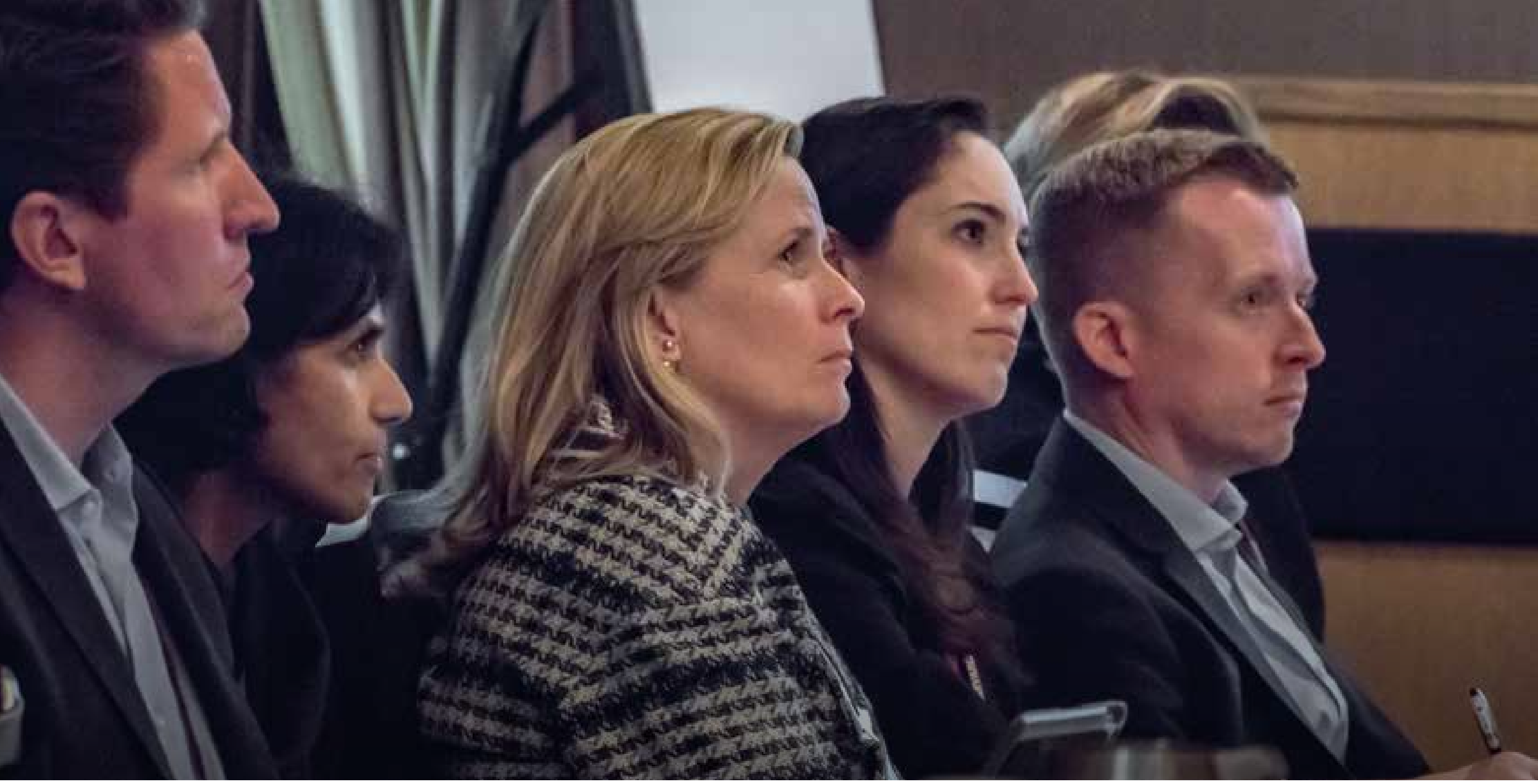
The 2017 CFO of the Future Summit:
Fueling the Growth Agenda

May 17-19 at Harvard University in
Cambridge, Massachusetts

LEADERSHIP FOR A NETWORKED WORLD



The 2017 CFO of the Future Summit: Fueling the Growth Agenda

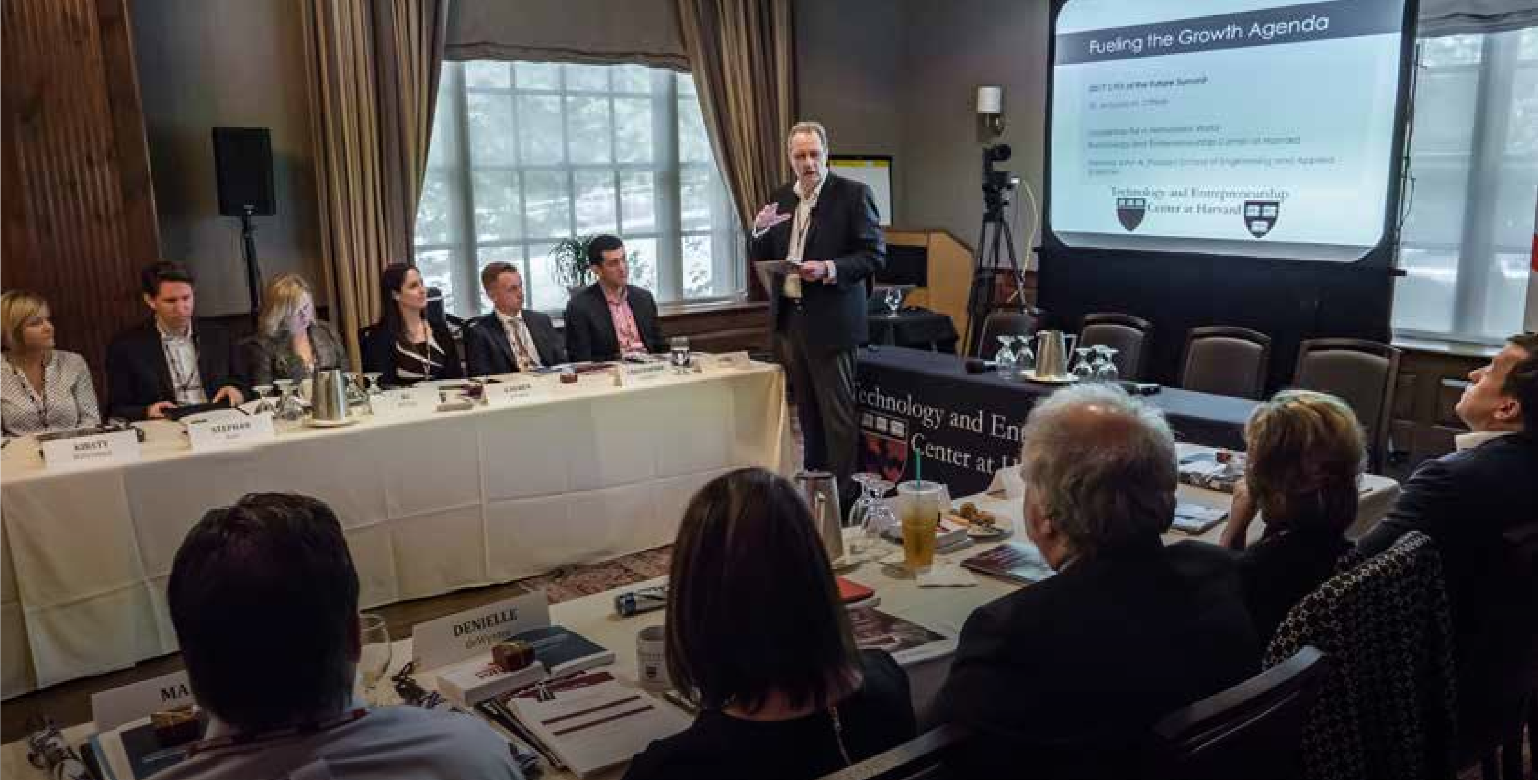
Amidst a backdrop of deepening digital disruption, growing political uncertainty, increasing regulatory complexity, and shifting consumer preferences, one thing is certain – chief financial officers are creating a new agenda for growth.

To effectively lead in this new environment, chief financial officers and finance executives must become "chief growth officers"—the point persons who not only control stability, accountability and risk, but also grow profitability, enterprise-wide agility, sustainability, and customer trust.

This growth-oriented pivot will be valuable, yet difficult. The chief growth officer must redefine the playbook of finance by embracing disruption, spearheading the development of new business models, and building agility into operations. Growth-oriented and finance-led organizations often manage two or more different business models under one roof, free up resources to invest in growth initiatives, define and measure new key performance indicators, and create new ecosystems and platforms for rapid value creation. Perhaps most critically, the chief growth officer will spend time recruiting and building new talent to lead these initiatives, creating a team that thrives at the intersection of technology and finance.

At **The 2017 CFO of the Future Summit: *Fueling the Growth Agenda*,** convened by the Technology and Entrepreneurship Center at Harvard and Leadership for a Networked World, in collaboration with Accenture Strategy, current and next-generation CFOs from leading global companies workshopped their successes and learned about the future of business from top researchers in the field.

The Summit focused on critical skills and questions CFOs grapple with today, including: What is transformational change and what does it take to drive transformation in a large organization? How can organizations disrupt themselves and find new business models? What is the future of value creation? What is the new face of the CFO and finance team? Beyond spreadsheets and financial models, what does a finance-led transformation look like?



This report synthesizes the key findings from the Summit. In particular, it contains a special section on leadership lessons from a keynote address by Jeffrey Campbell, the CFO of American Express, and delves into three case studies highlighting leadership in driving innovation, operationalizing new business models, and preparing for the future, now:

At Stanley Black & Decker under the leadership of the CFO Don Allan, Ryan DuRussel, the CFO of Stanley Security Solutions, and the rest of the finance team have developed new structures, processes, and financing models to support both core and breakthrough innovations. By segmenting innovation into two types, the CFO can focus on long-term growth and work on business models that future-proof the organization.

At Gannett, CFO Alison Engel is changing how the company approaches its digital services by expanding the opportunity set for native advertising and sponsored content. Engel's work on audience segmentation has given the marketing team better insights into who interacts with Gannett's content, while offering advertisers more targeted outreach.

At Accenture, KC McClure, Finance Director for Communications, Media and Technology, worked with the CFO and finance team who were integral to shaping the growth strategy and creating shareholder value as part of the company's transformation.

We hope this report offers new ideas, strategies, and insights to finance leaders and their organizations as they seek to advance a growth agenda.

