage my energy by meditating. I also listen to Tara Brach and other meditation teachers on my phone. I usually do this in the evening to end my day.'
Chief People Officer, financial services company

'It is important for me to take time out with family. I make no concessions about that and take my holiday and weekends to relax and recharge.'
CEO France, consumer goods company

'Now that I am more experienced, I have enough time in my days to think. I plan in time for strategic planning and value down time to think. It was part of my journey to learn to carve out time. Now, whenever I feel bogged down by something, I step back and then realise how lucky I am and how grateful [I should be].'
CFO PE-backed online services company

'At the moment it is difficult to carve out time to focus, as there is often a tendency to react to what is urgent.'
Regional Director Sales and Marketing, FTSE100 company

'I run five [kilometres] every morning to keep fit.'
CFO UK, DAX30 company

'We have programmes that introduce the up-coming managers to better energy management, which includes physical well-being, exercise, nutrition, time off and connecting with what motivates you as an individual.'
Group Treasurer FTSE100 company

'I am pushing back to the "always on and always available" culture. I believe it is better for an organisation if people regularly switch off and there is a discipline around down time.'
Group Head of HR FTSE100 company

'You have to prioritise your job, but you also need to find the time for sleeping and exercising. You need to enjoy your job and have a good time, allow [yourself] to laugh and not take yourself too seriously, and be realistic: we are all replaceable and success is the combination of everyone together.'
CFO PE-backed industrial company

Even though the ways in which they recharge differs, the senior executives interviewed for this report all emphasised that taking time to recharge was integral to their success.

'The red flash light on the blackberry is exhausting and does not feel sustainable. I was previously off with exhaustion and had to learn my primers and know what my early warning signs are. My coping mechanisms and resilience improved and it is important to be able to bring things into perspective. My husband is really good at helping me off-load issues on our journey home, but once we are home, we don´t speak about work. I work really hard Monday to Friday but take the weekends off and I also don´t take my blackberry on holiday, which sets an example for others and empowers the team. I also have a dog and take long walks and have been singing with a group since 1992, which is cathartic. {I have done] loads of singing, very cathartic, since 1992.'

Human Resources Director General, UK Civil Service

'Challenge motivates me. Being a leader of the team you can't let yourself down as this reflects on the rest of the team. I take out time to relax, share anecdotes and data with industry colleagues and pick up info form informal networking. As a leader you need to be healthy and fit, this is more critical than ever before. It is infectious for me to see the enthusiasm of young finance teams, a wonderful responsibility, that is motivating.'

CFO Asia-Pacific Fortune 50 company

6. Hot-button collaboration themes for CFOs

There is a growing recognition of challenges presented by the unprecedented pace of change, volatility, ambiguity, uncertainty and turbulence of doing business in the 21st century.

6.1 MACRO-ECONOMIC ENVIRONMENT

There is a growing recognition of challenges presented by the unprecedented pace of change, volatility, ambiguity, uncertainty and turbulence of doing business in the 21st century. Constant change appears to be the new normal. The only thing that is certain is that nothing is certain and the new normal is that nothing is 'normal'.

A rebalancing of the global economy is in progress, where many businesses operate across both mature low-growth Western and faster-growing emerging markets. Businesses face an increasingly complex regulatory environment, with wider regulatory scrutiny of organisation performance, such that 'regulatory risk' is now an additional challenge; more competition in the environment is fuelled by the growth of consumer power as customers become increasingly disloyal to particular brands and often face lower switching costs than in the past. In addition, the most important influence is the proliferation of information and raw data, and the development of social, mobile and cloud (SoMoClo) technologies that will revolutionise how and where business is done (see ACCA and IMA 2013a).

