Who's really running CPG companies?

The rise of the CFO

Bottom-line profitability
Top-line growth
In the front lines of change

Forget the stereotypes of CFOs as number crunchers and books bosses. Their remit has extended beyond finance. This is especially true for consumer packaged goods (CPG) companies in today's unpredictable markets.

COVID-19 upended norms, driving changes that were in motion and spurring others. Consumers are behaving differently. Channels are multiplying. Business models are evolving. Ecosystems are expanding. It's happening at a breakneck pace. While 2020 brought pandemic-related growth gains in some categories, many large global CPGs are still chasing numerous digital natives' double-digit growth. Only 37% of CPG CFOs say "achieving new growth" was their most significant outcome for the enterprise in the last two years.

As large CPGs pivot post-pandemic, CFOs must elevate their role further. Most agree. A full 78% expect the role to become more influential after the crisis. The question is not if the CFO's role should evolve, but how. As always, CFOs must be economic guardians of the business. They must also be architects of 360-degree business value, catalysts of digital strategies, and champions of execution. Through it all, CFOs must embrace a venture capitalist (VC) mindset to assess sources of value, identify trends and target investments. It's about transforming themselves to transform the business.

Half of CPG CFOs participating in our latest global research say they are consulted on shaping business cases for enterprise investments.[1]

Visibility is a challenge. While 85% of CPG CFOs are collaborating more regularly outside of Finance, they most frequently cite lack of integration across functions as a barrier to being drivers of strategic change.

Architect of 360-degree business value

From controlling to conducting

This transformation requires a new focus on delivering breakout value for the business. CPG CFOs are becoming architects of 360-degree business value. This is going beyond financial value to include other dimensions of value such as inclusion and diversity and sustainability. Think of this as pursuing priorities like reinventing the business, reskilling employees and becoming more sustainable. It's value that cascades across the enterprise, impacting consumers, customers, partners, employees, communities and the planet.

Embracing this focus means acting with intention and purpose, and CFOs are making these moves now. Take sustainability. Sixty-five percent of CPG CFOs say Finance takes ultimate responsibility for environmental, social and corporate governance in their company. As Unilever's CFO Graeme Pitkethly explains, the company's future strategy and its commitment to sustainability are inextricably linked.[2] And he has a central role driving this dual agenda.

CFOs must also direct cross-functional decisions to protect profitability and allocate resources across the P&L for the highest return on value. To do this, CFOs should understand the different value chains in the enterprise—how they distinctly create and measure value—in order to guide stakeholders to multiply the value they deliver. This takes enterprise visibility and stakeholder management. It's what Coca-Cola Company CFO John Murphy did when he worked with leaders in marketing and operations to trim the brand portfolio amid the pandemic. He describes his role in this initiative as connecting the strategic rationale and the economics.[3]

Murphy's approach is a lesson in the art of the possible for CFOs navigating this value creation role. The visibility that CFOs need to do this well takes collaborative relationships. On the supply side, CFOs need cost visibility through the supply chain and better asset use, from the factory floor to the last mile. On the demand side, they need a unified, data-led demand view to evaluate decisions for profit and optimize spend. Fully realized, this end-to-end visibility powers a virtuous circle of insight and action—with the CFO at the center.

An important part of this role for CFOs is to evangelize the "why" and "how" of value creation to others, not just in Finance, but across the business. As a corollary to this, CFOs must also drive cost management discipline across the business, encouraging an owner mentality around spend. Doing this well means democratizing data and providing employees with headline insights in fast and easy ways.

Our cross-industry research reveals that technology savvy and digital investment is the top differentiator among standout CFOs who effectively work at speed to drive top-line growth and bottom-line profitability.[4]

