



Unlocking creativity: How CFOs can help cultivate a creative mindset

Messy. Chaotic. Nonlinear. Such words are typically not used to describe an effective CFO. But those traits, which are often associated with creativity, may be the ones finance leaders should consider nurturing throughout their organizations—all in the name of growth.

It is a concept not lost on their bosses. In fact, in a survey of CEOs across 33 industries and 60 countries, they identified creativity—above rigor, management discipline, or vision—as necessary for leaders to successfully navigate an increasingly complex business environment.¹

For their part, finance executives—who, for the record, typically tend to be disciplined, predictable, and analytical—play a vital role in fostering that needed creativity. While CFOs aren't expected to be the originators of breakthrough products or technologies, they can help build organizations where innovative ideas are identified, financed, and delivered. And in an environment where top-line growth is still paramount, those ideas—and the strategic investments needed to execute them—may just be the key to future competitive advantage.

In other words, argues Michael A. Roberto, trustee professor of management at Bryant University and faculty member at Deloitte LLP's Next Generation CFO Academy, creative thinking should be viewed as a tangible contributor to the bottom line. And in his new book, *Unlocking Creativity: How to Solve Any Problem and Make the Best Decisions by Shifting Creative Mindsets* (Wiley, January 2019), Roberto outlines the mindsets that can stifle creativity and what it takes to transform them to unleash the creative capabilities within companies. We'll explore those organizational barriers in this issue of *CFO Insights* and investigate what CFOs can do to foster a culture of creativity.

Becoming mindset readers

The need for creativity seems more apparent than ever. One symptom may be the current growth shortfalls at some companies. A [recent analysis](#) of *Fortune 500* companies found that more than one-third (38%) experienced a decline of revenue between 2014 and 2016.² Another driver may be the looming prospect of an economic downturn, which may force CFOs to look for original ways to boost efficiencies at their already-lean organizations. In Deloitte's [North American CFO Signals™](#) survey for the second quarter of 2019, nearly all 159 respondents said they anticipated an economic slowdown by the end of 2020.³

However, a prospective downturn may also be an opportune time to invest in innovation, calculating tradeoffs that need to be made to emerge from any decline—which 80% of CFOs expect to be mild, according to the Q2 2019 *CFO Signals* survey—with a competitive edge over their creativity-challenged peers. To position themselves that way, though, finance chiefs may have to become alert to organizational barriers that might be suppressing their company's creative impulses. Such mindsets manifest in a variety of ways:⁴

- 1. Prediction mindset.** No sooner has a new idea been unveiled than the question comes forth, "How big is this opportunity?" Like NFL quarterbacks and Hollywood blockbusters, it's difficult to predict which products will move the needle. Additionally, companies are often inaccurate in their assessment of a market opportunity's size in its nascent stages. One [study of new ventures](#) within large corporations found that first-year sales forecasts missed the mark by 70% to 80%;⁵ profit forecasts can be even more problematic. When evaluating new ideas, CFOs can ask "How can we help design a test or experiment to determine whether this new product will succeed?" rather than simply relying on an analysis to estimate the market size.
- 2. Benchmarking mindset.** Studying other companies yields benefits, to be sure, but it can also lead to blindly copying competitors. The result: a commoditized industry characterized

by a perpetual profit-draining price war. Alternatively, there are plenty of companies outside your industry that you can learn from—just as a hospital, for example, might study a hotel chain to glean its mastery of customer satisfaction (see sidebar: "Getting outside: Why other industries may be the best source for big ideas"). The key is to look for analogous situations and adapt them to a particular situation.

- 3. Naysayer mindset.** Finance leaders are sometimes referred to as "CF-Nos" for a reason. In their eagerness to play devil's advocate in the face of a new idea, they can also end up burying it beneath their avalanche of objections. Rather than shutting off the creative spigot, CFOs should consider asking questions that encourage idea proponents to keep thinking with the goal of improving on them. Two to consider: "What must be true for this plan to succeed?" and "What would a different set of people do if they were in our shoes?"

- 4. Linear mindset.** CFOs, among other C-suite executives, tend to be comfortable with linear thinking, perfecting and executing a well-ordered series of steps to reach a desired goal. But a creative approach to problem-solving requires engaging in a healthy amount of trial and error, as well as eagerly pursuing dead ends. As muddled and maddening as such a process can seem, it counteracts an organization's natural tendency to invest in a concept early on, then look for ways to validate it.
- 5. Structural mindset.** It's widely assumed that hierarchy is the sworn foe of creativity, muffling dissenting views beneath heavy layers of bureaucracy. A flatter structure, the thinking goes, translates into a more open environment where ideas can breathe. But such conventional ideas about structure may themselves be ripe for replacement. Research now exists—based on studies ranging from how animal species organize to the best-performing

Getting outside: Why other industries may be the best source for big ideas

In search of competitive advantage, companies often look no farther than their own industry for ideas they can apply to spur growth. But if the goal is to set themselves apart, they may be facing the wrong direction; the more successful they are at copying direct rivals, the less differentiated (read profitable) they could become.

