
HOW WILL TODAY'S CHALLENGES SHAPE WHAT CFOs DO IN 2014?

MARCH 18, 2009
CORPORATE AND EXECUTIVE EDUCATION
DREXEL UNIVERSITY, LEBOW COLLEGE OF BUSINESS



PRESENTED BY
CARL FRANCIS
INSTRUCTOR, STRATEGY
FOUNDER & CEO, ENVISIAN INC.

Learn Here, Lead Anywhere™



LeBow
COLLEGE OF BUSINESS

THE KRALL CENTER
CORPORATE & EXECUTIVE EDUCATION

How will today's challenges shape what CFO's do in 2014?

A discussion focused on how to look at change.

How will your business need to change to be ready for tomorrow's world and tomorrow's customers?

Executive Summary

Are you thinking more about the future right now – in these uncertain economic times – than you used to? Why? Attendees: *Because the economy affects our companies, our careers, and even our personal futures.*

Should we be thinking about the future all of the time – as part of our jobs? Should it be part of our everyday life? How should we be leading and managing to incorporate the future into our decisions and plans – and to be ready for doing business five or ten years from now?

Perhaps if we want some insight into these questions – there is something to be learned from our experiences as part of many different companies. One of our favorite questions to ask during interviews with business leaders is: *What trends and changes do you see occurring in the outside world that will affect the way you do business in the future?* The number one answer is *hmmmmm*. The second is, (*eyes looking at the floor*) *ummm*. What would you conclude from this kind of a response from someone running your company?

Inbox Disease. Our conclusion is often a diagnosis we call **Inbox Disease**. Too many of us today see only what is put in front of us. And the clues and information we need about the future are rarely placed in front of us with a sign that says (like a movie trailer), *Coming in two years to your office!* Inbox Disease is highly contagious. It can infect everyone in a department or a division – and is often fatal – death coming when their career or their business dies.

So how should we be thinking about the future? How do we do it intelligently, thoughtfully – and as leaders – without the risk of making predictions that could make us look bad?

Video: “Did You Know?” One way to start looking forward more effectively is to look backward – to see where things have come from. Looking backward often provides clues as to where things will go in the future. We watched the SONY video, “*Did you know?*” which, in four minutes, provides a look at numerous ideas, initiatives, and situations – worldwide – that didn't exist a few years ago. [View video](#)

Why is paying attention to the future especially important to leaders?

Responsibilities of C-Level Leaders. To answer this question, let's look at what I believe are the three critical responsibilities of a C-level leader: **Direction** (of the company; where are we going?); **Decisions** (in support of the direction – who to hire; what to focus on; where to allocate resources; and so on); and last, **Delivery** (getting things done; achieving results).

If you agree that those are critical must-do responsibilities, how can you possibly expect to set a reasonable, rational direction for your company unless you have some idea of where things are going? How can you make responsible, prudent decisions without a good feel for what things are going to be like, what's changing, and what's going away? And if that's not clear enough, is it really likely you can deliver without some sense of what's ahead?

Four Principles for Looking Ahead. Here are four principles that might be helpful in beginning to look ahead – and think about – the future.

1. Pay attention – with a plan. Whenever I am called into a business that is in trouble, it is invariably because they have not been paying attention to something – customers, competitors, or changes around them. There are six areas to pay close attention to inside and outside your business:

External – 1) Business in general, 2) The world around you, and 3) Your competitors

Internal – 1) Your department or group, 2) Your company, and 3) Your industry

If you'd like to learn more about paying attention, a short podcast and the handout you received are available at [Podcast and 3x3 Paying Attention Matrix.](#)

The bottom line is: *What you look at – is what you will see.*

2. Analyze, evaluate, think, engage, and talk about what you see. You don't have to make sense of everything you observe right away. It's okay to think about it and talk about it with others. *What could this mean? Will it catch on? Is it really better? Does it meet a real need? Will customers like it better? Does it fit us as a company? How could we take advantage of this?*

Here are two simple techniques to help you better evaluate what you see.

1. Five Finger Categorization. The first technique uses only your hand to give you five quick and simple categories in which to place each new idea. Just open up your hand. Here is what each finger means:

- Thumb: a certainty. Sooner or later, this will happen.
- Index finger: likely to happen
- Middle finger: maybe/possibly. Could go either way.
- Ring finger: unlikely
- Little finger: not a chance. Dead.