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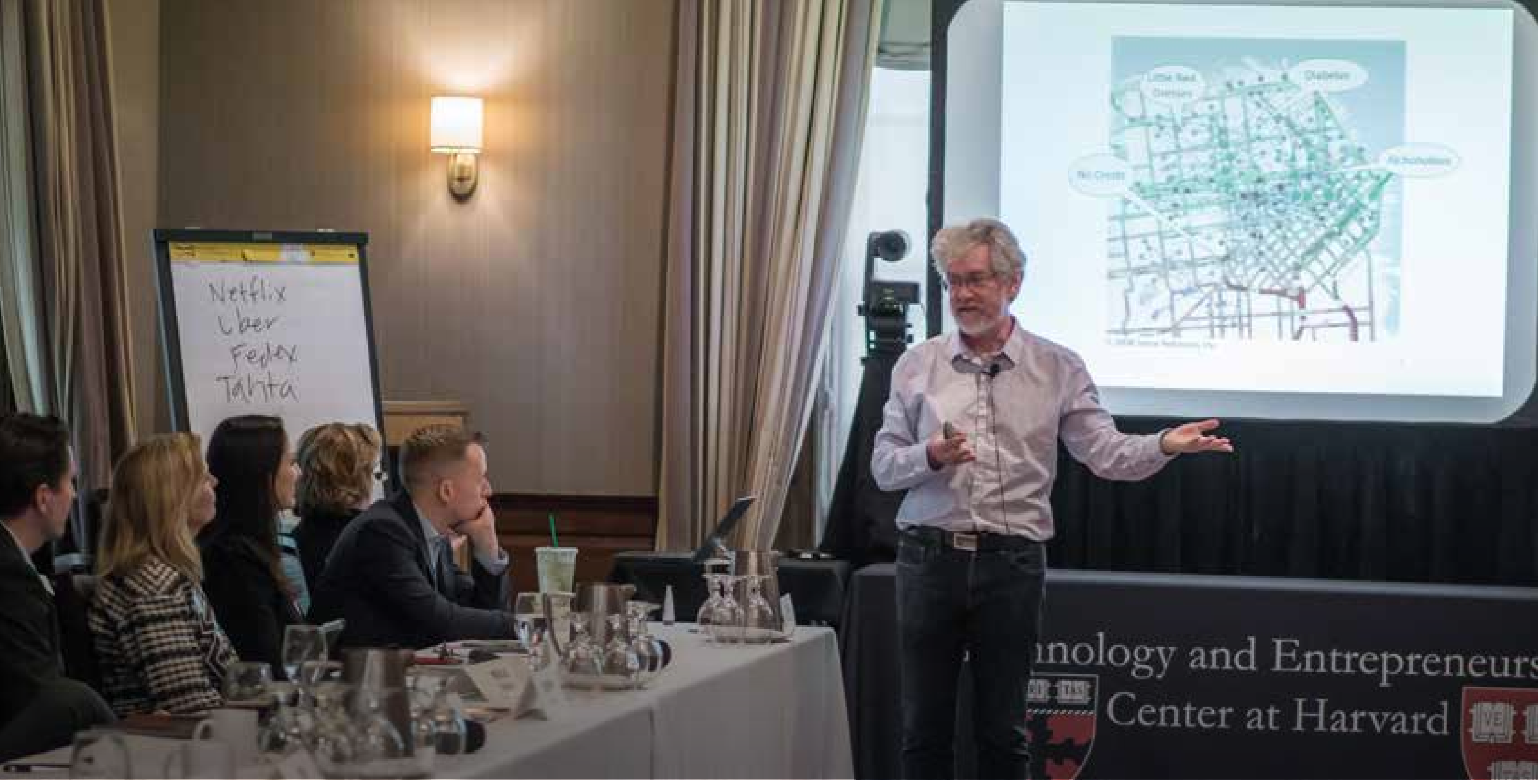

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Reflections from the Executive Director

Dear Colleagues,

Sir Francis Bacon noted "For it is a secret, both in nature and state, that it is safer to change many things than one."[1] I would venture that given the growth of the digital world, Bacon would say the same about organizational transformation today – keeping pace will demand redesigning all elements of an organization.

The backdrop for this transformation is unprecedented demand by customers for services and products that synchronize with their digital lives. In fact, attendees of this year's Summit ranked "customer-facing digital technologies" as the biggest driver of change in their operating environment. And the change is profound, as 72% of attendees said they have faced "significant or extreme change" in their operating environment over the past five years, and 84% anticipate even more change over the next five years.

Transforming enterprises for the digital world isn't about chasing a fad, it's about creating long-term value. According to research highlighted in *Harvard Business Review*, digital leaders outperform digital laggards in average gross margin, operating margin, and profit margin as measured over a three-year period.[2] Thus, responding to the digital world is no longer an option – it's an imperative. As Dr. Christian Campagna, Senior Managing Director for CFO & Enterprise Value at Accenture Strategy, said in his Summit opening remarks, "the CFO and the CEO must see the whole enterprise, as it's only these two that feel the pain when something, somewhere is not headed in the right direction. Together, they need to design the future."

Given this challenge, a consistent theme in this year's Summit was the need for chief financial officers to work hand-in-hand with their chief executive officers to transform their enterprise. As you'll see in this report, savvy CFOs are doing this by optimizing current business value while managing for risk; generating new business value by guiding breakthrough innovations; and creating dynamic capacity by aligning human capital with the business model of the future. In doing this challenging work, they're positioning themselves as Summit keynote speaker Jeff Campbell, CFO of American Express, advocated: "The role of the CFO – the role of the finance organization – more than anything else, is to provide true honesty about where you are. You uniquely have that 360-degree view…."

As you delve into this report, please join me in thanking Accenture Strategy – as without their generous thought leadership and expertise, this important program would not have been possible. I would also like to extend our gratitude to the Executive Leadership Group – their subject matter knowledge and insights on what it means to be a CFO of the future are pivotal for the Summit. And last but not least, thank you for investing your time and energy into learning from the CFO of the Future Summit and report. I'm certain the insights will help you on your transformation journey.

Let's get to work,

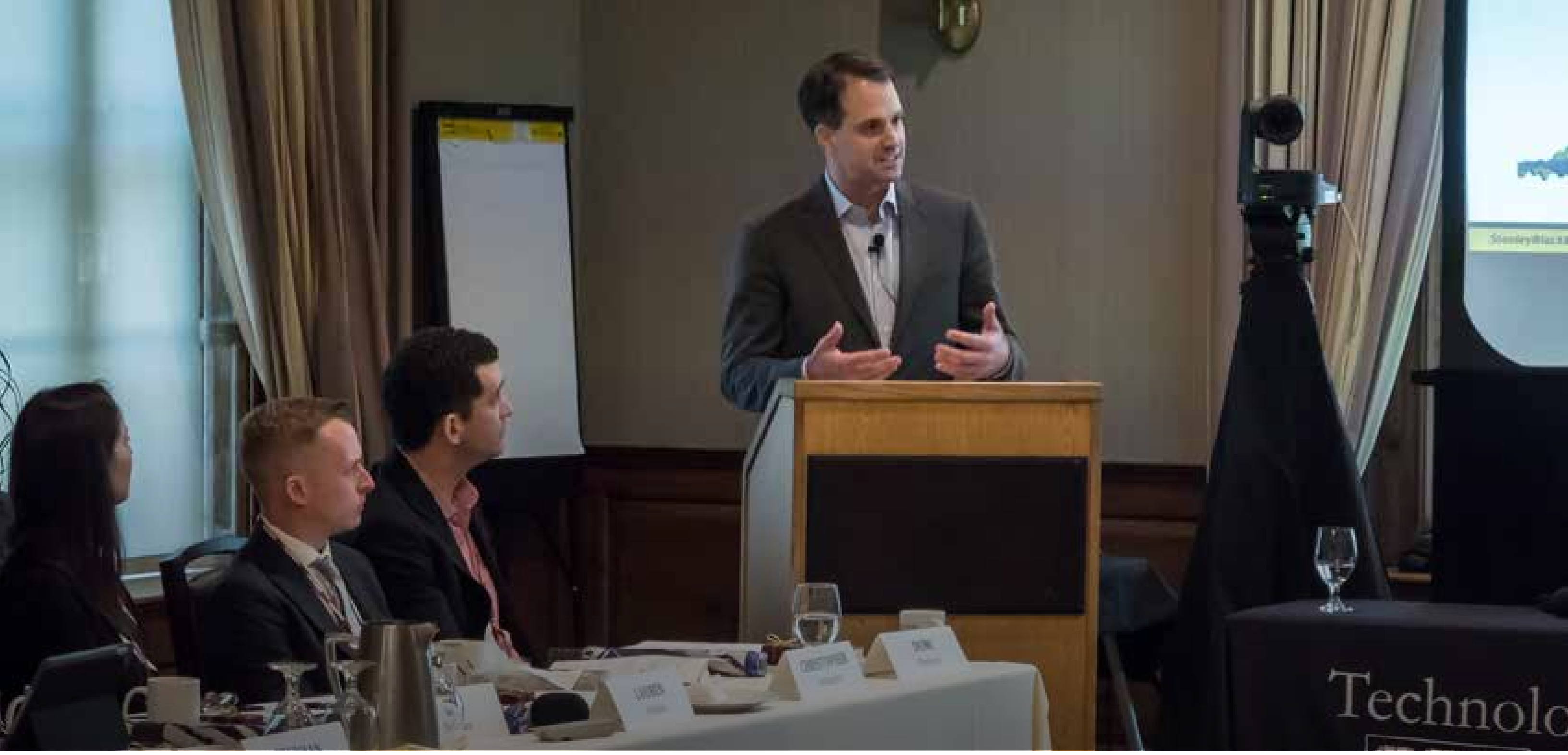
Dr. Antonio M. Oftelie

Fellow, Technology and
Entrepreneurship Center at Harvard

Executive Director, Leadership for a Networked World
Harvard John A. Paulson School of Engineering and Applied Sciences

[1] Essays, Civil and Moral, Vol. III

[2] Digital Leaders Outperform Laggards on Three Financial Measures, Harvard Business Review, January 2017.



Accelerating Innovation: Special Forces Teams at Stanley Black & Decker

If you read the name Stanley Black & Decker and think of your power tools you wouldn't be wrong, but you'd also be missing the whole picture. Ryan DuRussel is the chief financial officer of Stanley Security Solutions, one of the groups within the more than century-old company. During his presentation at **The 2017 CFO of the Future Summit: *Fueling the Growth Agenda***, he spoke about the critical role of the finance organization in supporting innovations that have allowed the company to build a platform that services and supports 18 market-leading brands, while keeping an eye on the future.

Task versus Purpose

Many organizations confuse tasks with purpose, which can hinder growth and innovation. DuRussel explains, "our task is what we are paid to do. But our purpose is trying to make the world safer and more sustainable." For DuRussel, having a purpose creates a long-term roadmap that the company can use to support continuous innovation and sustainability.

"Our task is what we are paid to do. But our purpose is trying to make the world safer and more sustainable."

– Ryan DuRussel
Chief Financial Officer, Stanley Security Solutions

The way DuRussel and the entire finance team, led by CFO Don Allan, keep tasking and purpose separate is by defining two different types of innovation: core innovation and breakthrough innovation. Core innovation improves the daily tasks that customers pay for. Breakthrough innovation delivers a big strategic change that will help the company make it to its 200th anniversary. "We characterize breakthrough innovation as an idea that's going to generate greater than $100 million dollars," DuRussel explains. Anything less than $100 million dollars goes into the core innovation column. By redefining innovation and establishing new targets and investment boundaries, the CFO and the finance organization can more effectively balance the need to innovate with the need to deliver finance performance and manage risks.

Breakthrough innovation also enables the company to think very long term. Right now, the finance team is working within the organization to develop innovations to improve sustainability and corporate social responsibility for future generations. The tools of today aren't the same tools from 20 years ago. By creating the space for breakthrough innovations, the team at Stanley Black & Decker can focus on how people will use tools and power 20 years from now.

Special Forces

The two-track approach to innovation was inspired by the research and development ecosystem the finance team encountered visiting Silicon Valley. Technology companies often take a multi-faceted approach to developing ideas in order to take advantage of both short- and long-term opportunities. Drawing inspiration from this model, the leadership team at Stanley Black & Decker created a special forces unit to focus specifically on breakthrough innovation. The special forces unit adopts a technology incubator mindset that allows them to create a lab of sorts in which to test ideas. The cost to the business is steep – $20 million – but the unit is going for big ideas with revenue potential of more than $100 million, so the lab more than pays for itself over time. In the incubator, through development and testing, the best ideas rise to the top. The special forces unit then works on taking those ideas to scale so that they can be integrated into the whole organization, driving revenue growth now and into the future.