Catalyst of digital strategies

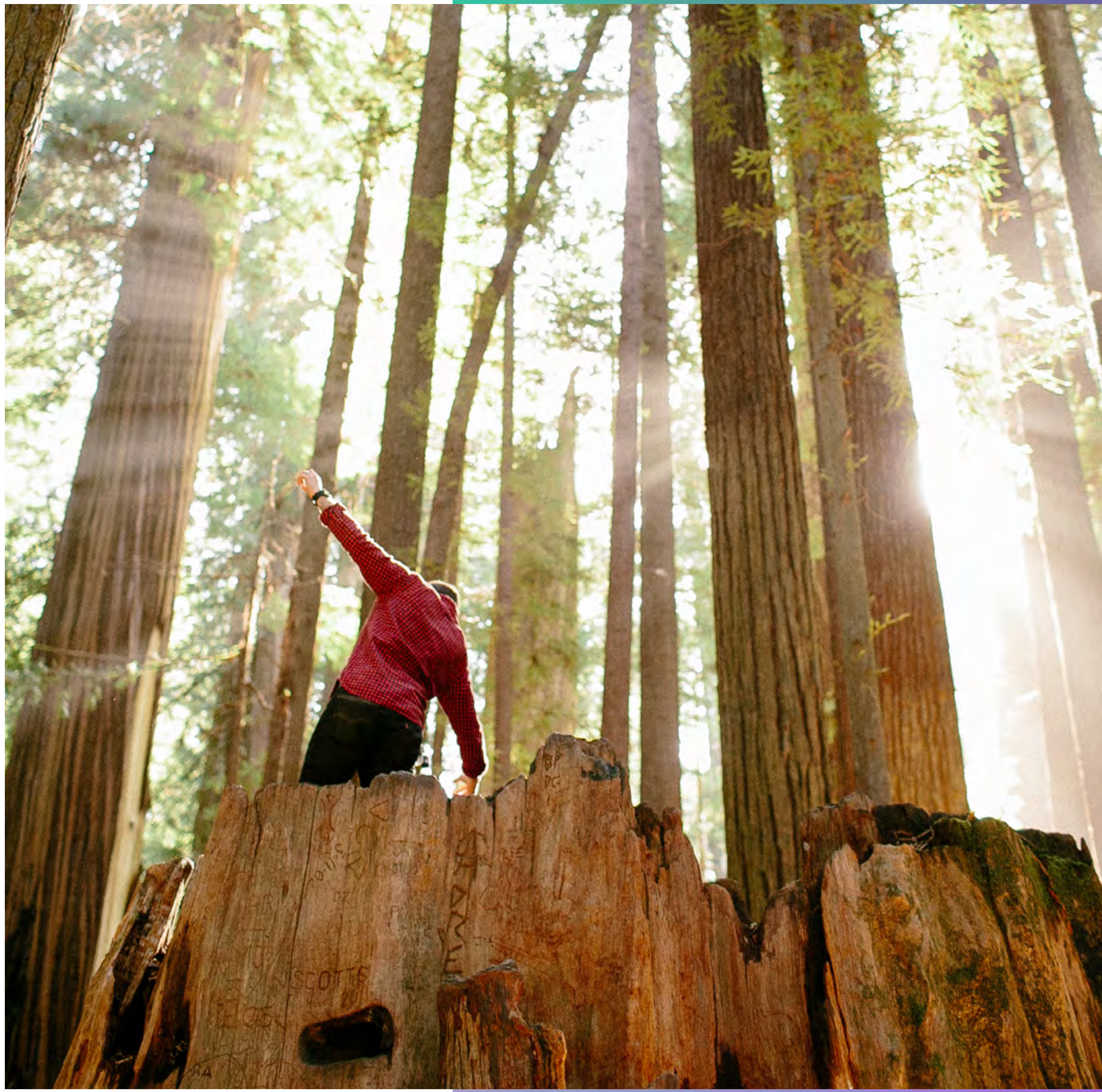
From transactions to technologies

Digital underpins 360-degree business value. So it's no surprise that CFOs are becoming digital dynamos. Many are tech-savvy innovators driving digital transformation—some with Silicon Valley-like flair. These CFOs do more than greenlight investments. They understand how technology brings value to the business. In fact, 72% of CPG CFOs report that they have the final say in the technology direction of the enterprise. This would have been almost unheard of even as recently as five years ago.

Consider again the importance of cross-enterprise visibility in creating 360-degree business value. Digital combined with collaborative relationships is a gamechanger here. This is true for manufacturing, traditionally a black box for CPG CFOs. As digital factories come online, it's not only engineers who can access data to improve performance. Investments in the cloud can bring real-time factory data to the corner office. Digital can also help CFOs see leading indicators of demand before they show up on the P&L.