This method is a great discussion starter. Mention a new idea, development, or change you see, and ask others to give it a quick hand-ranking about its future. Then discuss it some more. Look for some value you didn't see before. Talk about whether the idea or technology is improvable over time. Will it get better and become less expensive? After a while, ask people to reconsider their first ranking and see if anything has changed.

2. The 5x5 matrix. This technique also revolves around fives. Simply choose five criteria that matter to you or your company, such as profit potential, fit with present product mix, ability to produce it, and so on. Using your five criteria, evaluate the concept by giving each one a 0-5 ranking (5 highest). Then total them up to get a score out of 25 possible points. If you want to work on a 100 point basis, multiply your subtotal by 4. Don't make this complicated. Now, as CFO, your five criteria might be different than someone else's or the CEO's. That's fine, and may help push the idea forward.

Here's why this works very well. Suppose you have a great idea and you take it to your boss. The research says he or she will most likely respond to your idea in one of three ways: *1. NO. 2. I'll get back to you. 3. Write it up.* The meaning is the same in all three cases. *Get lost, I'm busy.* Or something to that effect.

Now suppose your company is different. Suppose each manager is trained, encouraged, and incentivized – to use a 5x5 matrix on every new idea brought to them. And you knew your boss was going to ask for your 5x5 – which might be more like: better value for customers; fills a hole in our product line; opens up a new market; it would beat the competition; or it’s really cool. Suppose you also knew *not* to bring an idea to him until you could reasonably justify a score of 50 or more. And before he could take it upstairs, you had to get it to a 70 or higher. The 5x5 matrix is a simple tool to help CFOs or any members of management to think about and evaluate almost anything. With a little practice and a piece of paper, you can easily master this technique.

Bottom line: What you think about – is what you’ll understand.

3. Test out the best ideas. What better way to find out if something new – like Twitter, Loopt, BumpTop, YouTube, netbooks, or some other new development or way of doing things – could benefit your company? Try them out. And get others to help you.

Often, it’s possible to put together a small band of people who will gladly test out new things. Ask for volunteers. Buy, rent, or borrow one or two of something you’re considering. Let your volunteers take it home for a week or two. But give them criteria (perhaps a 5x5 matrix) for what you want to know: Could this help us? Does it have commercial value? Is it worth the money? How difficult would it be to implement? How could we try it out on a broader scale at a reasonable cost and see if it makes sense?

Why this works: Innovation research has shown that sometimes constraints can actually help people be more creative. You may not even need to pay your helpers or have them spend company time on it. Give them some special recognition or reward that doesn’t cost much. A monthly Wizard award with a hat and wand to put on their office door. A gift card to somewhere fun. Pay their personal cell phone bill for a month. The investment could be peanuts compared to a great idea found – or a disaster averted.

Bottom line: What you understand – is what you can profit from.

4. You don’t have to be perfect, to be TERRIFIC. Here’s an important reality about looking ahead. You don’t have to be amazingly accurate in order to contribute in amazing ways. You might have seen ATMs, or digital photography, or smart phones coming – and yet been too optimistic about how fast they would become mainstream. That’s okay. Many new things (like these) actually took decades to develop, improve, and take hold with customers. If you are regularly sifting through ideas, new developments, and potential trends – and then moving them higher or lower in your list of possibilities, you’ll strike gold on some and strike out on others. But there is one reasonable guarantee – you’ll be farther ahead than the company who isn’t paying attention and isn’t thinking.

Too often we are reluctant to think and talk about new ideas. We’re afraid of being wrong and looking stupid. Is there a better way to think about changes we feel are likely to impact our business in the years ahead? Consider a model like the one many venture capitalists use. If you have ten possible initiatives, could you be happy with three of them coming to fruition? Or can you come up with a model that works for you – perhaps one based on a list of ideas you are watching – and which shifts things in and out as they develop or flame out? Or can you involve your people in forecasting which developments are significant and worth pursuing?

Conclusion. The objective in looking at the future and anticipating what's next is the same for all of us: **to profit from what's next.** Whatever profit means to you – whether it is money, or advancement, or service to others – you can profit more by knowing as much as you can about what's coming, what's likely to happen. And the more we know, the more we can profit.

