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Crunch time for CFOs
The CFO as a value driver

As growth, cost, cash, and capital decisions intensify, Finance can take the wheel

You know your role as a Finance leader is changing fast.
But *how* exactly?

An exponential CFO is expected to manage more than just dollars and cents. In addition, you are likely tasked with managing shareholder activism, cyber threats, geopolitics, culture, and purpose. Even the name of your job may be due for an upgrade. How about Chief Figure-It-All-Out Officer? It's now up to you, the CFO, to keep the process and the decision-making standards consistent, to keep the books, and to measure and document capital allotments not only by their outlays but also by their outcomes.

If one part of the CFO's growing role stands out from the rest, it's enterprise value creation. Before, you measured it. Now, it's up to you to drive it—not only accounting for the investments the organization makes but steering them as well. It's the CFO who brings the risk-balanced, capital-shaped perspective that can push through uncertainty, avoid paralysis, and find ways forward in the moment.

Once you accept that value creation is part of the CFO portfolio, the hard part is just beginning. It was never easy, but in today's "VUCA" environment (volatility, uncertainty, complexity, and ambiguity), you face headwinds your predecessors may never imagined.

Technology
Technology is accelerating rapidly, and adoption of innovations such as Artificial Intelligence (AI) can disrupt business models.

Demographics
Demographic shifts are driving new dynamics not only in the workforce, but among your customers.

Environment
Environmental instability and regulation are changing the ways stakeholders measure and even define enterprise value.

Geopolitics
Geopolitical forces like rising nationalism and trade barriers make doing business in a global economy more complex.

Capital markets
Capital markets have left the zero-rate era behind, which makes strategic investment decisions tougher.

What’s inside

Chart your new role

The traditional CFO may have been a gatekeeper—someone who either approved outlays or didn't. The exponential CFO helps set the mission, advise on strategy, and steer execution. The traditional CFO relied on data to account for what had already happened. The exponential CFO looks to the future—but there is no data from the future.

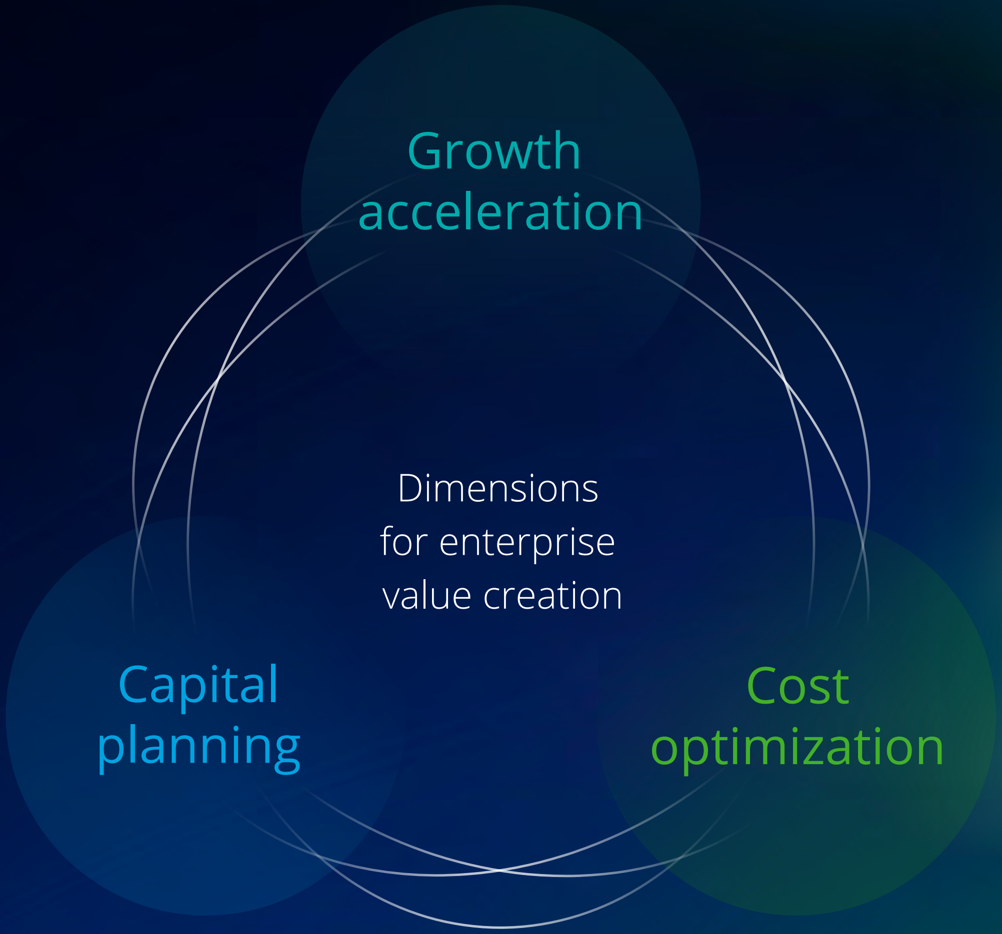
Embracing the CFO's role as an enterprise value driver starts with defining the term. *Value for whom, in what form?*