Each part of the business is represented within the special forces team and develops their own slate of projects to test in the lab in order to find out what works and what doesn't. The key, DuRussel explains, is that finance teams have to understand that the lab is for testing. The failure rate is likely to be pretty high. But, for those that succeed, the return is more than enough to make up for the cost of testing many different projects at once. This shift in mindset and approach demands that the finance organization evolve its strategy, systems, processes and culture.

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> – Ryan DuRussel
> Chief Financial Officer, Stanley Security Solutions

Putting the right people on the team is also critical. Innovation requires free thinking and a willingness and ability to break away from established norms and business models. In many ways the model resembles an internal venture capital operation – management picks people with a demonstrated talent for innovative thinking and works with them to disrupt the business from within.[3]

Value Creation

"Stanley Black & Decker has existed for 175 years. For the first 157 years, we grew by two billion dollars and in the last 16 years, we've grown by nine billion," DuRussel says. How did the company do that? By focusing on purpose and by creating a finance-led organization.

DuRussel and the finance team create value through what they call "mega-hedging". Mega-hedging involves building a strategic operating plan that DuRussel says is "aggressive but attainable." That operating plan forms the basis for the finance team to identify $200-300 million of new revenue or cost savings opportunities throughout the organization. These opportunities can run the gamut from cost control measures to productivity or volume increases. According to DuRussel, this extra $200-300 million of ideas is there to serve as a buffer that will allow the finance team to achieve its performance goals even if market conditions change. Mega-hedging is such a big part of what the finance team does, incentive compensation is tied to it in order to ensure a rigorous process.

In addition to mega-hedging, the finance team is also leveraging technology to improve order flow. Following the merger of Stanley and Black & Decker, the combined entity repositioned itself as a growth company by leveraging technology and the power of branding in order to offer the market a group of brands that are well regarded and attract repeat customers. An internal supply chain framework known as the Stanley Fulfillment System is a fully digitized logistics platform that ensures each of the 18 brands under the Stanley Black & Decker umbrella are well supplied. The system has helped the company generate more than a billion dollars a year of free cash flow, in support of Stanley's strategic goal of delivering top quartile financial performance.

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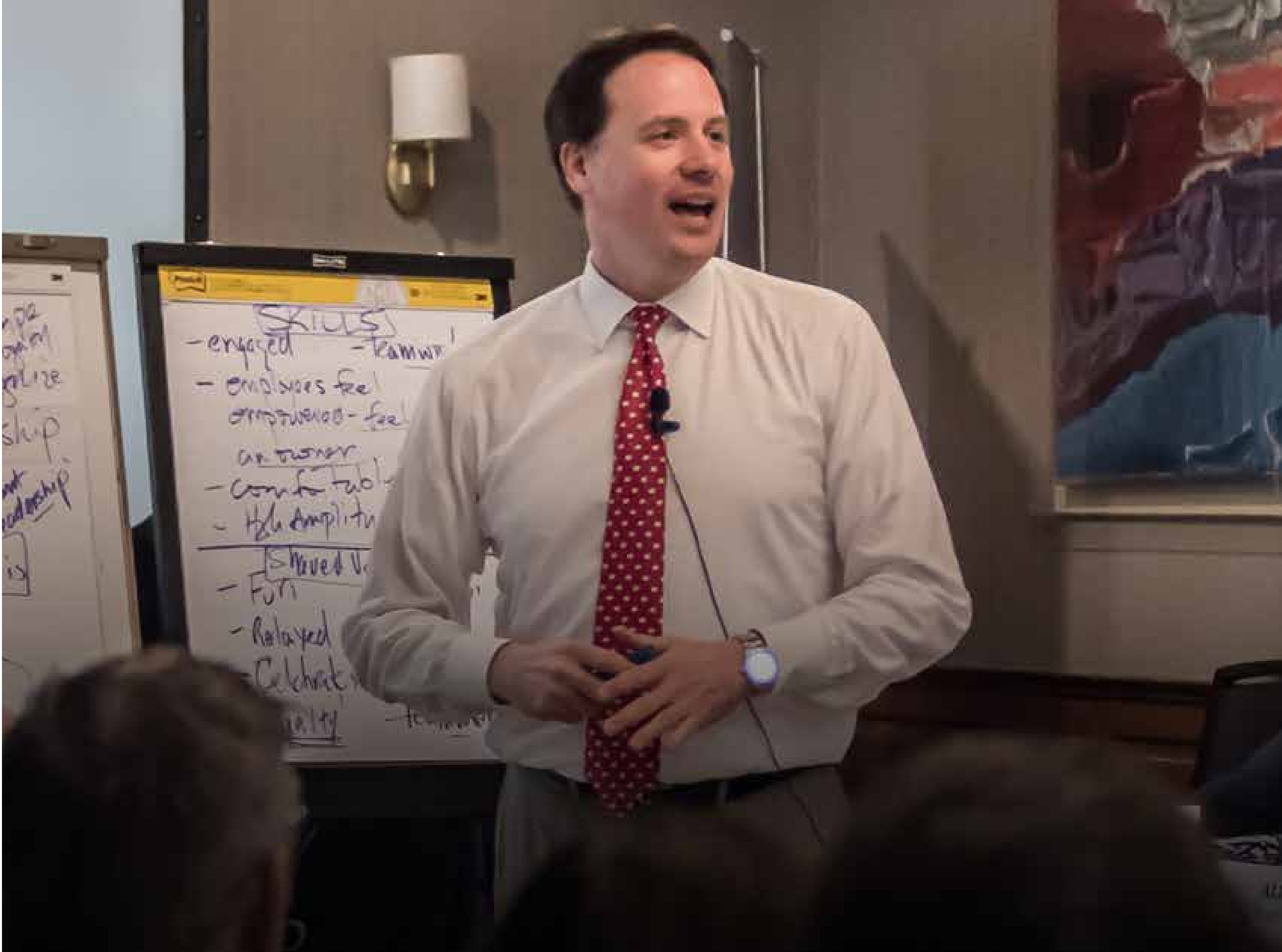
[3] Interview by Lauren Hirshon and Antonio Oftelie, Leadership for a Networked World, with Don Allan, CFO of Stanley Black & Decker, by telephone, April 13, 2017.



"One of the most important things for people to learn and kind of make peace with is the fact that they can't be excellent at everything. You have to make decisions about what are the things that we're going to excel on and what are the things we're not going to do so well on."

– Dr. David Ager

Senior Fellow, Executive Education, Harvard Business School

The Stanley Fulfillment System fits firmly in the core innovation part of the business, but its strength will support breakthrough innovation. Having a fulfillment platform in place will also help the company reach its revenue goals. DuRussel readily admits that the company has aggressive targets, but says that by harnessing both types of innovation, Stanley Black & Decker is well positioned to execute on its goals.

Consistent Communication

Study after study has shown that the tone at the top is critical for companies that are working through a change or growth agenda. DuRussel notes that Stanley's CEO leads with a consistent message that carries all the way through to the company's public face on social media.

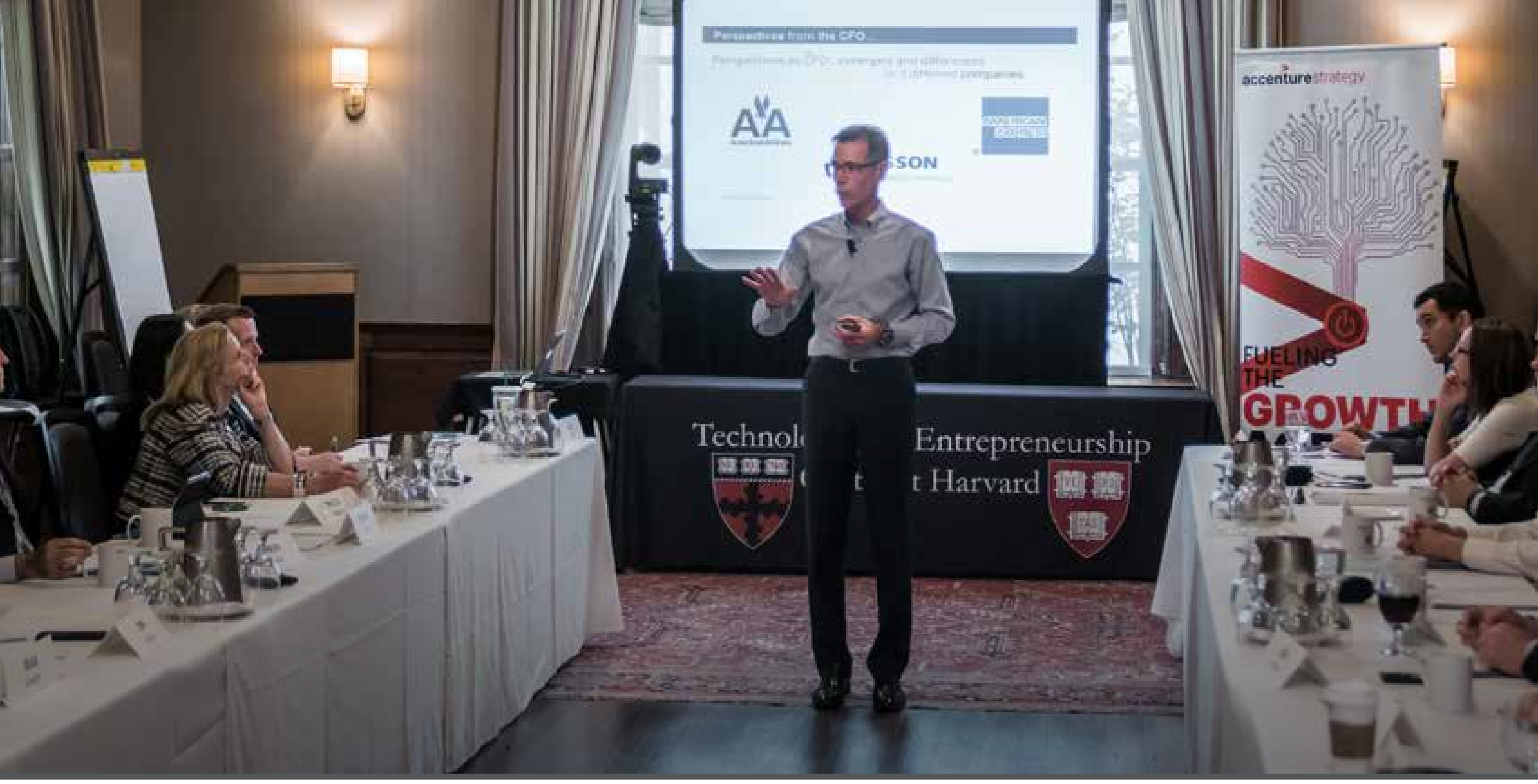
Rather than shying away from social media, Stanley Black & Decker built a significant social media presence for itself and its brands in order to be more responsive to customers and also to drive sales. "We have 50,000 associates across the globe and social is one way we can connect with them and build community," DuRussel says. Building those connections is a lesson the company learned from Silicon Valley and one that makes it easier for everyone to stay on the same page.

Conclusion

Few companies can stay in business for almost two centuries without being laser focused on quality and relevance. Stanley Black & Decker has been able to do that by understanding how different types of innovation impact the business, but that comes with a cost and requires buy-in at every level. Forward-thinking leadership in the c-suite opted to make a strategic capital expenditure on the special forces unit, while simultaneously working on the quick wins. In order to grow smartly, the finance team has to strike a balance between identifying improvements that can be done today and those that will keep the company in business over the long haul. This means avoiding the temptation to stay on the safest route and being willing to engage in a bit of controlled trial and error.