CFOs' digital acuity also comes into play in M&A today. Traditionally, CPG giants would acquire new brands to extend the portfolio to new categories and customer segments. This still happens, of course. Increasingly, CFOs are also evaluating acquisitions in terms of assets and channels. They are determining how the acquisition will contribute to the digital strategy. For many CPG players, it's about acquiring digital capability to better serve and understand customers, strengthening their direct-to-consumer reach. We saw this in Nestlé's acquisition of Freshly, a meal delivery service,[5] and Nike's acquisition of Celect, a predictive analytics firm.[6]

CFOs also have to be tech-savvy enough to tell a compelling story to Wall Street to get strong valuations. After all, the Street is rewarding tech-forward companies. Those that successfully scale AI are achieving nearly 3X the ROI and an average 32% premium on key financial valuation metrics. The reality is that the rate of technology change and digital innovation is only going to increase. To compete, CFOs will continue to look to acquisitions and ecosystem partnerships to get fast step-change jumps in digital capability. And they will have to keep upping their digital game.



Champions of execution

From orthodoxy to opportunity

For CFOs to execute as value creators and digital drivers, they must shed some orthodoxies. A mindset shift is paramount. CFOs must be proxies for investors, acting like their own shareholders.

It's a shift from a private equity mindset to this VC mindset. While private equity investors are about control and deep analysis, reductions and return on investment, VC investors are less focused on the ins-and-outs of operations. They are opportunistic trend watchers and portfolio managers who analyze data to assess how value is generated—and where it will come from next.

Consider Microsoft CFO Amy Hood's VC-like approach to position the company in the digital age. She strategically moved funding from the legacy business to transform Microsoft from a software provider and technology vendor to a serious cloud contender. Her sense of market trends and customer sentiment is instructive for CPG CFOs who are right now looking to get closer to consumers to compete with direct-to-consumer players.

Strategic moves like Hood's hinge on comprehensive internal and third-party data insight. It's non-negotiable for CFOs to elevate their role beyond core accounting and reporting.

To derive more value from data, CFOs must improve human-machine collaboration in Finance. By automating core finance tasks—which 85% of CPG CFOs are investing in—they can free people to analyze data, instead of processing it. Reskilling and new talent profiles are key here as CFOs build and recruit next-generation finance talent. They will need finance professionals with skills in analytics, innovation, financial modeling and communications. Not coincidentally, all of which are attributes of a savvy VC.

CPG CFOs are not consistently optimizing data use. Just 32% are currently using market data to identify new value. This is perplexing considering that these CFOs cite market data as the most valuable data source for providing insight to the enterprise during COVID-19.

How to meet the moment

3 actions for CFOs

CPG CFOs are driving the investment decisions that can make or break the future. To meet the moment, they should take calculated actions to deliver on their role, starting with these fundamentals.

1 Make finance everyone's business

For consumer goods companies to foster collaborative relationships across functions, financial literary and capability should be threaded as a shared language across the organization. By raising everyone's financial quotient or "FQ," CFOs can increase their impact and span of control without increasing the cost and size of the function. The finance organization will need to become more collaborative and nimble. What's key is empowering others with tools that simplify complexity and make data insight digestible for the entire organization. This is how CFOs can support more insight-driven decisions across the enterprise and shift some traditional finance tasks to the front end. This way, people act like controllers themselves who understand the value and cost implications of the decisions they make.

2 Stay at the cutting edge

Within this new value landscape, the CFO should be the one to accelerate digital investments. There is nothing sure-fire about this. However, CFOs can apply the same balance of art and science grounded in logical thinking and data insight that they use to launch new products, extend brands and evaluate acquisitions. Equally important, CFOs must view digitizing the enterprise not as an enabler, but as a strategic differentiator that drives competitiveness. They must have the courage to experiment and the foresight to shut down investments that are not delivering at the right time. In addition, CFOs' attention cannot stop after the investment is made. They must put the proper measures in place to ensure that the value of digital investments is realized in the execution. It's about measuring outcomes, not budgets.

3 Orchestrate for speed

Traditional consumer goods players are built for scale, not speed. But speed is essential to making the most of digital investments. CFOs must help their organizations operate at speed. They can start by bringing data insight to the organization to improve decisions and accelerate the pace at which they can be made. Another key to working at speed is having the stomach to make bold moves and work differently. What it meant a decade ago to build a billion dollar brand has changed profoundly. CFOs now must analyze so many parameters—what the brand means to the company, market segments and consumers, factoring in cost, profitability and the consumer journey as well.

Over the years, CFOs in CPG companies have taken on an increasingly expansive and strategic role. This evolution continues today—faster and in more consequential ways. Because when CFOs go beyond being economic guardians, they can create breakthrough opportunities for themselves, and for their organizations.

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