Every enterprise needs a coherent flow from the top down: a strategy that drives commercial and operational investments, which unlock new markets and capabilities, which drive prices up and costs down—which results in higher margins.

Investors, customers, partners, employees, and communities all place their own demands on an enterprise. That often leads to difficult trade-offs, and those land on your desk. To make the decisions and investments that create growth, a CFO needs to manage the inherent tension between the risk and value investors and stakeholders are looking for.

While there are a multitude of ways the CFO can drive enterprise value, data suggests that the top priorities for CFOs include growth creation, cost management, capital allocation, and setting and executing strategy.[1] Unsurprisingly, these priorities allow the finance chief to flex the muscles of the Four Faces of the CFO (Strategist, Operator, Steward, and Catalyst).

Many CEOs regard CFOs as critical teammates in setting and achieving value goals at the highest level. Together, they manage the dynamic interplay of value creation: Cost optimization can free capital; capital can drive strategic growth; growth can create new opportunities as well as improve free cash flow and the cost base. The exponential CFO is the leader who sees the whole playing field.



Accelerate growth

Organic? Inorganic? Yes. But “bigger” isn’t the whole answer—the *Strategist* face of the CFO needs to know what needs they are solving for.

A focus on growth acceleration calls for you to reassess the organization's priorities and go-to-market practices. It's more of a business model transformation than an adjustment.

Growth acceleration can take many forms. Questions to consider asking yourself:

- *Are we going after market share?*
- *Are we entering new markets?*
- *Are we diversifying our revenue and/or product mix?*
- *What is our appetite to absorb costs?*
- *Is our supply chain set up to scale with our business?*

A diverse set of levers

To drive topline growth requires command of a diverse set of levers, including but not limited to:

Business model transformation

A holistic enterprise shift can boost efficiency, take advantage of product or market synergies, or adapt to industry changes.

Channel optimization

Developing a loyal customer base can become more likely with better interactions, richer experiences, and lower costs.

Entry to new markets

Establishing a presence in developing market, sometimes through a joint venture, can accelerate the growth of the customer base.

Product diversification

Increasing the number and variety of offerings can not only help grow the top line, but also insulate against downturns or losses in existing lines.

Industry convergence

Working the ties between otherwise unlinked sectors can be the advantage that allows the company to maintain or grow market share.

Remember that growth opportunities influence the cost base, which in turn may either use or free up capital. The three value levers of growth, cost, and capital we examine here are almost always connected. There are points of friction to overcome as well. A large enterprise may find that business and technology priorities aren't always the same. The CFO needs to be an arbiter who sees both sides of that balance, working to keep the technological and human agendas in sync.

A CFO who offers the rest of the company active partnership in growth can align it more closely with other needs. As one Fortune 500 CFO said in a recent gathering, "I need to oversee the transformation of the business while maintaining or accelerating growth—and without breaking anything in the meantime."

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—CFO, Fortune 500 company

Growth acceleration in action

Value from new places

The emerging opportunity to monetize data with the help of AI can be a rich source of value, but it also involves complex factors including ownership, privacy, and new third-party relationships. Deriving value from data starts with capturing it effectively. Some people in a company work with data every day; some people have the stature to help shape strategy. The CFO does both. As Visiting Associate Professor Hossein Rahnama of the Massachusetts Institute of Technology (MIT) Media Lab and founder of Flybits put it, *"Data is an asset class. Trust is the currency. And artificial intelligence (AI) is the economy."*[2]

Shape the cost curve

Don't just think "taking costs out." The *Operator* face of the CFO should think keeping costs out—not with one-time episodes, but with sustainable, structural discipline.