Leadership Insights

- **Learn From Others - Even Those Outside of Your Industry:** By taking a page from Silicon Valley, Stanley Black & Decker was able to put together a new research and development framework that has the potential to double revenues and redesign the business for the future. The CFO of the future should be seeking out lessons from other industries that can lead to new and deeper insights about core business functions, and offer ideas for breakthrough innovations.
- **Distinguish Between Core and Breakthrough Innovation:** The Stanley Black & Decker finance team understands the difference between the daily tasks their organization gets paid for and true innovations that will help the company stay relevant over the long-term. By separating these two ideas and providing clear financial targets for each, the finance team has helped to position the company to better execute on both improving service delivery and transformation.
- **Focus on Consistent Messaging:** As companies grow and change it is important to have a consistent tone from the top down so that every team member feels included. DuRussel works closely with the CFO and CEO to make sure that all finance-led changes are communicated in the same way and that new ideas are included regardless of where they originate in the company.



Driving the Business and Creating Change: Leadership Lessons from Jeffrey Campbell

"Having worked as the CFO for five CEOs across three industries, I have learned what really differentiates you as a CFO," noted Jeff Campbell during his keynote session at **The 2017 CFO of the Future Summit: *Fueling the Growth Agenda***. "What really differentiates CFOs today is whether you are the key partner to the CEO in driving the business and creating change."

> *"It's hard to find people that can think at the intersection of finance and technology, but that's what we have to do. That's the next step."*
>
> – Jeff Campbell
> CFO, American Express

When Jeff Campbell dropped out of Stanford and joined a rock band at 20, he wasn't envisioning a future where he'd be managing a trillion dollars of cash flow as the CFO of American Express.

After four years on stage, though, Campbell went back to school to focus on economics and accounting, eventually earning a CPA while at Deloitte and then an MBA from Harvard Business School. From there, he joined American Airlines, eventually leading that company as CFO through an out-of-court restructuring in the aftermath of 9/11. After leaving American Airlines, he went on to join the healthcare company McKesson as CFO, helping to advance the financial goals of a more decentralized corporation with decidedly different objectives. From McKesson, Campbell joined American Express as CFO, where he again learned a new industry and a new corporate culture.

While he's had a varied career, he says the critical lesson he learned from each company remains the same: the CFOs that are most successful work up and down the chain of command as a business partner, not just as a financial leader. Beyond simply identifying ways to improve the finances of a given organization, CFOs have to be able to interact with all of the parts of the business and create value. At American Airlines, this meant understanding how to drive change up the chain in the boardroom and down the chain with labor unions and employees. In the sales-driven culture of McKesson, it meant driving resources and goals towards the most valuable and fast-growing parts of the far-flung enterprise. In the marketing-driven corporate culture of American Express, it means leading a team that is focused on advancing profitability while leveraging and sustaining one of the most trusted consumer brands in the market today.

In order to facilitate enterprise-wide growth and transformation, Campbell encourages CFOs to consider three core questions as they approach their work:

1. How do you spend your time?
2. How do you think about talent?
3. How do you think about transformation and technology?

Spending Time in the Right Places

The CFO role involves a lot of reporting and strategizing about how to make the most of a profit and loss statement, and while the nuts and bolts of that reporting process are important, Campbell says the key to success is spending the right time in the right places.

When he took over as CFO at American Airlines in the aftermath of 9/11, the company was facing a steep drop-off in consumer desire to fly. Rather than focusing solely on lowering ticket prices or enticing more consumers to fly, Campbell went to work, meeting with people in every part of the organization to find ways to optimize and restructure the company in order to stave off bankruptcy until consumer demand returned in the years following the attack. "When I sat down with the CEO he was focused on how we were going to talk to each one of these groups and actually make change happen," Campbell says.

Learning how to be a player-coach as a CFO means that Campbell spends more of his time with people than sitting in front of Excel spreadsheets to work on financial models and filling in formulas.

After Campbell left American Airlines and joined McKesson, he was confronted with a much more decentralized organization, a different industry, and a different corporate culture, but the focus on time spent in the right places remained the same. Campbell explains it this way, "I was sitting with the CEO, John Hammergren, having the obligatory discussion we all have every time we switch jobs, which is: a year from now, how do we tell if things are going well? And he said, 'Jeff, you personally, and your finance organization, should be influencing business decisions in every nook and cranny of this company without anyone fully realizing you're doing it.'"

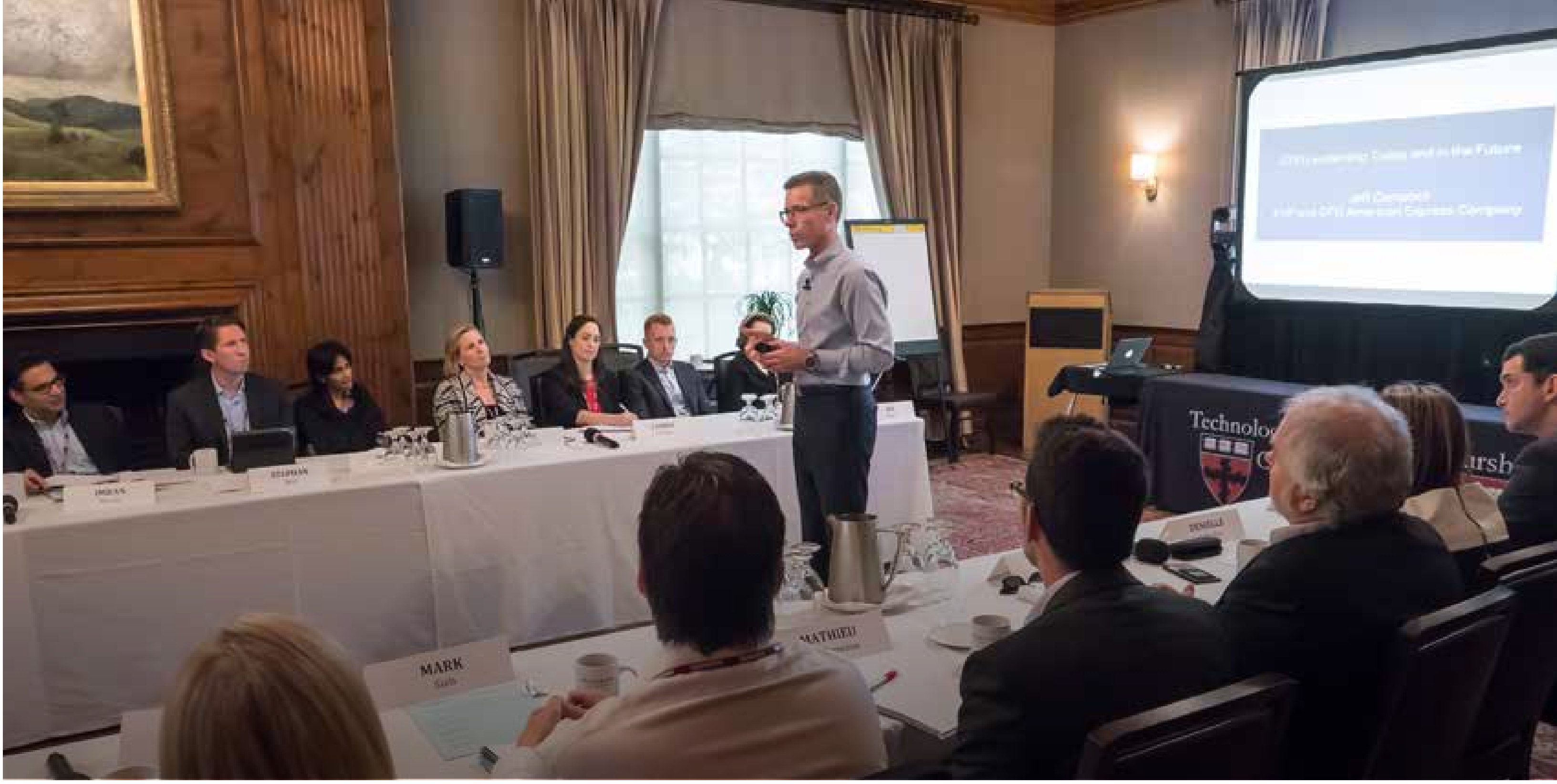
Assembling the Best Possible Team

In order to support those business decisions, Campbell says he tries to spend about half of his time focused on people issues. Learning that he spends that much time finding and supporting the best people in his organization often surprises outsiders and even some colleagues, but for Campbell, it is important to have a team that can execute on shared goals, even if he's not always there to guide each and every step.

Qualifications and technical skills are obviously important when it comes to finding top talent, however, Campbell notes that the best people have three additional factors that help them advance to the next level: honesty, a people focus, and drive. "One of the hardest things we all do as leaders is be brutally honest, but in a positive way," he contends. The best leaders in any organization are those that can define reality, identify solutions, and do so in such a way that the organization has hope about the future and wants to make that future possible.

> *"What really differentiates CFOs today is whether you are the key partner to the CEO in driving the business and creating change."*
>
> – Jeff Campbell
> CFO, American Express

For Campbell, successful CFOs are those who can balance the CEO. The CEO sets the tone at the top. Campbell adds that for the most part, that tone should be relentlessly optimistic – it has to be. The CFO, however, is most effective when they can be completely honest and clear about where the numbers actually stand. To do that well, the CFO should have the same 360-degree view into the organization that the CEO does, and the support of a team that has the drive to move the organization forward toward the future the CEO envisions.



Guiding Transformational Change

Ultimately, a CFO that is successful at spending time in the right places and with the right people can work with the CEO to lead transformational change in the organization. "Every company I know is on a transformation journey," Campbell says.

"As the CFO, you personally, and your finance organization, should be influencing business decisions in every nook and cranny of your company without anyone fully realizing you are doing it."

– Jeff Campbell
CFO, American Express

But just as companies must constantly change, so must finance organizations. Yet Campbell suggests that many finance people are not operationally oriented to continuous improvement in how finance operates. They got into finance because they love, well, finance. That focus doesn't automatically lend itself to considerations about managing people well or managing organizations well. New advances in technology can make continued operational improvement easier and also help the finance team create more value through advanced analytics.