Instead, says Professor Roberto, companies ought to benchmark outside their industry. The author of *Unlocking Creativity* suggests that CFOs and their C-suite peers encourage the business to search for inspiration in different, if tangentially related, fields. In each phase of the process, there are questions that can serve as a guide:

1. Search for analogies

- Which industries share similarities to ours?
- Where do customers engage in behaviors related to those of our users?
- What products possess similar features, uses, or technologies?

2. Seek inspiration and insight

- What strategies and techniques work well in these other environments?
- How have people in these other contexts solved problems similar to those that we face?
- What hasn't worked in those other situations?

3. Adapt and apply ideas/lessons

- How can we adapt what we have learned from these other environments and apply them to our situation?
- In what ways are outside ideas not transferable in this context?
- How might leaders from this other context approach our situation?

basketball teams—that suggests that an appropriately designed hierarchy can promote organizational learning and innovation. For example, hierarchies reduce the costs and risks associated with such counterproductive activities as fighting for resources. Clear hierarchies can also enhance coordination and integration among group members. A substantial percentage of CEOs **restructure their organizations** early in their tenures,⁶ however, which may actually be detrimental to both productivity and creativity.

- 6. Focus mindset.** It's an almost romantic vision of where creative work gets done: in isolation, free of distractions, perhaps in a remote locale. While it's clear that getting away and focusing exclusively on a project does offer cognitive benefits, there are imaginative ways to achieve psychological distance—and still allow brainstorming to freely happen. For instance, non-stop multitasking and frequent interruptions can hamper efforts, but purposeful breaks can stimulate creativity. Alternatively, it's helpful to role play the competition or engage in a red teaming exercise (stepping into someone else's shoes helps achieve distance from a problem).

Fostering creative confidence

To facilitate creative thinking, CFOs don't need to abandon their roles as stewards in the organization. The sense of discipline they can add to the creative process is critical. In fact, as the drive to innovate increasingly becomes a standard part of doing business, it's often up to the finance leader to weigh the overall impact of new ideas. They need to make sure that the organization's portfolio of creative risks remains balanced between short-term profits and long-term growth, for example.

By instilling the creative effort with clarity and accountability, CFOs can harness it to drive the company's growth—which is, after all, the goal. To start, however, they need to model creative thinking, both in how they perform their own jobs and how they support others. Some effective ways can include the following:

- **Reframe questions.** When evaluating new products or services, CFOs often tend



to respond like certain movie critics: it's either thumbs-up or thumbs-down. Rather than reacting in such an unequivocal manner, finance executives might do better to share their concerns—that the launch sounds too risky, for example—and ask whether there's a way to recast the idea to reduce the risk. They should consider raising concerns rather than lowering the boom, so the creative juices don't dry up.

- **Encourage low-cost experimentation.** Innovation through iteration not only reinforces the value of continuing to think creatively about an idea, but it may also ensure that any new product or service isn't outdated by the time it reaches the marketplace. For example, rather than agreeing to make a big bet on a new idea, build a prototype or come up with ways to test the strategy. Continually absorb feedback into every iteration, learning and assessing with every step.
- **Practice operational flexibility.** As is true of all company leaders, CFOs should routinely model the use of their own creative impulses, such as by suggesting adding new dimensions to evaluating strategic decisions or assessing the suitability of a potential acquisition. They should also not shy away from using—and talking about—new techniques and methodologies.

- **Develop fitting metrics.** The numbers are bound to be fuzzy at the front-end of an innovative project. If the 10-year revenue model looks too low, some CFOs might summarily reject it. But irresistibly-sized figures may signify that its sponsors are overpromising, inflating the numbers to increase their chances of winning over the CFO—and therefore claiming the desired resources. While innovators may preach the wisdom of applying gut feel, CFOs need to get creative and come up with useful metrics for evaluating new opportunities (e.g. How loyal are early adopters? How many eyeballs are turning into sales? or What are our referral rates?)

Transformation through innovation

By finding ways to assess creative ideas, CFOs can help guide their businesses toward taking the right risks. After all, in the face of so many challenges—an accelerating pace of change, an increasing influx of competitors, the growing fussiness of customers—sustaining profitable growth requires a bigger effort than, say, expanding distribution. To do so, however, demands both curiosity and courage—traits that many CFOs have honed over years of experience. And having their hands in the process can help move everyday innovation (i.e., incrementally adding new features) into transformational creativity that establishes new platforms for future growth.

Endnotes

1. *IBM 2010 Global CEO Study: Creativity Selected as Most Crucial Factor for Future Success*, Press Release, May 2010.
2. *The Fortune 500's Fastest Growing (And Shrinking) Companies*, April 2017.
3. *Investing through a (mild) downturn: CFO Signals Q2 2019*, Deloitte LLP.
4. *Unlocking Creativity: How to Solve any Problem and Make the Best Decisions by Shifting Creative Mindsets* (John Wiley & Sons; 2019).
5. *Why Companies Fail—and How Their Founders Can Bounce Back*, Harvard Business School Working Knowledge, March 2011.
6. *The Decision-Driven Organization*, Harvard Business Review, June 2010.

Contacts

Michael A. Roberto

Trustee Professor of Management
Bryant University
mroberto@bryant.edu

Ajit Kambil

Global Research Director
CFO Program
Deloitte LLP
akambil@deloitte.com

Rolf Epstein

Partner
Lead Finance Consulting
repstein@deloitte.de

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