



# The innovation CFO

Innovation leaders who find common ground with CFOs can help foster a culture of innovation



There is a stark contrast between how innovation teams traditionally look at innovation compared to other members of the C-suite, particularly CEOs. While CEOs are focused on longer-term transformational projects that drive growth, most line-of-business innovation teams often have a short-term focus on existing business models and capabilities. Companies are starting to consider that CFOs can serve as conduits between the two as they focus both on creating profitable growth in the near-term and protecting longer-term sustainable value.

CFOs of the future will be key players in promoting and driving innovation within an organization. Although they will continue to focus on allocating resources and realizing cost efficiencies, they will view these functions through an innovation mindset. Understanding that innovation is fundamental for staying ahead of the competition and adapting to changing market trends will be central to their outlook. Rather than viewing innovation as a cost center, they will see it as a strategic investment with the potential for high returns. They will approach innovation initiatives with a long-term focus and embrace calculated risks with the potential to drive growth and success. And, perhaps most important, they will play an important role in creating a culture of innovation, where creativity and new ideas are encouraged and embraced.

## Overcoming hesitation

To drive this evolution, innovation leaders need to work with CFOs to help them overcome some of their historic views on innovation. For example, many CFOs believe:

- **Innovation is a cost center:** If they view innovation as a costly investment with uncertain returns, CFOs are more likely to prioritize initiatives with more immediate and tangible benefits.
- **Innovation requires a robust risk appetite:** Since innovation initiatives involve uncertainty, CFOs may be hesitant to make substantial investments due to their responsibility for financial stability.
- **Innovation projects don't often have an immediate ROI:** The timeline for realizing a return on investment (ROI) for innovation projects can make it difficult for CFOs to justify resource allocation.
- **Innovation doesn't contribute to efficiency:** Since CFOs prioritize cost efficiency, they may not see the value of investing in initiatives that lack an immediate impact on the bottom line.



## A top twelve list for helping CFOs shift their mindset

To effectively communicate with the CFO about innovation, innovation leaders need to address these long-standing perceptions and provide a clear and compelling case for why innovation is worth the investment. This can include highlighting the long-term benefits, allaying any financial concerns, demonstrating how innovation initiatives will contribute to the company's growth amid increasing disruption and intense competition, stressing the importance of evangelizing the organization's commitment to innovation, and plotting out practical actions.

### Long-term view

1. **Drive home the relationship between innovation and the company's long-term viability:** Explain why innovation is crucial for staying ahead of the competition, improving products and services, and adapting to disruptive market trends.
2. **Paint a vision of the future through real-world case studies:** Provide real-life examples of companies that have successfully innovated and the results they achieved.

### Financial considerations

3. **Itemize budget allocations:** Present a detailed budget plan that outlines how the resources and talent required for innovation initiatives will be obtained and managed.
4. **Parse out cost-benefit analyses:** Offer a clear and concise overview of the costs to pursue key innovation projects and align them with the potential financial benefits to the company.
5. **Budget for experimentation:** Provide justification for why taking the time to test, learn and iterate is a key enabler to innovation accomplishments and successes.

### Growth potential

6. **Specify the potential return on investment:** Estimate the potential ROI for each innovation initiative and expand your analysis to include how the ROI will contribute to the company's overall financial performance.
7. **Delineate the approach to measurement:** Outline the metrics that will be used to measure the progress and ultimate success of innovation initiatives and provide reassurance that you will course correct as warranted.

### Organizational commitment

8. **Emphasize the importance of a culture of innovation:** Make the case for how an innovation mindset should infuse the entire enterprise to

create a more dynamic and adaptive organization that can anticipate and respond to disruption. This can be accomplished through tactics like creating an innovation network, hosting an ideas challenge, and funding and empowering dedicated innovation teams.

9. **Make the case for leading by example:** Encourage the CFO to be an innovation champion, communicate the vision enterprise-wide, and help the team attract additional budgetary and talent resources.

### Practical steps

10. **Present a strategic plan:** Describe how innovation initiatives align with the company's overall business strategy, with the right mix of incremental, adjacent, and transformational innovation activities to support the organization's goals and objectives.
11. **Address concerns and risks:** Allay any concerns or risks that the CFO may have about innovation projects, such as the potential for failure, the cost of development, and the pace of change.
12. **Communicate clearly and concisely:** Ensure that your presentation is well-structured, straightforward, and evidence based.

There are many compelling arguments for merging the skills and mindsets of innovation leaders and CFOs. Their complementary talents and perspectives have the potential to create a whole that is greater than the sum of its parts. The head of innovation focuses on generating new ideas and finding new opportunities, while the CFO is responsible for ensuring that the financial resources and systems are in place to support these initiatives. By working together, they can ensure that innovation efforts are both financially responsible and profoundly impactful.



## The confluence of Innovation IQ and Business IQ

Innovation starts with people: Recognizing and rewarding the innovators in an organization from any group and at any level is an emerging fast track to leadership. Innovation leaders in organizations need to possess a high level of Innovation IQ to drive creative and groundbreaking ideas. They help their organizations identify market signals and patterns early so they are out ahead of the market, instead of being in reactive mode and fighting for differentiation with direct and indirect competitors. At the same time, possessing Finance IQ and Business Acumen is equally important for these leaders to have a significant impact on the organization. Working with the CFO to develop these skillsets helps innovation leaders effectively communicate the value of their ideas, secure funding and resources, and navigate the complexities of the organization's operations, strategies, and goals.

### KPMG Ignition can help

Organizations that want to explore the possibilities for staying competitive in today's rapidly changing business environment can't afford to ignore the power of innovation. The future belongs to those who are willing to take risks and think outside the box. That's what KPMG Ignition does best, with a wealth of resources, expertise, and cutting-edge technologies to explore new possibilities, anticipate signals and trends, and co-create the future. Are you ready to start your innovation journey?



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