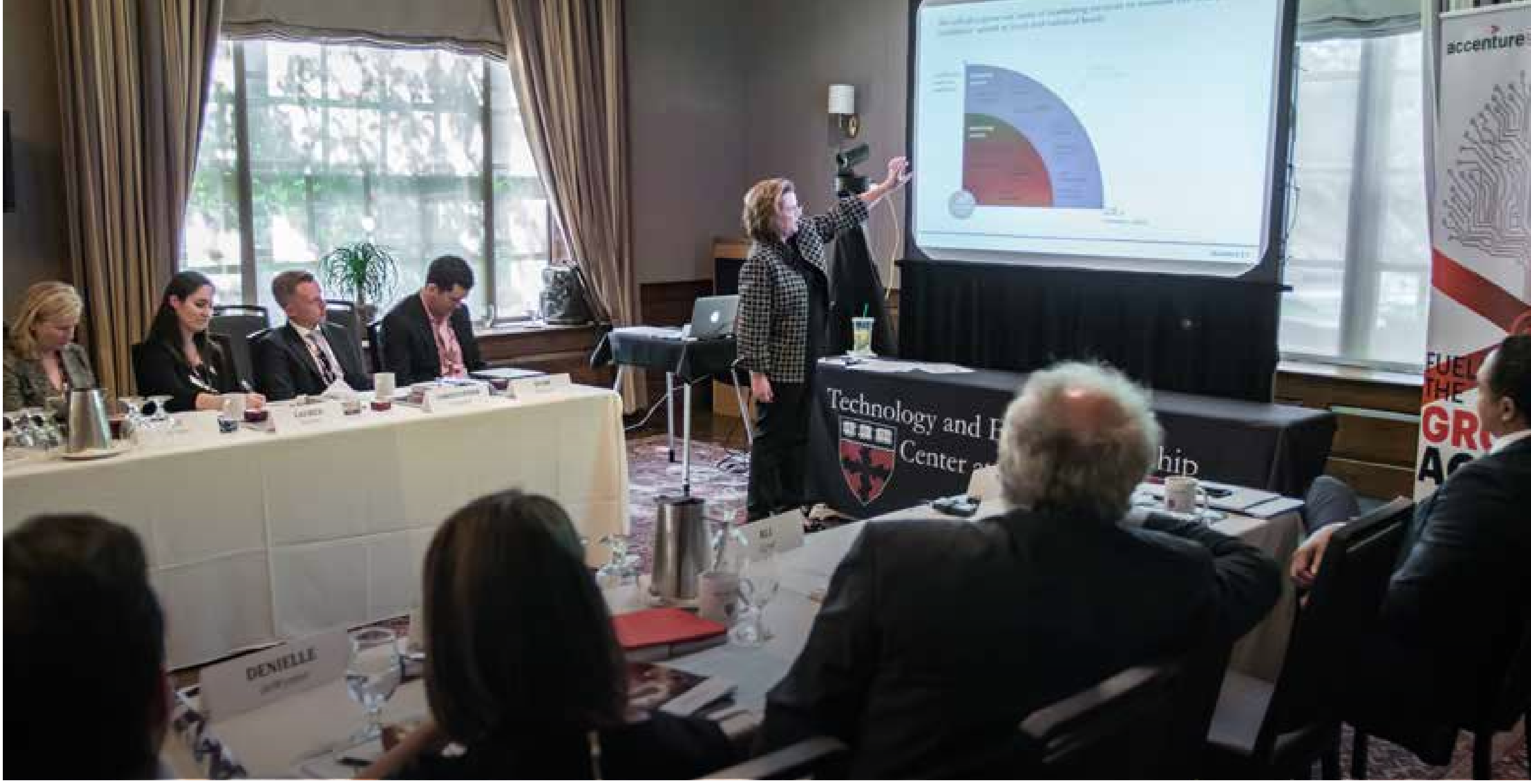
"When you think about manufacturing companies, for example, it's in their DNA to think about process improvements every day," Campbell explains. "Finance people just don't think like that. So unless a CFO gets involved in that kind of thinking, the finance organization risks getting left behind."

According to Campbell, it's critical for CFOs to work on understanding how technology can help their firms thrive internally as well as externally. Advances in technology can help finance teams lead the transformation journey just as well as they can help the more operationally focused parts of the organization. "It's hard to find people that can think at the intersection of finance and technology, but that's what we have to do. That's the next step," he says.

"The CFO is uniquely tied to the CEO on the success of the company. And that's what both gives the CFO and the finance organization a tremendous platform to drive change, because we really don't care who gets credit, don't care what part of the company succeeds, we just want the company to succeed. And it's what allows a CEO to say, this is the organization I need partnered with me to help drive to success."

– Jeff Campbell

CFO, American Express



Developing Next Generation Business Models: Evolving Gannett in a Digital Media World

Gannett has a rich history as a media company, with outlets that include top local newspapers as well as national newspaper *USA TODAY*. The company also has a strong digital presence locally and nationwide. However, in 2016, the company decided it needed to make a change. While Gannett was growing rapidly on the digital side, many investors still saw the company as a declining newspaper publisher instead of an online leader.

In order to move forward, Gannett wanted to expand the audience reach of *USA TODAY* online and fully integrate some of its recent local market acquisitions. With print advertising revenues continuing to decline at faster-than-expected rates, it was important for the company to move quickly.

"When we say data everybody just assumes that that's going to solve all our problems. I have to ask, 'What data are you talking about? How are we going to make money off that? What do you mean?' It's such a big topic and so all-encompassing. I think we overuse the term, and we over-simplify what it means or could mean to us."

– Alison Engel
Chief Financial Officer, Gannett

USA TODAY is a national newspaper with a strong focus on content that resonates across America. The coverage tends to feature more human interest stories than other national newspapers like the *New York Times* or *Wall Street Journal*. Many subscribers still read hard copies of the paper only. While readership was relatively strong, there was still room for improvement and modernization.

Gannett hired a new Chief Revenue Officer and a Chief Content Officer, and built an internal native advertising studio called GetCreative in order to accelerate its digital advertising revenue growth and digital content capabilities both locally and at *USA TODAY*. Additionally, Gannett acquired ReachLocal, a hyperlocal digital marketing services company that would become part of Gannett's local product suite, enabling the media company to expand its local digital advertising business to more customers.

Changing The Model – Becoming a Nationwide Marketing Services Company

Gannett's media brands attract a wide range of readers, making them a key partner for advertisers both in print and online. A key component of Gannett's strategy is expanding the marketing services business that is now central to their model, with significant growth potential in the digital advertising arena. In order to capture this opportunity, however, Gannett would have to redevelop its business-to-consumer (B2C) strategy with readers and its business-to-business (B2B) strategy with advertisers while finding better ways to mine and use audience data.

Gannett CFO Alison Engel readily acknowledges the challenges associated with digital revenue models. Getting reliable data from advertising and page views can be difficult. Rates for digital advertising are much lower than traditional print advertising. New software like online ad blockers and privacy apps limit the reach of digital ads. Reaching profitability is challenging with digital advertising alone; the dominance of revenue sharing and in-kind partnership models currently drives the market.

In order to improve its audience reach and engagement, Gannett invested heavily in developing a content strategy based on audience segmentation.

Gannett's core audience is called "In The Know." These readers are the news junkies and daily readers that make up the stickiest part of Gannett's audience. The second group is "Know The Score," and consists of the sports readers. Sports readers make up one of the most significant groups of repeat visitors to Gannett's pages. In order to add to the already strong In The Know and Know The Score audiences, Gannett is focused on targeting the "Family Forward" group. These are a mix of homemakers and parents that are looking for activities, finance news, and parenting news. The final two groups are "Take Action," describing readers that look to their local content providers to make decisions about how to spend their free time, and "Entertain Me," featuring readers that are interested in celebrity updates.

Each audience segment expects a certain type of media coverage and reading experience. That creates an opportunity for Gannett to not only expand and target coverage, but also to create native advertising opportunities like targeted sponsored content or more relevant embedded ads.

Acquisitions Raise the Bar

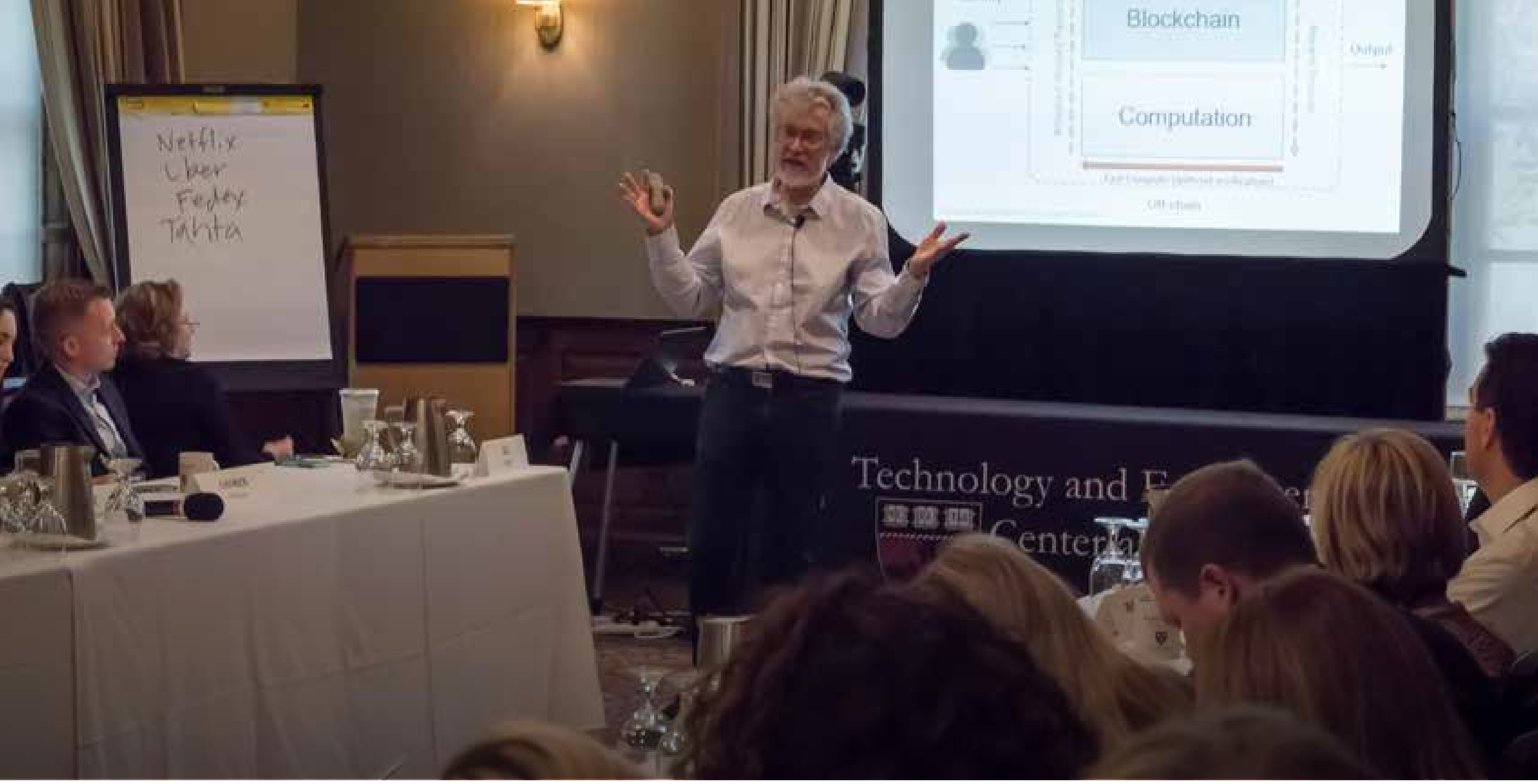
An acquisitive media company may seem counterintuitive given all the stories about layoffs and shrinking coverage, but Gannett sees mergers and acquisitions (M&A) as part of its core strategy. With the acquisition of ReachLocal, Gannett added $325 million in revenue and expanded its hyperlocal platform. In 2017, Gannett acquired SuiteIQ, a company that helps people find local stores that are open when they are conducting web searches. SuiteIQ is a tuck-in acquisition for ReachLocal, which will give ReachLocal additional products to sell to their local clients.

According to Engel, the key for Gannett's M&A strategy has been discipline. The number of online media startups is growing and their founders often have unrealistic valuation expectations. With ReachLocal and SuiteIQ, management teams at both companies understood the broader vision at Gannett and saw partnering as a way of reaching bigger advertisers that were often out of reach.

Change Management

While the transition to an advertising- and finance-led digital strategy has created new revenue opportunities, it hasn't been easy on the staff. Like all media outlets, Gannett has seen its fair share of layoffs. The company still has over 20,000 employees, but many of them are used to running print newspapers in small local markets and didn't sign on to join a multinational advertising company.

Engel says that the changes at Gannett have meant hiring new staffers that are digital natives, while also working closely with leaders at Gannett's local papers to help them re-train current employees and understand where the company is headed.