> 'You need to be super-fast in a crisis. Consumers have less brand loyalty. These days customer experience, corporate image, ethical and environmental consciousness are important. The youngsters are much savvier consumers, who look beyond the product and they have so much access to information. As a leader you need to take many more variables into account.'
>
> CFO Asia-Pacific Fortune 50 company

In the global knowledge economy, the assets that drive corporate value are different and more intangible than in the past, including information, branding and attracting appropriate talent. Many industries are facing significant disruption from new, agile players emerging in their market, and traditional businesses are under significant pressure from highly innovative business models. In addition, the world economic climate remains difficult and somewhat unpredictable. A

In this interconnected '24/7' world, executives need to learn how to use the connectivity to their advantage, otherwise they risk falling behind.

struggling stock market in Shanghai, a collapsing textile factory in Bangladesh, the Eurozone´s struggle for stability, the refugee crisis and the looming threat of Brexit all send ripples throughout the global economy.

In this interconnected '24/7' world, executives need to learn how to use the connectivity to their advantage, otherwise they risk falling behind. In future, the speed of change will increase. On the whole, business has become less predictable and it has become more difficult to define long-term trends. As a result, economic volatility and risk dominate as key influences on the CFO role. The function is experiencing new levels of scrutiny on the effectiveness of the investments it makes and the quality of support provided for enterprise decision-making (ACCA and IMA 2015).

With more volatility and greater market competition business cases may be less certain, the organisation may have to take a greater number of calculated risks, and finance will have to support innovation, because innovation will drive growth. The environment necessitates a more entrepreneurial spirit within the finance team, and the CFO function will need to adapt to working in a landscape of greater ambiguity. There will be more grey shades rather than black and white scenarios in future (ACCA and IMA 2015).

Key macro-economic priorities for the CFO

Providing strategic input

In the current operating environment, the CFO needs to take a lead role in strategic validation and delivery. Strong analytical skills are needed to support the CEO and ensure that business decisions are based on sound financial criteria. To support delivery and measure success, KPI metrics need to be closely aligned with strategic objectives.

Risk management

A strong link is needed between the strategy of the organisation and the risk management that supports that strategy. With uncertain market conditions, this will be under close scrutiny from those investors and other stakeholders who are looking for assurances of the viability of long-term financial returns. Sophisticated and creative scenario analysis and resource allocation require precise understanding of the breadth of risks faced by the business. CFOs must be able to think beyond the usual options and learn how to challenge previously made assumptions. They need to make sure that there are appropriate policies in place in relation to capital investment, such that risk and reward are balanced effectively.

Leading change management

CFOs must expect to be deeply involved in large enterprise-wide transformation initiatives. Becoming an effective change agent requires CFOs to be comfortable making decisions, demonstrating strong leadership, commercial insight, and the ability to overcome resistance. Changes should be implemented with minimum disruption and duplication of effort. There is also a strong link between successful change management and people development. CFOs must, therefore, be heavily involved in talent management.

Investment in emerging markets

With revenues often flat and margins under pressure in established markets, CFOs are increasingly looking to emerging markets to achieve growth but these investments need to be tightly managed. As they become an increasing part of the overall portfolio, they become more visible to stakeholders. Also, as living standards rise in emerging markets, so too do the costs, squeezing potential returns.

Responding to regulatory change

As businesses grow globally, managing regulatory change becomes more complex, with the rapid accumulation of new regulations becoming a greater issue. CFOs are responsible for regulatory adherence and compliance and must ensure that the finance function has the necessary expertise to deal with regulatory challenges.

Talent management

Resilience and agility are key skills for today´s finance talent in dealing with the ever-changing environment. As a result it becomes increasingly valuable to expose finance talent to different geographies (including stints in emerging markets such as Asia or Africa), languages and cultures as well as to rotate them within and outside the finance department. Relationship skills are more important than ever and spending time outside finance, taking on other roles within the business, will not only help to broaden perspective and increase credibility when business partnering, but also build crucial internal relationships.

> In order to initiate and drive the required changes, CFOs need to have a flexible approach and develop adaptive leadership skills because new challenges require new solutions.

The CFO's macro-economic watch list

New challenges require new solutions
In order to initiate and drive the required changes, CFOs need to have a flexible approach and develop adaptive leadership skills because new challenges require new solutions. They need to be able to step back from the day-to-day concerns and gain a broader perspective in the midst of mass uncertainty. This helicopter view is necessary to avoid getting lost in each urgent problem and to remain focused on the company´s purpose and strategic goals.

