Go fast, scale up... or go home:
The new CFO growth agenda
By David A.J. Axson, Christian Campagna and Christopher A. Wright
The chairman of a major financial institution contacted his counterpart to float a possible acquisition deal on a Sunday. The deal was announced the following Monday.

The CFO of the acquiring company had just one week to conduct due diligence for a major strategic acquisition. Luckily, he was prepared because the company was already on his working list of acquisition targets. Unusual, yes. But speed matters in the new growth environment. Are CFOs prepared to act as fast as the market demands?

After years of focusing on cost reduction, CFOs are bullish on growth. Nearly one-quarter expect double-digit topline growth in 2017. Yet growth strategies are being pursued at unprecedented scale and speed for today's generation of CFOs. They must move past their cost management comfort zone to uncharted territory of rapid value creation. Investors are watching and disruptors are looming.
Welcome back to growth

A majority (71 percent) of CFOs say that growth is their organization’s strategic priority for 2016, according to Accenture Strategy research. This is a turning point for CFOs. Just 36 percent cited growth as a priority in 2014, and only 22 percent did in 2011.

This clear pivot to growth does not mean that CFOs are abandoning cost management. They are recalibrating the balance between reducing costs and investing in organic and inorganic growth to respond to a market climate that has evolved significantly since 2008.

Boards of directors and activist investors want returns that outperform the market. Companies awash in cash can increase dividends or buy back shares. They need to reinvest in growth, which takes time to generate returns. With disruption rampant across industries, this is time that CFOs do not have.
Flip a switch for rapid value

Amid massive industry disruption and investor pressure to create profitable growth quickly, CFOs need new growth engines. The time, expense and hit-or-miss uncertainty of traditional research and development cycles have become liabilities.

CFOs are turning to restructuring, divestiture and M&A to keep pace with accelerated growth expectations. They want to jumpstart innovation at scale with at-the-ready products, technologies, talent and markets. It is about disrupting themselves before being disrupted by others.

Thirty-five percent of CFOs say their companies are eyeing M&A activity to fuel growth and ensure they survive disruption. Their primary aim is to gain new technologies and/or new products and services.

The buy versus build mindset is common. Case in point: With the blockbuster era over, pharmaceutical giants are pursuing small biopharmas to launch specialty drugs in niche markets. To tap into the hot organics trend, consumer products companies are courting natural products players rather than building such business lines from the ground up. The list goes on.

Business cases and operating models for such strategies run the gamut. With macro beer consumption lagging a surging craft beer market, Anheuser-Busch InBev and SABMiller are coming together to drive growth via new market share. Dow Chemical and DuPont are creating a mega company to break it into three independent businesses to increase scale and cost synergies. GE is shedding GE Capital to double down on its heritage industrial businesses.

While companies can create value rapidly through M&A, it is always risky. Well-publicized failed mergers are cautionary tales of due diligence gone wrong, culture clashes, unrealized competitive advantages and financial losses.
The risk of flying blind

As the pressure to act fast builds, the risk of failure increases. Many CFOs lack the data, tools and experience to evaluate and act on opportunities with haste.

To evaluate inorganic growth strategies, the CFO assesses disruption opportunities and cannibalization risk and values the intangible assets acquired. For organic growth strategies, CFOs address the risk of competitive disruption and the ability to execute at speed.

CFOs do not have full data insight to complete these analyses. All but the smallest companies struggle to standardize corporate data. With the exception of basic financial information, aggregating data within a company and about an acquisition target, their customers and competition is difficult. Forget doing it fast.

Accenture Strategy research shows that CFOs lack basic visibility into key insight areas. Consider that 66 percent do not know how customers substitute products for competitors’ or vice versa. Additionally, 63 percent are blind to the impact of disruptive new market players. And 62 percent are unaware of the ROI on new product/service development or the cannibalization effect of new products.

The challenge of making high-stakes judgment calls quickly is complicated by a simple reality. Some CFOs have never done it before. The average tenure of a CFO is just over five years. Many were not in their positions a decade ago when growth last topped the CFO agenda. Without the lessons of experience, CFOs who have spent time in their posts leaning in on cost reduction must shift their emphasis to create value rapidly without the luxury of time to ease the transition.
Time to shift to full throttle

To make this shift successfully, CFOs can make several bold moves to evaluate growth opportunities in a whole new light:

1. **Stop with yesterday's assumptions**

   There was a time when assessing the viability of alternative inorganic and organic growth strategies meant only analyzing the financial models developed by investment bankers. Not anymore. CFOs need the strategic mindset, data, tools, predictive analytics and judgment to understand growth opportunities across multiple dimensions, such as:

   - **Speed to market.** How quickly can value realistically be realized—and at what cost?
   - **Market changes.** What are the opportunities and risks if the market shifts?
   - **Competitive profile.** Could competitors catch up and limit distinctive advantages?
   - **Digital disruption.** What are the risks from digital disruptors—and who are they?
   - **Consumer behavior.** Could new consumer preferences lead to new vulnerabilities?
2. **Always ask “what if” questions.**

Once these new assumptions are in play, CFOs should increase simulation scenario planning. In practice, this is about defining the criteria and associated metrics to measure against growth strategy execution and evaluate overall returns. It is a philosophy rooted in modeling outcomes and predicting results while asking fundamental questions:

- What if the assumptions are wrong?
- What if contingency plans are needed?
- What if the business needs to buy time to change course?
- What if the business had advance warning of a winning deal or a deal in trouble?

CFOs should also develop simulations and scenarios that model potential growth strategies and M&A targets in advance. Think of it as having virtual folders of perfect-world acquisition targets in hand. Well-maintained and updated regularly, they can help accelerate the evaluation process should targets become available.

3. **Transform the operating model fearlessly.**

There is no one-size-fits-all operating model to support growth strategies. The CFO should approach each deal without preconceived notions, working from the new assumptions and having evaluated the “what if” scenarios. The operating model must be flexible enough to adapt to growth strategies. The optimal model could be an alliance, a partnership or an acquisition that integrates the businesses fully or leaves them as standalone companies. Regardless of the approach, digital tools and technologies are imperative to speed and scale growth.
Growth does not wait

That unusual Sunday night deal was announced six working days later because the acquiring CFO had evaluated potential targets and could act fast when one came knocking.

This is the reality of the new growth environment. Every CFO must be ready to make rapid-fire decisions and execute at scale. The potential for game-changing opportunities and terrible failures is real—and the line between them is razor thin.
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