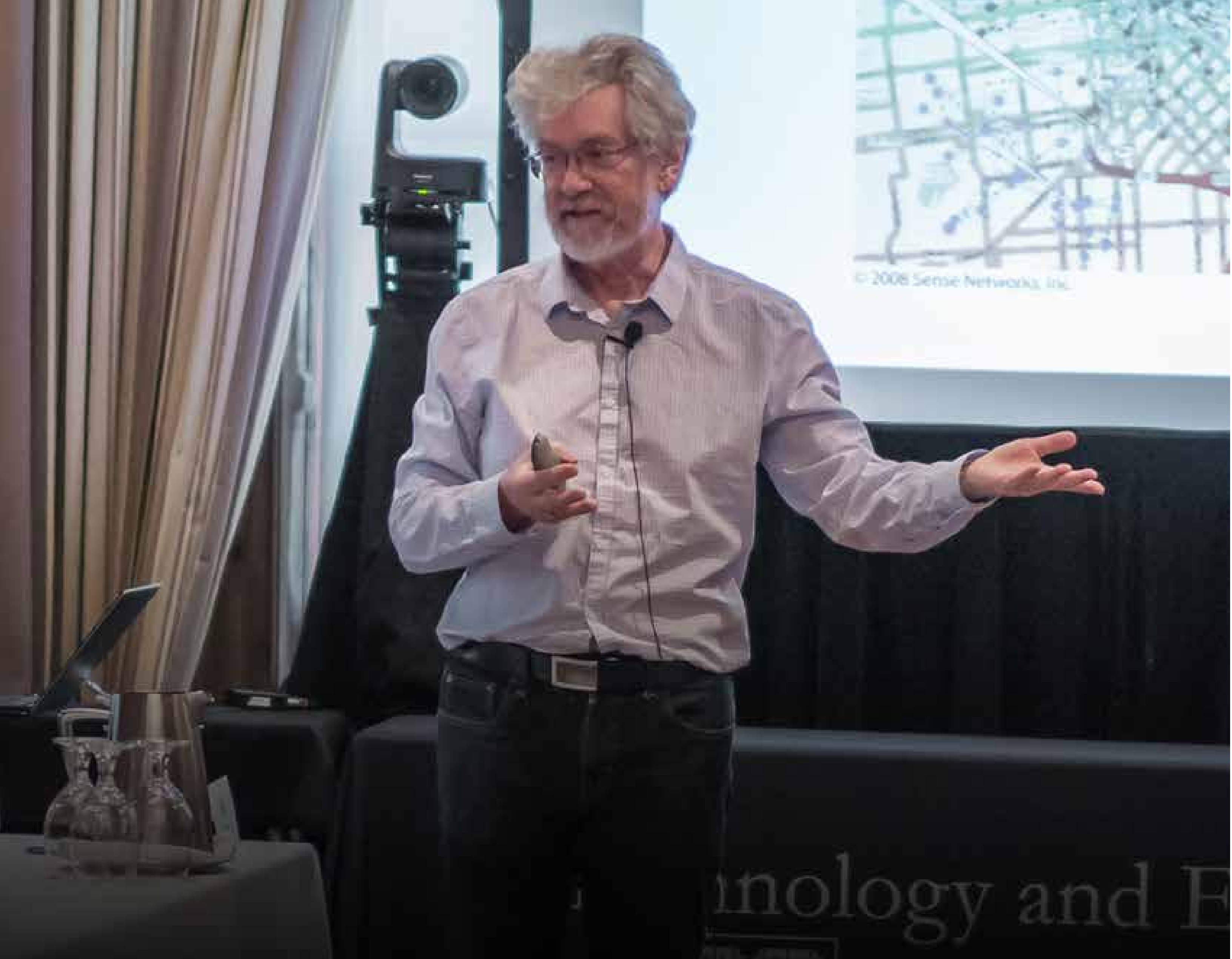


Conclusion

Like so many companies today, Gannett has had to learn how to disrupt itself or risk becoming just another failing newspaper company. By harnessing the power of data segmentation Gannett's team is able to gain new visibility into how readers interact with different types of content online and in print newspapers, opening up a whole range of new revenue opportunities. But it hasn't been easy – changes at the top have to be communicated to smaller local papers as well as readers in order to keep them coming back.

Leadership Insights

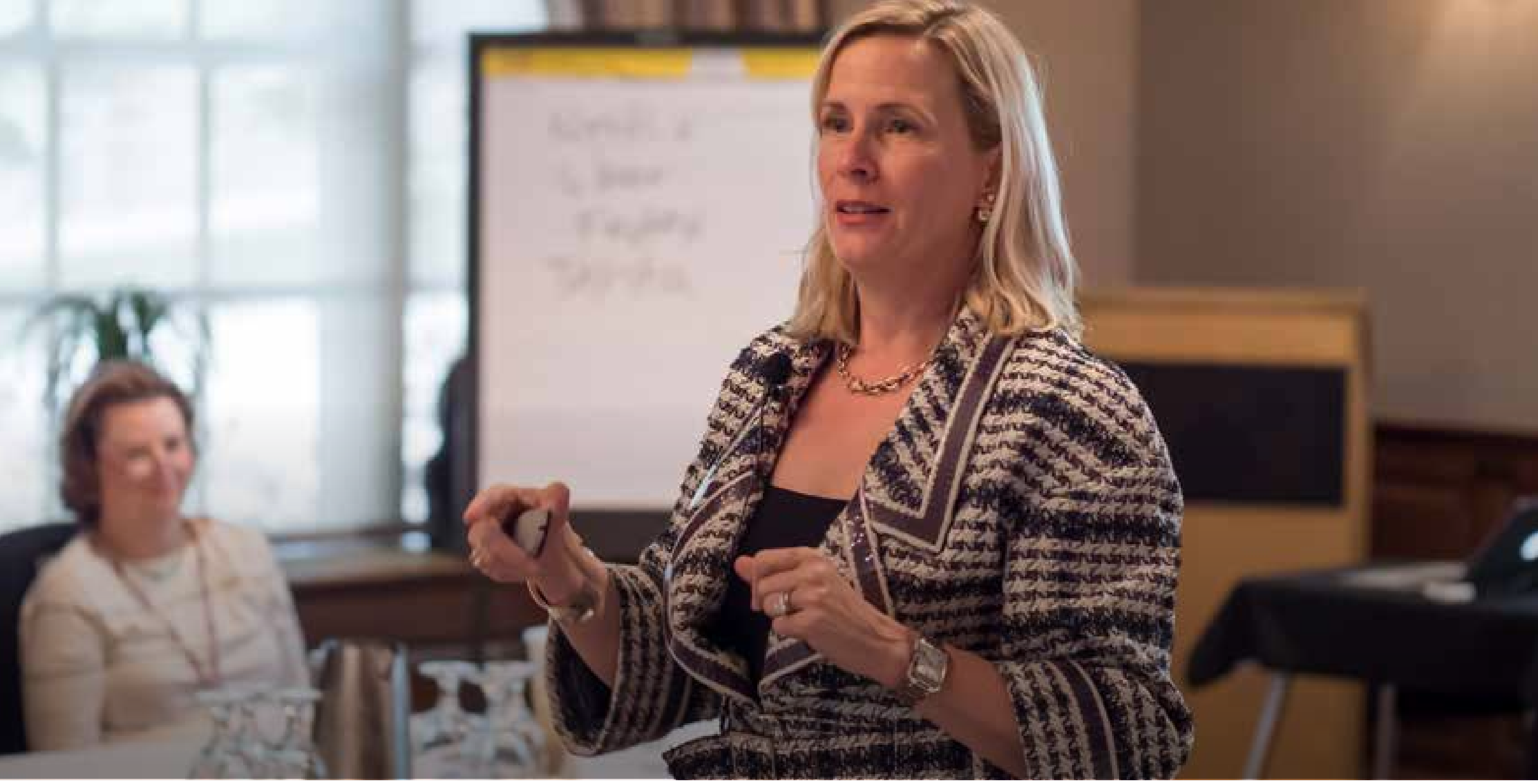
- **Recognize When New Ideas Are Needed:** Engel and team opted to fill out the c-suite with several new roles to help take *USA TODAY's* content to the next level with readers and advertisers.
- **Find the Right Market:** Gannett has the potential to be a digital global marketing services powerhouse instead of just a newspaper publishing company. Taking a wider view of how the organization works can generate new insights.
- **Bring Everyone In:** Gannett is made up of over one hundred local papers in addition to *USA TODAY*. Those papers each have their own ways of doing things, which can make change management difficult. It is important for leaders at the top to focus on engaging everyone in change initiatives.



"We are always looking at the relationships between people, that's the key. People learn from each other, they cooperate with each other, they fight with each other…. Understanding how relationships work gives you the ability to make better decisions."

– Professor Alex "Sandy" Pentland

MIT



Through the CFO Lens: Architecting a Growth Strategy and Driving Shareholder Value at Accenture

Accenture recently embarked on a transformational journey to become a first mover in the new digital economy. In her presentation at **The 2017 CFO of the Future Summit: *Fueling the Growth Agenda***, KC McClure, Finance Director for Communications, Media & Technology at Accenture, reflected on the company's journey and the importance of the role that CFO David Rowland played in leading the change and creating shareholder value. She outlined how Accenture's CFO worked alongside the CEO and Chief Strategy Officer to architect this transformation and to bring the company's growth story to life both internally and externally.

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– KC McClure
Finance Director, Communications, Media & Technology, Accenture

At the time of the transformation, McClure was Managing Director of Investor Relations, and was on point to bring the external investors and analysts along on the journey, and to help them understand and embrace the new Accenture growth story. She had a bird's eye view into the prominent role the CFO played throughout the change journey and shared that perspective in her discussion.

The Power of Four

Accenture created four pillars to guide the transformation agenda. Rowland and McClure used these as touch points to manage change and ensure that the team stayed on track.

1. Differentiated Strategy – on the surface, having a differentiated strategy may seem like the obvious goal of any organization. But at an established company, modifying a strategy can have a significant impact. Rowland was directly involved in the architecture of the business transformation and growth agenda because he understood the financial analysis and economics that would allow Accenture to significantly scale and differentiate themselves from the competition.

2. Shareholder Value Proposition – Accenture had been a public company for almost 15 years and had many long-term investors who knew the company very well. Rowland and McClure had to help the investor community understand how the strategy fit with the existing and well-understood shareholder value proposition. They needed a compelling way to translate the strategic modifications and to articulate the positive long-term value proposition—both internally for almost 400,000 employees and externally for the investor and analyst community. "Durability was one of the things that we really focused on a lot because these journeys are multi-year," McClure says.
3. Proven Results – Every company must have a way to demonstrate that their strategy is working and evaluate any required changes and disclosures of new performance metrics—a challenging move for any public company. How would markets and investors react? What are the right metrics to disclose? Accenture didn't want to start disclosing something only to realize a year later that the metric wasn't relevant. "The CFO must carefully weigh the positives of additional disclosure to prove the strategy is working with the potential negatives of not disclosing a data point, or worse, to have iterations of new metrics," McClure says.
4. Clear Narrative – A company can have a great strategy and even excellent results, but if they can't convey their story in a crisp, clear, compelling way, they won't see the maximum impact on shareholder value. Accenture has a rigorous and disciplined approach to communications, so whether the story is shared internally or externally, a standard framework and common messaging are followed. Consistency is critical to bring people along the change journey.