Balancing strategic support with independence
CFOs also need to tread a fine line when it comes to supporting the CEO. They need to be a strategic partner, yet at the same time remain independent and avoid losing sight of effective controllership. This includes having the confidence to challenge the CEO and wider business on assumptions and ideas.

Avoid getting stuck in analytical paralysis
For effective risk management, CFOs need to know how much analysis is worthwhile, as there is the potential danger of examining far too many 'possible' scenarios and as a result getting stuck in analysis and stifling the decision-making process. At the same time, they need to remain agile and flexible and ready to take calculated risks, otherwise there is a danger of suppressing the organisation's innovativeness.

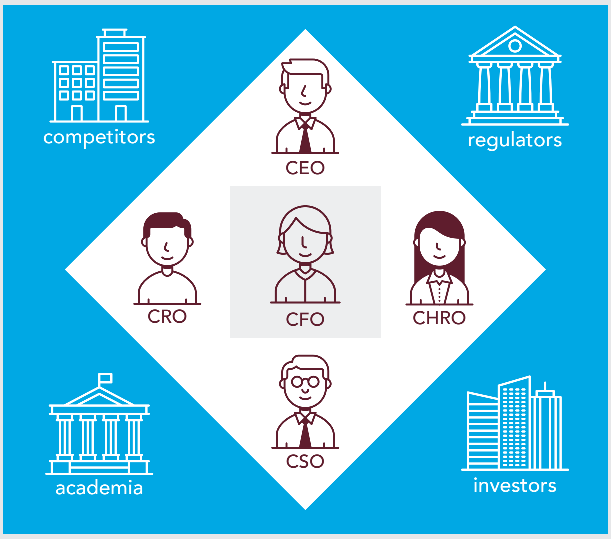
Risk of reacting to the urgent rather than the strategically important
The macro-economic environment, including increased regulatory demands, has undoubtedly put a strain on CFOs' already very busy agendas. CFOs need to take a close look at their time and energy management. They need to be more clear than ever on their strategic priorities and make sure they are acting according to these rather than whatever happens to be urgent currently.

Risk of unconscious behaviour
As mentioned in section 4 and 5, CFOs also need to be aware of their own reactions to uncertainty, pressure and demands and need to learn how to manage their own reactions when under stress. Otherwise, there is a risk of being too cautious or getting caught up in a flight/flight/freeze reaction instead of being able to provide 'clear-headed' strategic advice.

KEY MACRO-ECONOMIC COLLABORATION PARTNERS

In addressing macro-economic challenges and opportunities, the CFO will collaborate most closely with:

- **internal partners** – CEO, CRO, chief strategy officer, CHRO
- **external parties** – competitors, academia, investors, regulators



> 'Climate change presents a number of risks to companies including resource scarcity, reduced output or productivity, and disruptions to business operations and their supply chains.'

6.2 SUSTAINABILITY

Sustainability is becoming an increasingly important topic for CFOs, but economic sustainability alone is not sufficient for the overall sustainability of an organisation. Various public statements of organisational strategies routinely contain commitments to social and environmental objectives in addition to traditional financial ones (ACCA and IMA 2012).

By instantly connecting companies and consumers, social media has increased public awareness of corporate behaviour and sustainability. Demonstrating social responsibility and good governance, and reducing adverse environmental impact are critical enterprise ambitions in the interconnected world. As previously reported by ACCA in *Sustainability Matters*, 'over the last two decades the number of organisations working to address their sustainability impacts has increased significantly. This increase can be attributed to a number of factors, including a broader understanding and acceptance of the links between economic activity and global sustainability issues; a recognition of the risk-management and economic benefits that organisations can gain from integrating sustainability into their strategies; and a growing demand from stakeholders, including investors, customers, employees and NGOs for organisations to manage their operations in a more sustainable manner' (ACCA 2014).

Companies are also increasingly recognising that sustainability is not just a brand builder but crucial for risk management. Climate change is arguably the greatest challenge faced by human kind today: 'climate change presents a number of risks to companies including resource scarcity, reduced output or productivity, and disruptions to business operations and their supply chains' (ACCA 2014).

