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# CFOs as Leaders of Organizational Innovation

## 5 ways finance executives can leverage our unique expertise, and our cautious nature, to advance corporate strategy.

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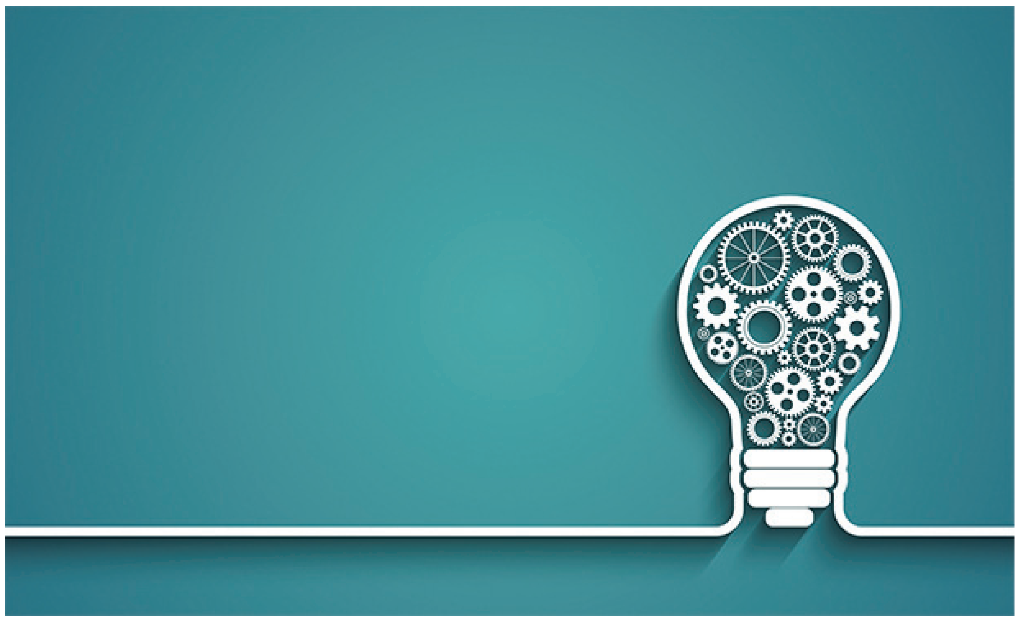

The role of the CFO has evolved dramatically in recent years as the business landscape has become more dynamic, competitive, and complex. It's no longer enough for a CFO to focus on the traditional responsibilities of protecting the financial security of the firm and identifying ways to foster growth. Today, CFOs are expected to play a broader and more strategic role by helping to define and shape the future vision of their companies, particularly as new technologies create opportunities to transform market sectors in the blink of an eye. Central to this is the need for CFOs to serve as champions of organizational innovation.

This emphasis on technology innovation tends to be unchartered territory for many CFOs. The topic is, by nature, somewhat nebulous and hard to measure—which means it can feel contradictory to our responsibilities as financial stewards of the business. However, CFOs are naturally equipped to find an appropriate balance between promoting innovation and making 'safe' financial decisions by ensuring that investments are connected to outcomes and that the outcomes are focused on growth and an improved client experience.

I've had the opportunity to put these skills to the test as CFO at The Depository Trust & Clearing Corporation (DTCC). Over the past few years, we have been experimenting with the latest fintech innovations, such as **blockchain technology**, applied **machine learning**, and **robotic process automation (RPA)**. These technologies have the potential to transform how DTCC supports global markets and mitigates risk for the financial services industry.

Innovation in finance technologies has become a touchstone for our business, and I've made it a priority to be connected to every step of the solution-development lifecycle. From this experience, I've learned a few important lessons that have enabled me to protect the business while also promoting ideas that may have the potential to steer the organization in a new direction.

To preserve their organization's financial strength, while improving agility in rapidly changing marketplaces, finance executives need to:

**1. Lean into, and then break up, the unknown.**

CFOs typically thrive on order and precision, but embracing the unknown can lead to professional growth and business success. That's been my experience over the years as I've moved from my early days as an auditor at PwC to running DTCC's clearing, settlement, and asset servicing businesses, to eventually being appointed CFO.

Over this professional journey, I have learned the importance of effective project management. Setting up checkpoints to mark an initiative's incremental successes or setbacks helps make the unknown elements of something like technology innovation more manageable. As an example, my firm is committed to moving processes to the cloud, including some of the most critical tasks we perform for our clients. However, while our enthusiasm for cloud computing remains strong, we've had to modify those plans based on the current maturity of the technology. By creating guardrails and checkpoints, we were able to identify gaps with the technology early on and switch course quickly to maintain the highest level of security and resiliency for our clients.