Differentiated Strategy

Accenture had a long history of reporting two types of services: consulting and outsourcing. As Accenture's business continued to grow and new technologies emerged, the company recognized they were evolving and further differentiating themselves in the market. "We realized that our business was becoming much more sophisticated, and we actually did more than just consulting and outsourcing," McClure explains. They needed to capitalize on this diversification to maximize the value potential.

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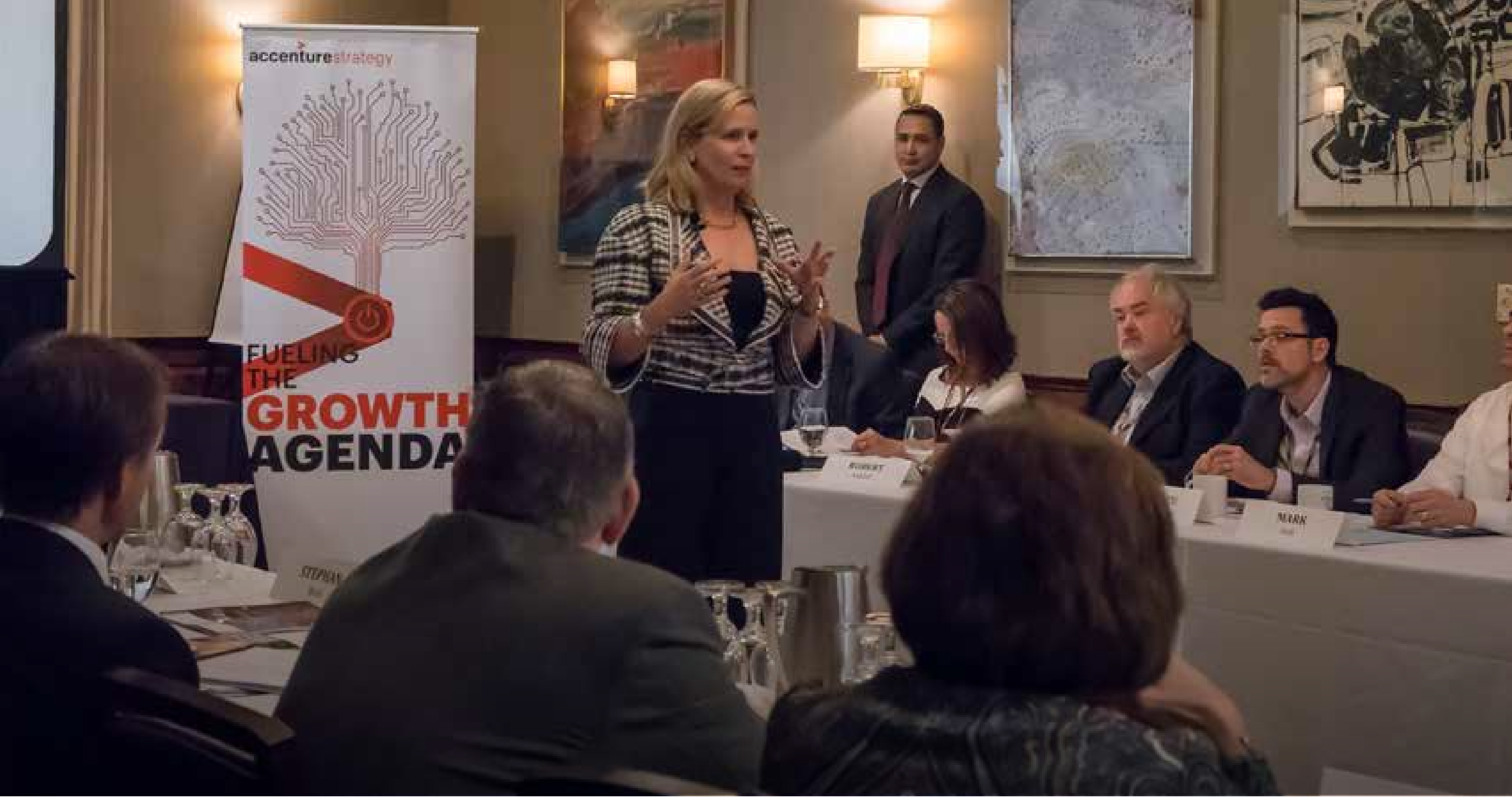
Accenture decided to further differentiate by creating Accenture Strategy, Accenture Consulting, Accenture Technology, Accenture Operations, and Accenture Digital. Rowland was instrumental in helping the company understand the unique characteristics of each business dimension. As CFO, he knew that each dimension had a unique economic profile and had to be "fit for purpose" to optimize margin and profitability. "It was clear that each of these new areas had different competitors in the market, as well as different price points, cost structures and investment strategies," McClure explains.

Rowland led a massive change effort to ensure that everyone in the company understood this new "fit for purpose" model. His finance organization was on the front line and ready to support the transformation. They drove change on many fronts—from new internal metrics to different commercial models and investment strategies. "Our CFO was a key driver of these efforts," McClure says.

Accenture's differentiation strategy also required them to reassess how they were investing capital. "This is probably one of the biggest changes … what it means to invest for disruption," says McClure. They needed to invest, not only in the new service areas like digital, security, cloud and analytics, but also in talent to ensure they had the right skills and capabilities to deliver these new services. Rowland took a hard look at their capital allocation strategy to ensure they could free up capital while continuing to deliver margin expansion, one of their key shareholder value commitments. Investors had to understand Accenture's investment strategy given it was new territory. It was



imperative that Accenture articulated this shift to investors, who knew that Accenture had historically been an "asset-lite" services company with very limited debt.

A key component of the company's investment strategy was a significant increase in ventures and acquisitions (V&A). Accenture has become a "serial acquirer," moving from just a few acquisitions in previous years to now spending over $1.5 billion this year. Rowland had to ensure his finance team and the rest of the organization were ready to handle the wide range of challenges that came with the increase in V&A activity.

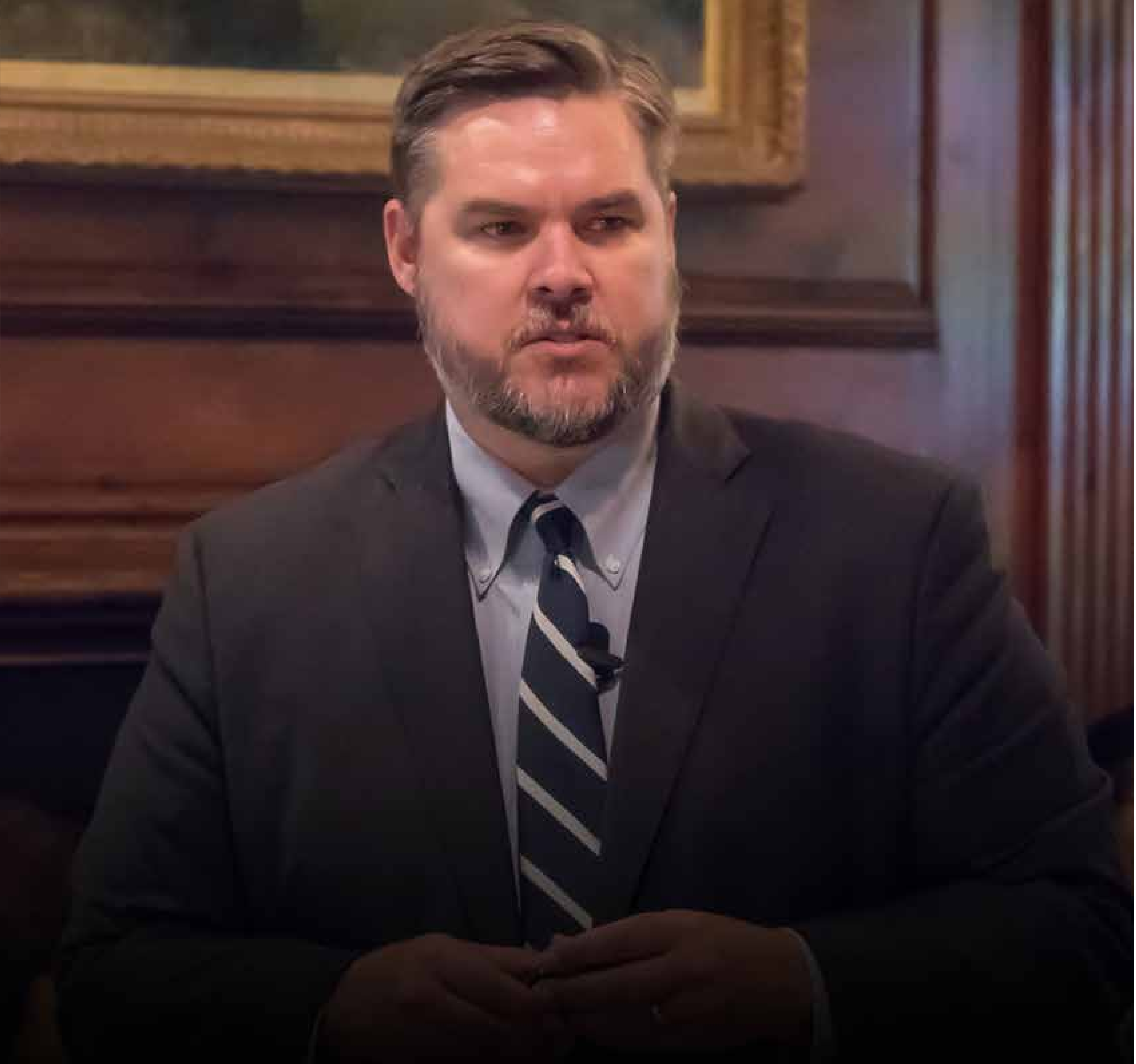
For the strategy to be successful, the team had to lean heavily on its fourth pillar and create a clear narrative for each stakeholder audience so that employees, investors and clients were on board.

Proven Results

After articulating a new strategy and bringing along investors, Rowland and McClure had to prove it was working and fueling growth. Of the four pillars, McClure says, "this was probably the hardest one. Figuring out the appropriate financial disclosures is uncomfortable territory for any CFO." Rowland and McClure worked with their legal team, the controller, their auditors and their marketing group to evaluate several financial metrics to determine what they would share.

For example, Rowland and McClure had to bring the new business architecture to life and provide information around the scale and growth trajectory for the business dimensions. They also had to prove they were driving growth at an accelerated rate in each of the new service areas —digital, cloud, security and analytics. And, massive work was required internally to make sure their revenue was coded properly in SAP and reported correctly. "I can't over-estimate the amount of time, focus and training we spent making sure we were capturing and reporting our new metrics correctly," McClure states.

Additionally, they had to incorporate new financial insights to report the impact of inorganic growth in their results given the significant step-up in V&A activity. They increased visibility on levers of overall margin expansion to highlight how they were funding the investments they were making in the company.



"One reason that promising technologies sometimes fail is that they don't help customers do a job they are actually trying to get done."

– Dr. Rory McDonald

Assistant Professor, Harvard Business School

Clear Narrative

If the market does not clearly understand how a strategy is linked to financial results and guidance, a company won't maximize their shareholder value. Accenture has a very rigorous and disciplined approach to communicating the connection between strategy and results to the market. In addition to the c-suite executives, Accenture leverages over 70 leaders across many areas of the company to help bring the Accenture story and strategy to life.

Rowland and McClure worked closely with the marketing & communications team to create a clear, concise communications framework that people in the organization use to share their part of the Accenture story. "We have a clear theme document that we use every quarter. It's one page. It's a discipline. If you can't get it on one page, then we are not clear on our message," states McClure.

