

## The agile CFO

*Enabling the innovation path to growth*

*The CFO's role is changing. CFOs seeking to lead their companies to greater competitiveness, more profitability and higher share values are enabling innovation. CFOs are uniquely equipped to facilitate innovation and support the CEO's agenda in ways they haven't before. This new CFO, the Agile CFO, uses his or her c-suite presence and horizontally cross-cutting role to bridge the distance between innovative theory or ideas and real-world implementation.*

A conventional view may hold the CEO accountable for innovation. After all, he or she is the strategic pacesetter, the visionary and ambassador to the market. The CFO, on the other hand, is often viewed as an operational policeman, an accountant, a controller, a bean counter or a cost whip. The CFO's job is to react to problems, control costs and be the pragmatic and cold-hearted voice of risk. This conventional view is off target, if not flat out wrong.

In today's world, the CFO must be a key contributor and leader in innovation and business strategy. The CFO is a leader who is close to both the strategic vision and the real realities of the health and operations of the company. This vital linkage makes the CFO a highly valued, if not critical, developer and enabler of innovation.

CFOs looking to enable and drive innovation in their organizations must step up to a new and more complete role. This new breed of CFO participates in the CEO's most critical growth agendas. They bring their unique qualifications and characteristics to the leadership table. They advocate for strategic change, and they empower it through their decision-making authority and their power within the organization. This new CFO enables innovation.

This is the *Agile CFO*.

### The CFO as innovation champion

As part of the Global CEO Study 2006, IBM interviewed 765 CEOs, and from this analysis discovered three top innovation and growth-focused imperatives. They are:

- *Business model innovation matters:* Innovation must be fundamental and pervasive, and affect the business model and core operations. Peripheral or cosmetic changes are not enough.
- *Collaboration is indispensable:* From finding new synergies and customer solutions, to taking advantage of economies of scale and shared services, growth and innovation come from collaboration. And collaboration, as it turns out, often depends on integration.
- *Innovation must be orchestrated from the top:* While innovation can be created at any level, and while change must happen holistically, we believe innovation can only have profound effects if it is supported, nourished and advocated from executive management.

These imperatives create both new opportunities and directives for the CFO. Specifically, the agile CFO embraces the following actions:

#### **1. Lead innovation through insight**

To foster innovation that matters, the CFO has an opportunity to act as the innovation role model. This goes beyond merely setting an example for the organization, calling for the CFO to take real strategic and tactical action to drive



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12-06  
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insight to inform innovation and growth initiatives. Leading through insight will require CFOs to:

- Identify business model innovation opportunities
- Create a Finance function that enables insight and flexibility for business model innovation.

## 2. Eliminate innovation inhibitors

The Agile CFO and the Finance function should work to bring together the organization's key assets to enable collaborative innovation. Cutting across divisions, functions and departments requires the simultaneous integration of strategy, data and technology. To accomplish this integration, CFOs will need to:

- Reduce structural complexity to facilitate collaboration
- Create global business process sight lines.

## 3. Create an innovation climate

Today, 80 percent of CFOs recognize the need to support governance. At the same time, fewer than 20 percent are applying innovation at high levels for new

ideas, collaboration or analytics (see figure below). These facts suggest that even though many CFOs understand the opportunity for enabling innovation and know that one of their most potent powers is governance, few are using governance in support of serious innovation-based activities. To create an innovation climate, Agile CFOs should:

- Track innovation without stifling it
- Fund the unknown world
- Treat innovation differently than business as usual.

## Conclusion

Agile CFOs are realizing that they hold a unique and critical position in enabling innovation that matters. CFOs should expand their roles from an historically oriented stance to a proactive participant in driving innovation, change and growth. CFOs who do stand to drive their companies into leadership positions.

## Authors

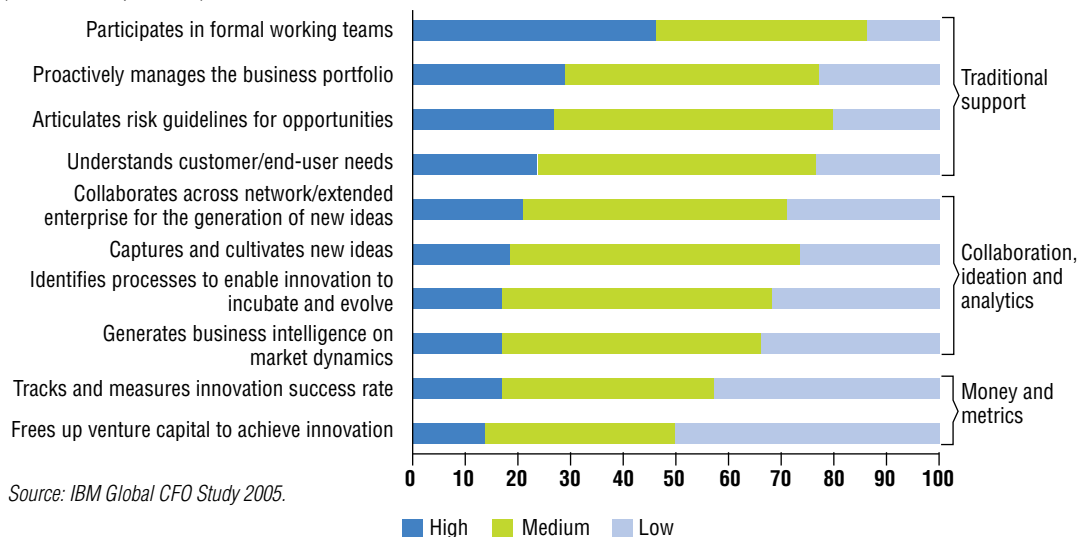
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### Finance's support for innovation.

(Percent of respondents)



Source: IBM Global CFO Study 2005.