More than half of surveyed CFOs have said their CEOs have asked them to focus on managing and reducing costs. That can have a direct impact on capital flexibility. As part of a value creation agenda, you should extend this view across the entire organization and may need to shift your thinking from "taking costs out" to "keeping costs out."

This cost challenge requires an overhaul of practices and assumptions. The organization should tighten up visibility, supplier terms, technology commitments, and more—all in the pursuit of sustainable, structural change, not cuts in the moment.

Informed cost avoidance can be easier than addressing excess that already exists. In part, this is a bridge between two of our three CFO value drivers, because an excessive cost can become "baked in" as a *fixed* cost if it's approved as part of a capital budget that receives little scrutiny once it's in place.

Diligence in making long-term, structural cost decisions, as opposed to one-time reductions or general budget haircuts, can bring a CFO into difficult situations. When it's clear different operational areas need different levels of trimming, it may be defensible on the page but still feel "unfair" around the table. You need the stature and engagement to make those decisions with authority.

Based on Deloitte research[3] and experience, the limited average tenure of a CFO can also make it difficult to maintain focus on long-term goals and execution. When new CFOs meet new demands for spending—and those crop up—it's harder to hold the line. But a CFO who establishes these expectations and uses leadership and communication to embed them across the enterprise can instill lasting discipline, one that has the potential to permanently change the cost curve for the enterprise.

Structural cost discipline is about culture and muscle memory. Instead of looking backward to prior budgets silo by silo, focus on building enduring organizational capabilities and a cost-conscious culture. That begins with visibility, transparency, and communication across the enterprise. The results can include more timely insights and purposeful interventions in place of episodic events.

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Sustainable expense management

The traditional approach to expense management is typically top-down, siloed, and reliant on prior year actuals. It doesn't always draw useful connections between expenses and the forces that drive them. People might regard any mid-year adjustment as an obstacle to achieving goals they've committed to—and if your efforts create net benefits, it can be hard to track them.

Sustainable expense management (SEM) is a new way to look at cost control that can move an organization away from large-scale, programmatic "events." Instead, the organization builds enduring capabilities and codifies them in ongoing governance, with all stakeholders involved and accountable. In other words, it helps control costs before they happen, not after.

Manage cash and capital

The *Steward* face of the CFO understands how to deploy it, where to set priorities—and how to generate and measure returns.

In the interplay among growth, cost, and capital, the connection here is clear: It's the deployment of capital that fuels growth. But the resources you have are only as valuable as the uses you put them to.

Cash and capital are of course closely related, and cash flow forecasting should be part of the approach. The profit and loss statement and net income are like a company's speed, while the balance sheet, cash, and capital represent the fuel in the tank. The lesson: You can't have speed without cash. A Finance team may consider establishing a cash leadership team or office to address this priority.

Line-of-business leaders want *their* areas and allotments to grow, and each one can usually make a good case. But that logic would make capital demands functionally infinite—a quality that capital itself does not share. The CFO has to weigh these investments comparatively to assess where returns will likely be greatest. A value-centered approach can replace one-time decisions with a rational framework that aligns with enterprise strategy and drives the highest return on invested capital.

It's too easy in the middle of a fiscal year to judge an investment on whether or not it "fits" within that year's fixed allotment.

"For strategy to be successful it needs capital, and if finance and the CFO are the stewards of capital, how can the CFO not be involved in strategy?"

—Frank D'Amelio, former Pfizer, Inc. CFO, independent senior advisor to Deloitte LLP, and CFO-in-Residence of Deloitte's CFO Program[4]

A capital planning approach

The CFO can drive the organization to look beyond traditional allocation frameworks by instituting a capital planning approach that focuses on three key areas:

Strategy alignment

It is essential to communicate capital allocation information to external markets—including returns. Companies should balance long-term aims with short-term objectives, using a “portfolio-like” approach that categorizes and groups investment targets to match company priorities.