> 'Companies are increasingly playing a role in tackling global problems such as water shortage. This is an area where companies need to collaborate.'
>
> Chief Technology Officer, FTSE100 company

Another area that is becoming more and more relevant to risk management is natural capital. Some businesses have recognised that the declining trends in natural capital are significantly altering their risks and opportunities, leading them to assess their impacts and dependencies on natural capital (ACCA 2014). Imminent risks such as potential resource scarcity have made organisations realise that they cannot leave the responsibility for solving the problem solely to governments, but need to play a more active and responsible role. This involves close collaboration with suppliers and competitors and often requires balancing short-term and long-term interests.

Key sustainability priorities for the CFO

Development of meaningful integrated reporting

With their increasing awareness of how environmental and social issues affect business, stakeholders are calling for more non-financial information to help them make more informed views about the long-term prospects of organisations. This is a trend that is likely to continue, and the CFO must ensure that reporting meets the changing information needs of global stakeholders. Integrated reporting provides CFOs with a useful framework for considering how best to disclose environmental, social, and governance matters.

Measuring progress towards sustainable and responsible business models

Integrated reporting will force organisations to think differently about their business models and ensure that they are fit for the future. CFOs and the finance function can give structure to sustainability performance management and provide the support needed to exploit its business value, including modelling risks and accounting for real long-term value creation. The finance function can help sustainability professionals use financial management to make their contributions to creating long-term business value more meaningful.

Broader understanding and engagement with the organisation's stakeholders

CFOs have a unique overview of the business and so stakeholders are increasingly looking to the CFO for information. CFOs need to be effective at both internal and external stakeholder

Companies need to increase visibility in their supply chains and partner networks and the CFO must play a leading role here.

management, where it is so important to build and retain trust. CFOs must work to build effective relationships with a wide range of internal and external stakeholders and this requires them to be first-rate communicators and negotiators. Investors are increasingly looking for enterprises with long-term growth strategies and the CFO needs to be able to communicate a long-term growth strategy.

Collaboration with suppliers, supply chain partners and competitors
In order to minimise the risk of financial and reputational damage, companies need to increase visibility in their supply chains and partner networks and the CFO must play a leading role here. This involves building collaborative networks, based on transparency and a common purpose, with suppliers and other partners. For the bigger issues, such as climate change or water shortage, CFOs can partner with CEOs to enhance the company´s role in society and form meaningful alliances with competitors and across industries.

The CFO's sustainability watch list

Competing interests
Businesses often have competing short-term and long-term interests (environmental, social and business goals) and it requires real skill for CFOs of publicly listed companies to defend decisions that will create shareholder value in the long run, while the company is taking a hit in the short term. At the same time, CFOs need to be cautious not to overpromise, as there is still a question as to whether businesses can fulfil their promises for triple-bottom-line reporting.

Compliance overload
CFOs also need to find the right balance between fulfilling non-financial reporting and CSR related activities, while not overloading the enterprise with compliance, which can hinder innovation and foster a "tick-box" culture.

Challenging assumptions
CFOs must be prepared to stand up and challenge assumptions, decisions and processes that are not in the long-term interest of the enterprise. This might include making tough decisions about meeting an increase in production costs in order to work with a more ethical supplier.

Change agent challenges
At the moment only larger companies use triple-bottom-line reporting. In smaller companies, CFOs might face resistance when making decisions that promote sustainability but have unwelcome costs. In such companies CFOs can act as real change agents and innovators in bringing this new form of reporting into their enterprise.

KEY SUSTAINABILITY COLLABORATION PARTNERS

In addressing sustainability opportunities and challenges, the CFO will collaborate most closely with:

- **internal partners** – CEO, CSO, head of CSR
- **external parties** – supply chain partners, suppliers, investors, competitors.

'The obvious technology development is the coming together of social, mobile technologies and cloud infrastructure which means more future CFOs should have real-time self-service access to all sorts of data on business performance in the palm of their hand.'

6.3 DIGITALISATION

Since the widespread use of personal home computers began in the 1990s digital technology has brought considerable change to people's lives and businesses. The rise of digital technologies, including smartphones, has had some of the most profound implications for both private and working lives since the industrial revolution. Over the past decade digital technologies have changed the world in more ways than anyone could have predicted.