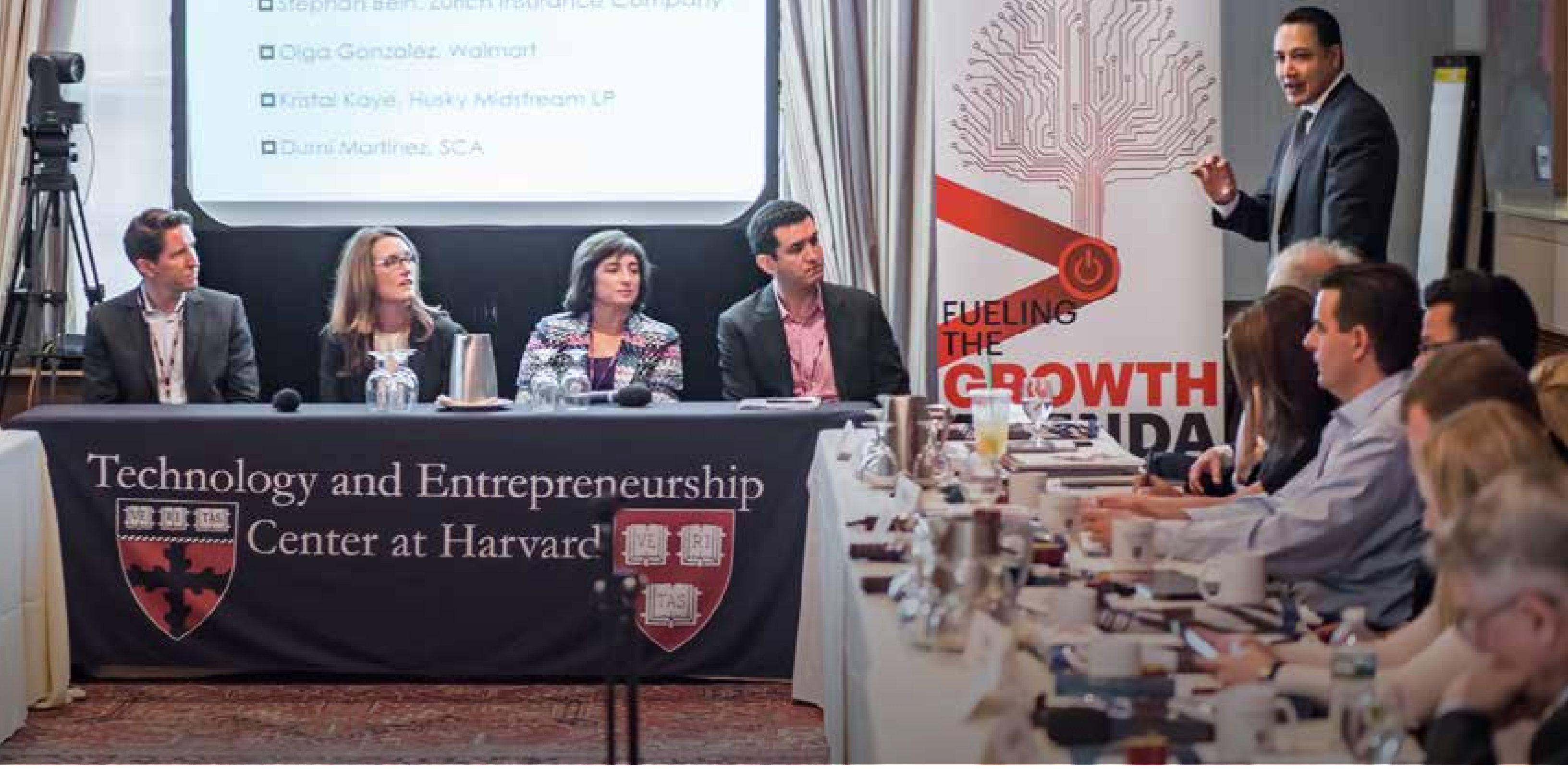
The theme document also informs how executives communicate internally from the top down. Rowland and other leaders use the themes outlined in the document to reinforce key strategy areas in internal communications to ensure that everything is consistent across audiences.

Conclusion

Reflecting back on Accenture's transformation, McClure explained that she could not overstate the importance of the role the CFO played at each juncture. Rowland was at the table in the earliest discussions with the CEO and CSO, bringing the financial insights and analysis to help architect the strategy to scale and grow in a differentiated way. He was on point to ensure the finance organization, systems and processes were ready to provide results and proof points to demonstrate the strategy was working. And, as a CFO, he works to ensure the market understands how the strategy translates to value creation for them as shareholders.

Leadership Insights

- **Play a Key Role in Architecting and Executing a Growth Strategy:** Today's CFO plays a vital role in driving new growth agendas. With rapidly evolving markets and competitors, financial insights are more important than ever in defining opportunities and capturing growth.
- **Develop New Metrics that Matter:** It's one thing to give lip service to transformational change, but demonstrating success requires proof points to establish credibility with the market. Accenture defined new metrics to illustrate success and build confidence in the direction the company was headed.
- **Bring Investors Along on the Journey:** Make sure the market clearly understands your new strategy and the connection to shareholder value creation. A clear, concise narrative that is consistently articulated is essential to capturing a market premium.



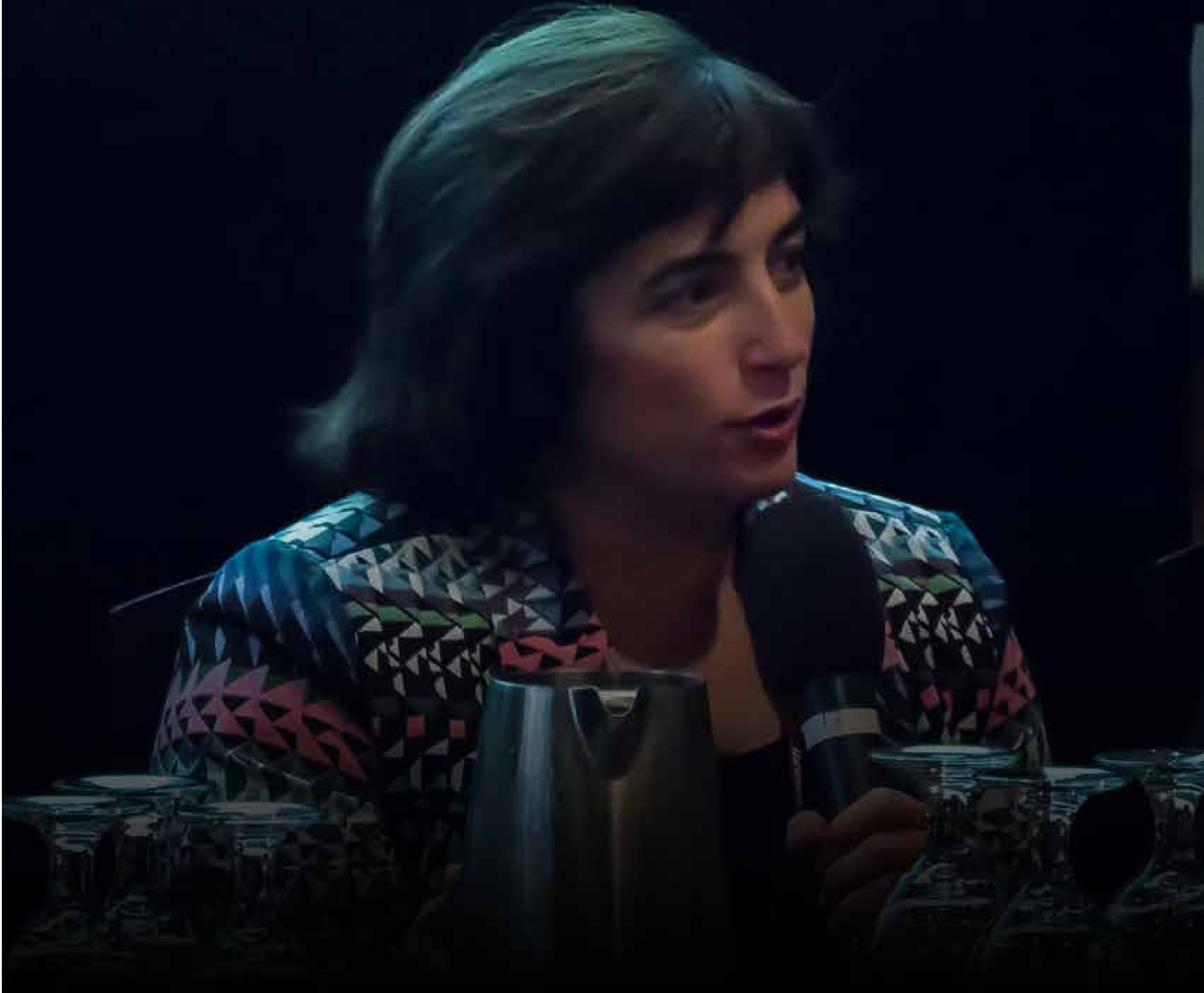
Summary

To stay ahead in today's fast-moving business world, organizations have to learn how to disrupt themselves or risk being put out of business. The old model of focusing purely on the P&L won't safeguard a business from external disrupters who see industry differently and simply create a whole new model of their own.

The CFO of the future will be someone who has taken the time to build a diverse team with a broad set of skills that can sit at the intersection of technology and finance. By taking this integrated approach, the finance team can define and lead transformational change that puts the organization on a growth trajectory. In this role, the CFO transforms into a Chief Growth Officer, focused on maximizing new business opportunities and stakeholder value. However, no transformation happens easily. Many established organizations today are grappling with how to create transformational change to avoid being disrupted. When CFOs begin thinking like growth officers they can drive impactful change efforts within their organizations. The leaders at **The 2017 CFO of the Future Summit: *Fueling the Growth Agenda*** identified three key areas for CFO success: spending time appropriately, investing in people, and developing a thorough understanding of customers – what they want, how they make decisions, what they value most deeply.

Ultimately, the profile of the CFO of the future is that of someone who works on a team with the CEO to drive change in an organization. CFOs and the finance team are change agents that can help better define broad organizational goals by tying them to key growth metrics and communicating tactical plans back to investors, stakeholders, and customers. In many ways, the CFO is there to help the organization implement key lessons from the market, competitors and clients in a way that disrupts outdated models from within and creates a pathway forward that is both consistent and viable from a revenue perspective.

In order to make the most of transformational change, the CFO must no longer spend her days in front of spreadsheets; instead, she should be meeting with each part of the organization, understanding what the needs are and how best to reinvest in the business to create value. Alongside that listening time, the CFO must be talking to and training key people in each functional area so that they understand the evolution that must occur and feel empowered to make that happen. Finally, with the advent of big data and improved customer insights, the finance team should leverage those inputs to understand how customers make decisions and craft services that are more responsive to their needs.



"The digital world for us is a lot about how do we optimize the current model that we have and at the same time, transform?"

– Olga González Aponte

Vice President of Merchandising and Operations Finance, Walmart

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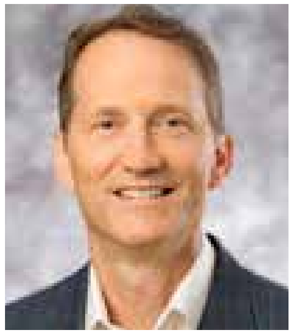
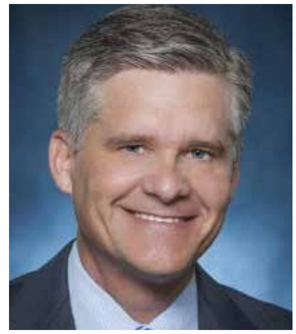


Charles Bancroft
Chief Financial Officer
Bristol-Myers Squibb



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