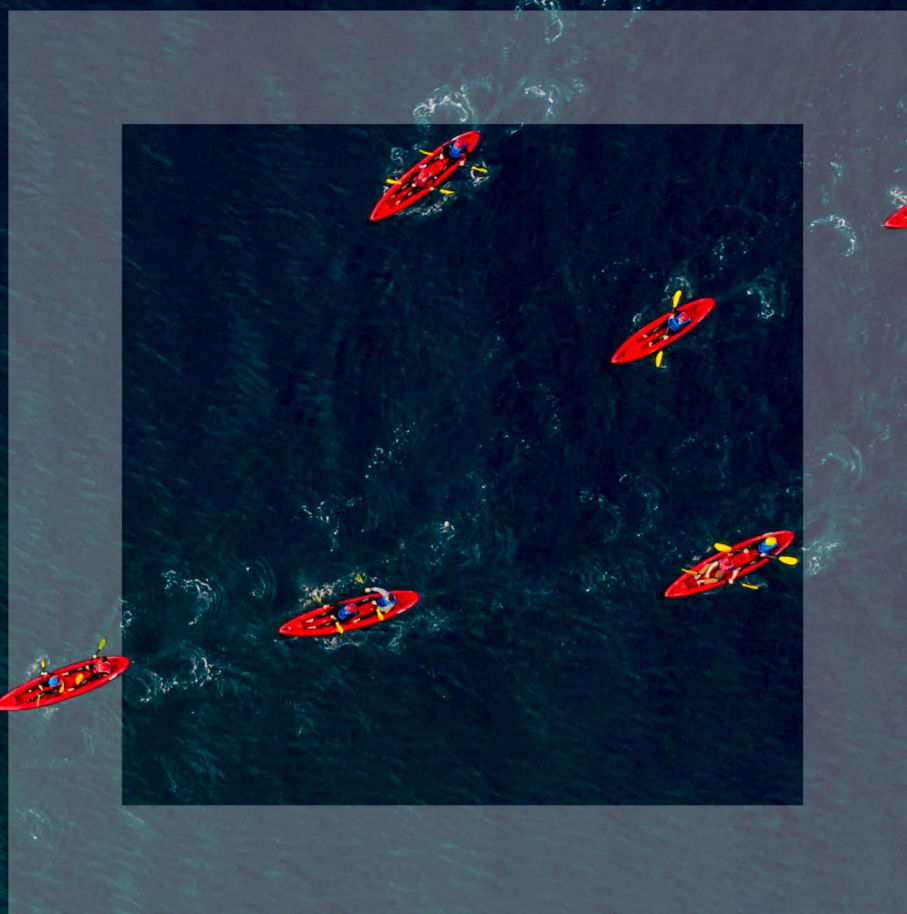


Chief Value Officer – the important evolution of the CFO

The concept of value is one which organisations are increasingly being asked to consider by their various stakeholders. This is giving rise to the concept of a chief value officer (CVO) as the individual accountable for the creation and measurement of value. The chief financial officer (CFO) and their team are increasingly focusing on a broader view of performance. Is the CVO role simply the CFO role? Or is it an opportunity that finance leaders may miss?



In exploring the role of the CVO and how the role of the CFO is developing ACCA and BDO consulted nearly 100 finance leaders from across many geographies. There are two key questions:

- What do we mean by the term ‘value’?
- Is the CFO responsible for value measurement in organisations or is there a separate CVO role developing?

What is ‘value’?

There is no uniform definition of value. Indeed, one CFO commented that ‘value is in the eye of the beholder’. The nature of value in respect of an organisation will depend upon its location, its sector and its size.

Figure 1 illustrates the processes by which organisations enable and convert value for the benefit of its recipients, the stakeholders in the organisation.

Value is enabled by the interaction of several elements of an organisation which can be represented in the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). It is the combination of these capitals which delivers the value. For several CFOs who participated in the research it is the human capital in its interaction with the others that creates the value by creating the synergies necessary to deliver the value.

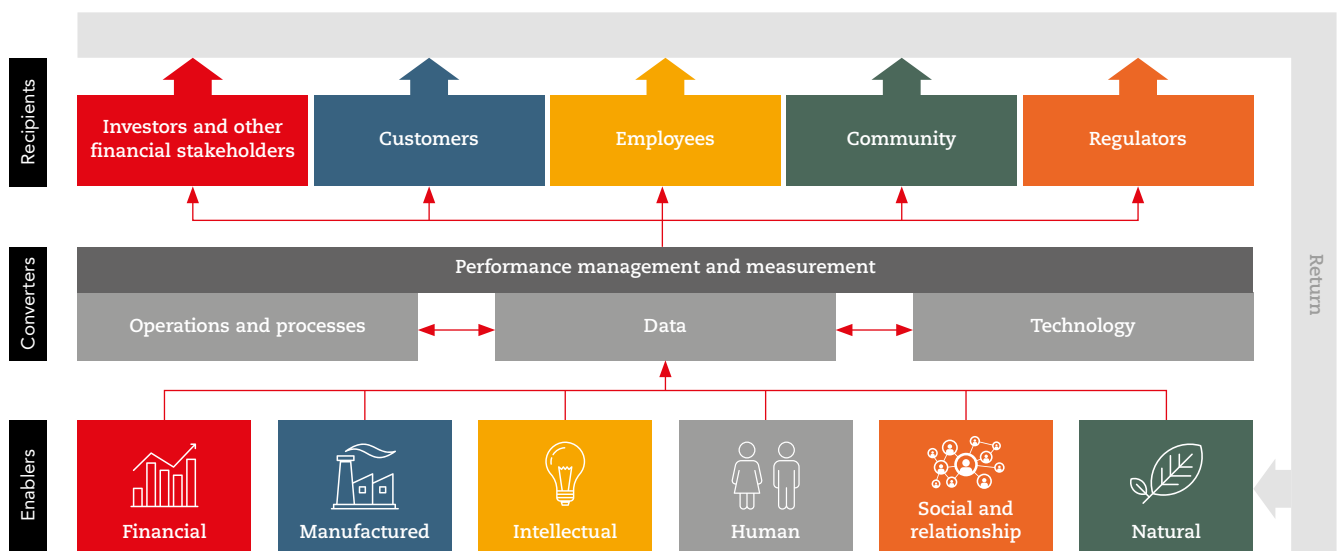
These enablers operate through a series of processes which in turn create data both of which activities are increasingly supported by technology. Once more it is the human intervention that takes the data and analyses and