It doesn't mean we have to get it completely right all the time. Being even partially right can produce amazing progress. In the end – I hope you'll remember that when it comes to looking ahead – **you don't have to be perfect to be terrific!**

Thank you.

Feedback from the Roundtable Discussions

The audience at the March 18 CFO Alliance Roundtable was presented with the following challenge:

What are the trends and changes happening in the outside world that are likely to affect the way your company does business in the years ahead?

At your tables, select one or two categories from the list below; identify the important trends and changes you see occurring in each area, and discuss how they are likely to affect/change/impact your company.

Collaboration	Interfaces
Communications	Leadership
Energy	Planning
Facilities	Strategy
Information	

Finally, rank the likelihood of each of your items actually happening using the following system:

- 5 Certainty
- 4 Likely
- 3 Possible
- 3 Unlikely
- 1 Not a chance

Table 1: Information: Too much, too quick, don't know what to use it for. Information is the enabler; we have to be able to deal with it. The key is technology. What's the cost of bad platform decisions? What drives your business?

Table 2: Communications & Information:

- 5 Velocity/volume
- 5 Accessibility
- 4 "Kindle" e-book
- 3 Print going out
- 3 How to get value for info
- 3 Quality/authority/(expertise)
- 4 How to get what you really want

The challenge is the proliferation of information; corollary volume goes up, real time nature of it. Problem is evaluation of the quality. Benefit – movement towards artificial intelligence. Internal vs. external: proactive in dissemination for internal and be credible. Ahead of the curve in getting information out externally.

Table 3: Leadership/Energy: How we communicate, collaborate, synthesize info. Energy will cost with climate change; legislation will cost more in the future; more government involvement and regulation. Alternative energy push; leadership & interface: new administration - how will government interact with business?

Table 4: Energy:

- 5 Government regulations (cap & trade, etc.)
- 2 Demand/supply balance
- Environmental impact
- 4 Technology
- Geopolitical challenges
- Transportation demands

Table 5: Planning and strategy: complexity of information will get greater, increased risk of being wrong, increasing globalization, getting everyone involved in decision making, understanding your competitor. Trends and changes: decrease in consumer spending, shake out in performance,, technological change, political instability, government involvement, increasing velocity of change in day to day, energy crisis.

Table 6: Trends and changes:

- 4 Decrease consumer spending (recession)
- 4.8 Shakeouts/consolidation in industry
- 5 Technological change
- 3.9 Political instability
- 4.1 Gut involvement
- 5 Greater “significance of int’l capital” (people, dollars, etc.)
- 5 Increasing velocity of change
- 4.5 Energy policy

Table 7: Information/Leadership: We don’t understand what our children say and how they say it. How are we going to connect with the next generation? Leaders/technology – it has to be the people working around you that are smarter, thinking better, etc. We didn’t see this coming, so we need to prepare our teams of people for the future. Ability to communicate; collaboration – tougher as we become more exposed to outside world; abundance of information.

Table 8: Communications and Information: Volume and velocity of information; getting access to it; Kindle - is printing going to disappear? Value of information; quality of information is increasing (trend); RSS feed – how to get what you really want. We will probably sort this out.

- 5 Energy will cost more
- 5 Government involvement
- 4 Modernization of infrastructure
- 2.27 Alternative energy

Summary: apprehensiveness and a risk to put together a list and post it on your door. What if you put together a list with your people? Where are we headed, how can things connect? Business intelligence officers – is that a specific role? Roles are becoming for cross-company. More and more jobs are being created that cross boundaries.

Recap of 4 principles:

- Pay attention with a plan – what you look at is what you see
- Analyze, think, evaluate, engage your staff
- Test out best ideas – find ways to try things out
- Always remember when you are thinking about the future, you don't have to be perfect to be terrific.



LEARN HERE. LEAD ANYWHERE®

Corporate and Executive Education

Kristin M. Risi, MBA, Ph.D., Senior Director
215.895.6606
krisrisi@drexel.edu



Jasmine Rea
Advertising & Circulation
215.238.5123
jrea@bizjournals.com



Nick Araco, Esq., Director
Consulting Services
215-648-3021
nick.araco@rsmi.com