The rise of technology has also seen consumer empowerment through the Internet, app technology, digitalisation, and social media. As customers have become more empowered through technology, new product lead times and life cycles have become progressively shorter driving greater customer-centricity (ACCA and IMA 2015). The increasing power of consumers has led to companies finding new ways of collaborating with their customers, who wish to experience being part of a wider community. Co-creation is an increasing trend, with many companies engaging with new and existing customers in new and innovative ways (ACCA 2015).

As previously reported by ACCA and IMA, 'the obvious technology development is the coming together of social, mobile technologies and cloud infrastructure which means more future CFOs should have real-time self-service access to all sorts of data on business performance in the palm of their hand. There will be less effort "accounting" for the numbers and more time spent explaining the implications – finance will have great data at their hands from the cloud to be able to explain the numbers and the implications for the business' (ACCA and IMA 2013a). In this new information-rich and customer-centric environment, the effective use of enterprise data provides excellent opportunities for CFOs to support innovation pro-actively.

The new environment also comes with new and often unmanageable risks in the form of cyber threats, as seen with Sony and the hacking of its PlayStation network, and reputational risk, when one customer´s experience 'goes viral' overnight with often damaging effects on the brand.

These trends will continue at least to the mid 2020s. Existing technologies will evolve and new technologies and trends will emerge, and many of these will converge and become mutually reinforcing. It is always impossible to predict the future with any degree of accuracy, but all this change is certain to create challenges and opportunities – some more predictable than others (ACCA and IMA 2013b).

'The commercial agility of marketeers is increasingly important and the CFO can play a huge role in supporting and helping the CMO. The CFO can enable the marketer to reflect on the context, which can be mutually beneficial. The CMO identifies where to create value, the CFO holds the scorecard to see…[whether] what the CMO dreams up [is real].'

CMO PE-backed FMCG company

Finance's role can develop to be much more of a strategic business partner.

Key digitalisation priorities for the CFO

Insight and analytics

The fast-changing business environment requires timely decision making, and so finance functions need to be able to capture and process growing volumes of data more quickly. As a result, how companies regress, correlate and extrapolate data to drive better decision-making is the next 'big opportunity' for tomorrow´s finance team as data grows and the multiplicity of information presents new challenges to business decision-making (ACCA and IMA 2013b). Better use of available technology and staying abreast of technological developments will be key to achieving this.

Opportunity to be a pro-active partner and add value to the business

Digitalisation offers the potential for highly sophisticated predictive analytics, which allow the CFO to be prepared for specific scenarios. Finance's role can develop to be much more of a strategic business partner, getting involved in the whole product-development and production process, including customer profitability analysis, marketing channel or campaign effectiveness, supplier and procurement costs, and pricing. The CFO is central to making this shift.

Customer-centricity is key

In a 24–7 digitally and socially connected environment, where the customer is king, CFOs need to be more tuned-in, customer-centric and highly commercial. As discussed earlier in this report, many successful new companies have been built around customer needs. The more CFOs are able to understand current and potential customer needs, the more value they will add to the organisation, as in the end, it is the customers who pay their salaries. In order to familiarise themselves with other business areas, it can be useful for CFOs to take on project responsibilities beyond finance: for example, setting up a new online store and collaborating with colleagues from a variety of departments.

Talent management

The CFO needs to ensure that employees within the finance function have the right skill set to use digital technologies, such as data analytics, effectively, and that they are up to date with the newest technologies, and exhibit commercial agility, customer-centricity and an entrepreneurial attitude. This will undoubtedly include rotating finance talent into market-facing functions. CFOs also need to consider sourcing talent from a variety of backgrounds and age groups, and from a diversity of industries to ensure that finance has the necessary skills to take full advantage of digitalisation. A key to success will be to develop and make the most of these skills, and to hold on to talented staff.

Successful CFOs will be those who find the right balance between analysis and investing time in building meaningful relationships across the enterprise.