Governance and performance

Promoting substance over procedure and simplicity over process can free up important discussions and decisions, while performance tracking with built-in accountability can keep the decision framework on course. Finance metrics can be more powerful when combined with non-financial variables that also affect outcomes.

Investments decision framework

The investment committee remains important, but a segmented decision process should bring in other voices. Review of value performance should be agile and judged against a consistent risk framework—and no project should win approval without at least three operational performance metrics that can help track it.

The common denominator in all these views on capital is data. AI and analytics can help pinpoint internal Return on investment (ROI) opportunities and provide the factual basis for breaking norms. But the other common factor is trust: The CFO who sticks their neck out to ask tough questions and make hard decisions may not always be popular, but they will likely earn more trust in the long run.

The CFO can detach capital decisions from the annual treadmill. Instead of each year's "one big number" that no one can question or change, capital should be a focus of constant attention and decision-making.

Another approach is to apply strategic goals one at a time: The across-the-board "haircut," or the approach that just "dusts off" last year's capital budget, may be simpler to administer, but it may overlook areas of growing or diminishing need.

Current practices also leave room for more transparency and specifics when it comes to capital returns. A 2024 Deloitte analysis of 100 Fortune 500 companies found that while three-quarters provided external information on past capital spending, only about half offered forward-looking guidance or details on current investments—and only 17 percent had anything public to say about ROI.[5]

Capital optimization in action

A new lens on ROI

Capital is a scarce and limited resource that doesn't always get the scrutiny, rigor, or focus on ROI that it should. This may be particularly true for investments that don't offer a well-understood way to measure ROI—for example, when allocations go toward emerging technologies such as Generative AI.

Until a new technology can demonstrate a valuable return, the data for making the investment case may be slim. (Remember: There is no data from the future.) This is where an exponential CFO can go beyond pure financial metrics and apply technical, anecdotal, and other real-world inputs to accelerate the organization's understanding and drive enterprise value.

Take charge of the big picture

The Catalyst face of the CFO puts these priorities into action all at once. The figure-it-all-out CFO can use the priority focus areas of growth, cost, and capital to chart a path to sustainable enterprise growth. Make no mistake: Success depends on the ability to connect and manage multiple stakeholders. As you embark on your value creation endeavor, think about how your decision making will affect internal and external perceptions, ways to catalyze specific behaviors, and the actions that can steer priorities.

What role will you play in actively shaping the enterprise strategy?

Defining expectations is a crucial first step that will allow you to align roles and responsibilities.

How will you map objectives of your plan to enterprise strategy?

You need to put finite resources to the highest use. Consider each potential move's bottom-line impact.

What is your framework to identify and prioritize actions?

It's important to clarify the connection between actions and value. The Deloitte Enterprise Value Map can help.

What are your benchmarks to assess current (and future) initiatives?

If what you're doing now isn't adding value, reconsider. Even if it does add value, does it impose an opportunity cost?

How will you prepare and align talent?

Your new and expanded responsibilities will call for strong team support—and skills beyond traditional accounting.

Where will you need to evolve your value creation capabilities?

Enhance existing capabilities—or build new ones—to enhance performance, agility, and resilience.

How will you define and reassess value now, and in the future?

Always ask if you should be doing something different, or the same things better.

It’s Crunch time.

As the CFO, you need to lead this effort, but you aren’t supposed to do it alone. That’s why alignment and team-building are just as important to value creation as any strategy or measurable investment plan.

What you really are is a hub—of synergy, of strategy, and of action. One financial services CFO recently observed, “The exam doesn’t stop. You are always going to have fires to take care of.” That’s why “Chief Figure-It-All-Out Officer” wouldn’t be a bad title if your job were invented today from scratch. That means people look to you for vision in addition to discrete financial tasks and plans.

The scope of this change extends far beyond core Finance. But you can’t just tell everyone you’re in charge of enterprise value now. The time is now to start establishing yourself, to colleagues and stakeholders, as a partner they can rely on in creating value across the organization. As in any leadership scenario, this is more about showing than telling. And what matters is what you can measure when you’re done.

Want to learn more?

Explore the other reports in our [Crunch time series] or contact our [authors].

Acknowledgments

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To find out more, please visit www.deloitte.com/us/crunchtime.

Endnotes

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