interprets it in a way that facilitates the management and measurement of performance. In a value centric organisation these performance measures are not solely financial in nature. Indeed, several CFOs spoke of utilising metrics such as net promoter scores as part of their customer data to assess the extent to which value was being created by the organisation for its customers.

These customers are one example of the range of the recipients of value. Organisations have been traditionally very profit focused for the benefit of investors and other financial stakeholders. Increasingly as organisations turn to consider their long-term sustainability that range of stakeholders has broadened to include customers, employees, communities and regulators. Without creating the sustainable organisation as a combination of economic, environmental and social equity, the value of an organisation can diminish and hence there is a very strong causal link between value creation and strategy.

Value is cyclical. The actions of the recipients return value to the enablers and so the process continues.

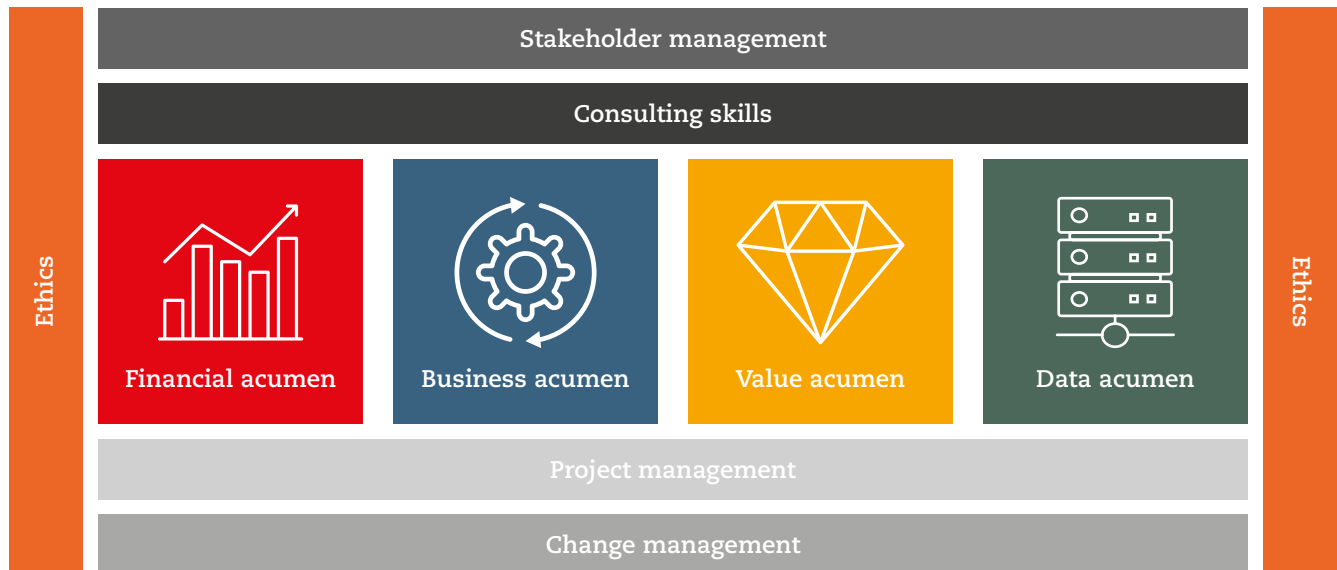
FIGURE 1: A model of value



The changing CFO role

The CFO role continues to evolve. It is no longer just the scorekeeper for the organisation rather it is one of a strategic advisor who works closely with the chief executive officer to deliver on the goals of the organisation and to create value for its stakeholders. As such it is a role that looks to a broader view of performance but at its core retains a strong technical and ethical backbone which facilitates trust. The breadth of the role is illustrated by Figure 2.

FIGURE 2: The reality of the CFO role



With the stewardship of the assets of the organisation the CFO is very much acting as a chief value officer. Many of the CFOs who contributed to the research saw their role as fundamental to the organisation. A role which required a comprehensive skill set both of technical and interpersonal skills. Rather than creating a new C-level role concerned with value, many CFOs felt that they were already delivering

upon it. The challenge for the finance team is to develop and maintain the relevant skill sets. To negate the impression that it is a function focused on historic performance rather than highlighting future opportunities. A function that is comfortable with both financial and non-financial data and views performance in a comprehensive manner. The reality is for most organisations that the CFO is the CVO.

Developing the relevant skills

The CFO role has stepped beyond pure financial acumen. Whilst that remains at its core, the CFO of tomorrow needs to develop the required skill set through a range of interventions and experiences that are beyond the traditional career path. Mentoring, networking, continuous learning and a broad range of workplace experiences are all essential for tomorrow's CFOs.

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