Leveraging flexible approaches to project management may also help increase the CFO's comfort with innovation. The Enterprise Agile methodology, for instance, has become popular across business sectors because it enables organizations to explore new ideas faster, iterate based on regular feedback, empower frontline employees to make decisions, and experiment and fail fast.

Another aspect of Enterprise Agile project management, which is particularly important during the innovation cycle, is the concept of a minimum viable product (MVP)—that is, developing a product in discrete, predefined phases and collecting client feedback along the way. Such an incremental approach mitigates the financial risk of having to fully fund an initiative that has an uncertain destination. If an Agile project's periodic check-in determines that some aspect of it has veered off-course, the team can be redirected before spending any more resources heading in the wrong direction.

**2. Seek balance.**

Within the organizational parameters for successful innovation, CFOs should promote a balanced portfolio of projects. In aggregate, the company's initiatives should be diversified in both risk and financial return.

The CFO should separate projects into buckets of 'must do' initiatives, 'flexible' projects, and 'fragile' investments. Projects labeled 'must do' have a predictable return on investment (ROI) and are generally a safe bet. 'Flexible' initiatives are those that the project team can adapt as they go. 'Fragile' investments are the high-risk, high-return initiatives. CFOs can guide the organization toward the right balance across its technology investment portfolio, to support both stability and growth. Allocating sufficient resources to each group of projects—must do, flexible, and fragile—ensures that riskier initiatives have the safety net they need to either get under way or fail.

CFOs can also develop systems for the organization to use to measure the success of both individual projects and the overall portfolio. In addition, we can build processes to better communicate results internally and to clients. Our position gives us the platform and credibility to help stakeholders understand each initiative's expected (or achieved) bottom line.

**3. Utilize our bird's-eye view to define and advocate for innovation.**

CFOs are like the eagles of the organization. We have a bird's-eye view across the entire business, but we can also dive deep into the financials to understand opportunities that may not be obvious or clear from the outside.

It's important for CFOs to capitalize on this unique vantage point by helping define what innovation should look like in our organizations. We are well-positioned to make recommendations on both certain and uncertain investments, as well as to serve as a key voice when it comes to prioritizing initiatives. In my experience, organizations don't lack for good ideas, but many struggle to say "no" or "not now" when it comes to funding initiatives, especially those that are considered exciting because they are grounded in innovation.

The CFO can serve as the honest broker in the room because we don't have skin in the game. Our focus is on ensuring the organization gets value for its investments and generates ROI over the long term. Board members appreciate hearing from the CFO as the unbiased voice in the room.

The better we understand how our organizations invest in innovation, the stronger we will be as advocates for these projects. To play this role effectively, however, a CFO must be involved in the innovation cycle from the very beginning, in order to help shape the business case, focus the collective attention on business outcomes, and—as an initiative progresses—provide counsel on correcting course as external dynamics or client needs evolve.

**4. Encourage a culture of creativity and selective risk-taking.**

A culture of experimentation and discovery can thrive only if it comes from the top. CFOs need to foster an environment of innovation, across both the corporate finance function and the company at large, through our words as well as our project-investment decisions. When we endorse innovative but riskier endeavors, we're sending a powerful message that will resonate with our colleagues at all levels of the organization.

Creating a culture of experimentation and constant learning is a critical culture shift for a company, but it is essential to encourage employees to flex their innovation muscles, think creatively about challenges, and reimagine processes to achieve business objectives more efficiently.

Better yet, by providing support for innovative initiatives, CFOs can change the perception of our position from that of a potential obstacle to funding exciting projects, to the financial enabler of creative ideas.

**5. Take the long view.**

The ultimate goal of a CFO is to encourage the financial growth of the business. Although it may be easier to focus exclusively on quarter-by-quarter results, we need to regularly take a step back to see the big picture. When we do, we may see that the value of a particular long-term investment is exactly what our organization needs to grow and modernize.

CFOs often live by the numbers: It's our job to understand the potential financial implications and risks of different organizational decisions. On the surface, this responsibility may seem like it could curtail our support for innovation, but the opposite is true. A risky project with a winding path to success may set off alarm bells within the CFO's quantitative nature. But companies must innovate if they want to gain a competitive edge or achieve an unexpected return.

The most successful CFOs are those of us who can take the long view and see the potential of different initiatives, then establish a numbers-oriented framework to make the implementation of innovative ideas less risky and more viable in the short term.

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