The CFO's digitalisation watch list

Keeping pace with technology

While technology offers great opportunities for CFOs, finance departments are often ineffectively equipped and as a result finance is often spending a lot of time reworking data and spreadsheets. The more sophisticated analytical tools become, the more CFOs need to hone their ability to bring the numbers to life from a business and commercial perspective. Otherwise the value they bring will be limited and other commercial managers could provide the strategic decision-making support to the business.

Do not hide behind analysis

There is a danger for CFOs to believe that they are the guardians of sophisticated analytics and spend too much time behind their desks and with technology. The knowledge of the data alone is not sufficient to secure the mandate as a strategic partner to the business. Successful CFOs will be those who find the right balance between analysis and investing time in building meaningful relationships across the enterprise and spending time with different parts of the business.

Say 'yes' more and 'no' less often

Digitalisation, with all its technological innovations, offers countless opportunities for innovation and new emerging business opportunities, as well as sometimes presenting new risks. CFOs need to be prepared to take more risk and embrace a calculated amount of failure; otherwise, they risk stifling innovation and the overall success of the business.

Manage your technology – do not let it manage you

CFOs need to find the right balance between working online and off-line. As discussed in section 5, being constantly 'on' interferes with deep thinking processes and saps away energy and productivity.

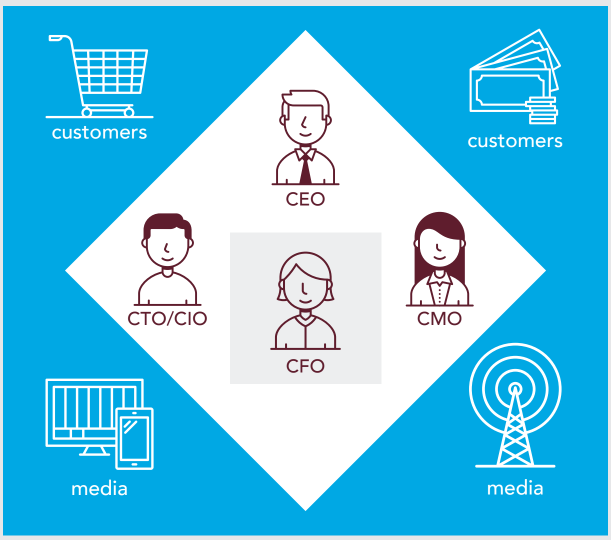
'The CFO can help marketing and sales a lot to make the right decisions – he needs to act as a mirror and bring it back to rational thinking. CFOs need to be open, needs to connect to young people in the team, be open to the world. In our company, the CFO is leading the project to build the corporate sales department; he left his office and built the new channel, including digital. This gives him a lot of credibility in the overall organisation.'

CEO France, consumer goods company

KEY COLLABORATION PARTNERS FOR DIGITALISATION

In addressing digitalisation challenges and opportunities, the CFO will collaborate most closely with:

- **internal partners** – CEO, CTO/CIO, CMO
- **external parties** – customers, media.



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About the author

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Palma Michel is a qualified lawyer, mindful leadership advisor, executive coach, mindfulness & meditation teacher and sought-after public speaker. She is the Co-Founder of Profuse29 (www.profuse29.com) and the mindful leadership spokesperson for London Meditation (www.london-meditation.co.uk).

Palma previously spent ten years as a board and CFO headhunter with two of the world's leading executive search firms Heidrick & Struggles and Korn/Ferry International in Europe and Asia. She has over a decade's worth of experience in advising and coaching top CEOs, boards and investors on senior leadership and people issues. She is known for giving practical advice to individuals and corporations on how to integrate mindfulness and meditation into their lives. Her focus is on how companies can apply mindfulness to increase productivity, resilience and creativity. She has a keen interest in applying mindfulness to building purposeful, innovative and sustainable cultures that allow enterprises and individuals to thrive in the 21st century.

Palma's corporate client base includes start-ups, creative businesses, global multinationals and the government. Palma regularly speaks about mindfulness in the workplace, mindful leadership and mindful living. She has recently been hosted by the LSE, NeuroBusiness 2015, Finance Dialogue Ireland, and The Soho House Group.

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