Gartner for Finance

Nine Strategic Imperatives for CFOs

Planning for Efficient Growth in a Post-COVID-19 Recovery
For the past 15 years, Gartner has studied how organizations create value by growing the top line, increasing profitability and reinvesting efficiently. The highest-performing companies focus on value-creating growth, scale over scope and principled risk-taking. These principles are the blueprint for CFOs who seek to grow and earn excess returns.

Jason Boldt
Sr Director, Research

Nine Strategic Imperatives for CFOs

01 Make bigger, focused bets
02 Orient investments to customer value
03 Reallocate from losers to winners
04 Fight “scope creep” to ensure profitable growth
05 Protect the organization’s critical strategic initiatives
06 Protect the costs that support competitive advantage
07 Use a mix of budget models to align resources properly
08 Remove the “growth anchors” that finance creates
09 Engage the entire business in finding cost savings
01 Make bigger, focused bets

Fight the tendency to hedge your bets in the growth investment process. Instead, make chunkier, riskier investments in identified growth opportunities.

Where to focus

R&D
Efficient growth leaders don’t outspend peers on R&D but are 1.44x more likely to be first movers during major disruptions.

M&A
Efficient growth leaders pursued 1.6x larger M&A deals on average over a 20-year period.

Capex
Efficient growth leaders are 2.6x faster at reintroducing capex spending in the three years following a recession.

Go Further

Learn four strategies for growing the top line, while cutting the right costs, during periods of economic uncertainty.

Download Report →

Efficient growth leaders: Companies that demonstrate long-term revenue growth and cost reduction along with short-term simultaneous growth and margin expansion.

n = 120 (60 efficient growth leaders, 60 control group companies).
Source: Gartner
Great investments stem from great customer value. Improve your understanding of what drives customer value by spending a significant amount of time with customers.

Where to focus

Time spent with customer
Spending time with customers is the top driver of CFO personal effectiveness (64%), besting other attributes like personally prioritizing pricing strategy, the quality of the relationship with the head of sales and personally prioritizing working capital. Personally effective CFOs spend almost 8% of their time with customers and wish to increase it to more than 10%.

Source: Gartner
Reallocate from losers to winners

Foster open discussions on the downside risk inherent to new growth opportunities and redirect resources away from a given investment as needed.

Where to focus

Exit triggers
Just 15% of companies are ready to allocate funds from losing to winning projects because, before the project launch, they identified the indicators that signal the project should not proceed to the next stage, as well as the criteria for reallocating funds from an underperforming project to an outperforming project.

Source: Gartner

Go Further

Access four best practices from the 60 companies that defied the odds and grew through every up and down over a 20-year period.

View Research
Fight scope creep to ensure profitable growth

Maintain focus on operating scale and manage the hidden costs that complexity imposes on the organization.

Where to focus

Targeted growth bets
Efficient growth leaders have 18% fewer industry groups represented in their business portfolio.

Simple product and service lines
Efficient growth leaders have 24% fewer product and service lines.

Operational density
Efficient growth leaders concentrate 20% more revenue in their largest geographic segment.

Scope creep: A gradual increase in portfolio scope that requires increases in labor, operations and product management costs.

Where to focus

Targeted growth bets
Efficient growth leaders have 18% fewer industry groups represented in their business portfolio.

Simple product and service lines
Efficient growth leaders have 24% fewer product and service lines.

Operational density
Efficient growth leaders concentrate 20% more revenue in their largest geographic segment.

n = 120 (60 efficient growth leaders, 60 control group companies).
Source: Gartner
Protect the organization’s critical strategic initiatives

Ensure that growth initiatives with strategic importance to the organization have sufficient resourcing across their life cycle and do not let them go unfinished.

Where to focus

Additional funds pool
Size the additional funds pool by making four considerations:

- Total number of strategic initiatives being funded
- Percentage not in the mature stage of the project life cycle
- Number that are trending poorly against plan
- Degree of confidence in project assumptions

Go Further

Get practical tips for avoiding common missteps made when under pressure to cut costs.

Download Report →
Drive value (long-term margin expansion and profitability) by committing funding to costs related to points of differentiation for the organization.

Where to focus

Competitive differentiators
Successfully structuring costs around competitive differentiators (e.g., intangible and tangible assets, management alignment, unique capabilities) drives 42% higher long-term value realization, or 6% excess ROIC over three years.

42%

Go Further

Learn the two steps to take now to protect sources of differentiation and guide business leaders to invest.

Read E-Book ➔
Use a mix of budget models to align resources properly

Deploy zero-based and driver-based budgeting models to identify and fund the activities that truly support business value.

Where to focus

**Zero-based budgeting**
You will see more success with ZBB if you have:
- Comprehensive cost data
- Metrics or KPIs to assess the value of cost center activities
- Staff skilled in ZBB
- Buy-in from corporate leadership for ZBB

**Driver-based budgeting**
DBB is differentiated from a traditional budgeting approach because it:
- Goes beyond revenue to include other influences on spend (e.g., decision makers, customer segments, number of business units)
- Connects drivers to costs through workload (e.g., analysis, forecasting)

Go Further
Take Gartner’s litmus test to determine when and how to do zero-based budgeting.

Access Guide
Incentivizing growth investment doesn’t ensure sufficient risk-taking. Take aim at the day-to-day finance processes and practices that undermine the business’s willingness to make smart growth bets.

Where to focus

**Bureaucracy**
Requiring detailed financial models for business cases, and instituting unreasonable hurdle rates

**Short-termism**
Issuing incentives that focus business managers on short-term issues, and running variance-focused operating reviews

**Dangerous-to-fail mentality**
Killing growth projects at first signs of duress and penalizing project sponsors for outcomes driven by uncontrollable factors

**Capacity constraints**
Forcing teams to run as lean as possible with tight cost controls

---

[9] Growth anchor: An unintended effect of a process or policy that causes business managers to redirect resources and attention away from large growth projects

---

Go Further

Use Gartner’s decision framework to identify key cost optimization initiatives to implement over time.

Download Guidance →
Engage the entire business in finding cost savings

Centralized corporate campaigns don’t necessarily create lasting cost reductions. Drive the business to participate in the ongoing search for efficiency.

Where to focus

Cost savings winback
Choose the winback mechanism that best fits your context and priorities:

- Direct return for decentralized organizations
- Central winback for highly centralized companies
- Monetary bonus for firms experiencing significant change
- Accelerated or matched winback for growth companies

Go Further

Learn why and how to transform your finance business partnering model via lessons learned from progressive finance teams.

Read E-Book →
Learn more.  
Dig deep.  
Stay ahead.

Follow us on LinkedIn | Gartner for Finance