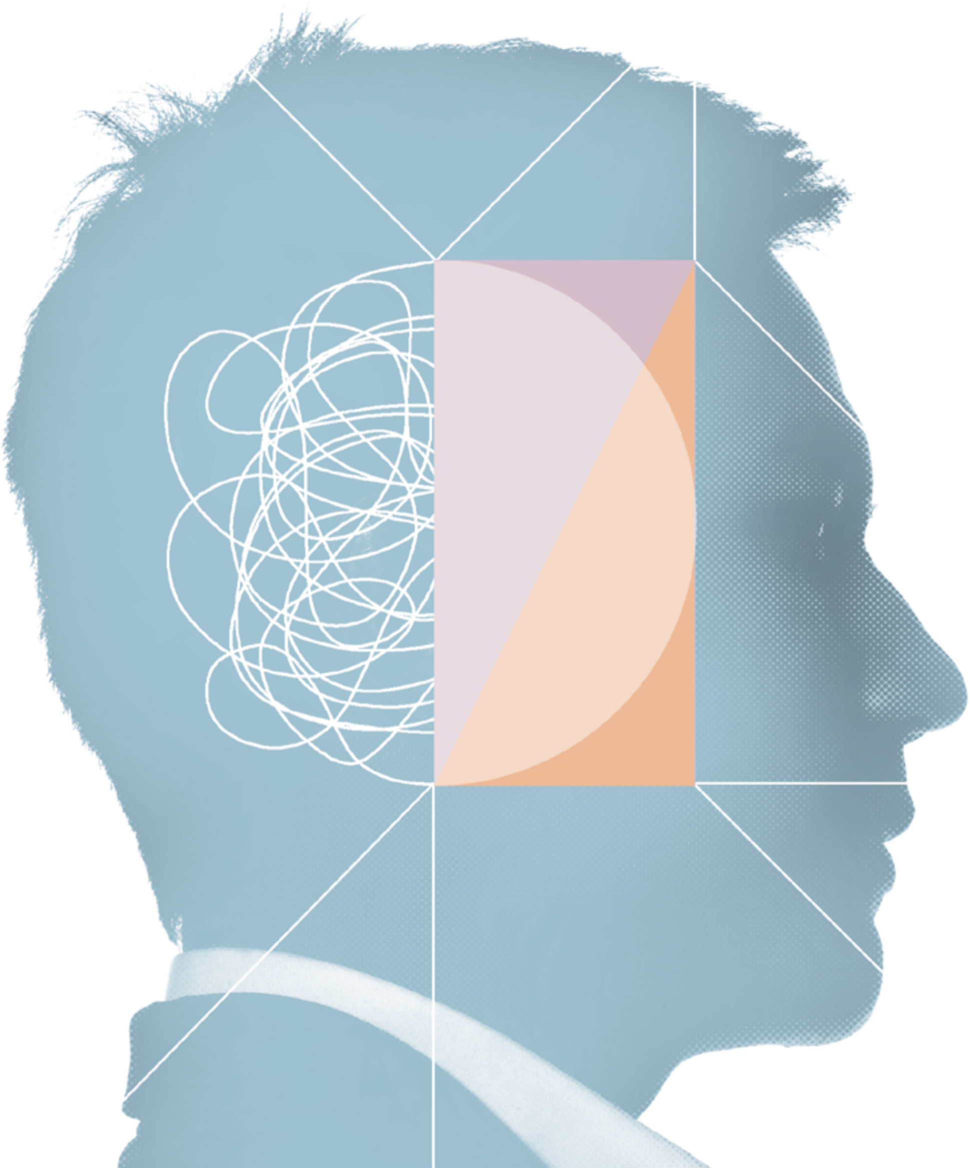
ICAEW THOUGHT LEADERSHIP

FINANCE DIRECTION

THE CFO AND BUSINESS STRATEGY

Part 1: The nature of strategy



ICAEW Finance Direction initiative

The CFO and business strategy part 1: the nature of strategy forms part of the Business and Management Faculty's Finance Direction thought leadership programme. It develops ideas covered in *Finance business partnering: a guide* (2018) and *Finance in the broadest sense* (2013). All Finance Direction reports, which focus on making finance functions more effective, can be accessed at icaew.com/financedirection.

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The CFO and business strategy series

Corporate strategy is about how the vision, mission and high-level objectives of an organisation can be achieved. As board members and executives CFOs have a key role to play in strategising. But this is not an easy role. In a series of four reports we aim to help CFOs and aspiring CFOs think about strategy and what they might do differently while recognising there is no one best approach. We will provide a range of ideas which will help CFOs consider what best suits their purpose, business and stakeholders.

The series is based on discussions with CFOs, a review of the literature and our own thinking. We focus on the organisation and business unit level and do not consider functional, team or individual strategies.

The first column of the diagram (p3) provides an overview of the planned reports and how they relate to the re-crafting of the CFOs existing strategic role.

The CFO's role in strategy varies significantly across organisations. In some organisations the CFO takes the lead, perhaps where the CEO is more focused on marketing, design or innovation. In others the CFO may take a more narrow role by ensuring strategy is based on sound financial analysis, translating it into financial plans and budgets and obtaining the necessary funding. CFOs also have to consider their collegiate roles as members of the board and executive committees as well as their individual responsibilities as stewards and leaders of the finance function. We will explore the CFO's role in strategy in more depth in the second report in this series.

No matter how CFOs position their role, they need to exercise judgement to deal with the inherent tensions in strategy and make tough calls on conflicting ideas. The series will discuss a range of tensions, such as that between planned and emergent approaches to strategy, which we cover in this first report of the series on the nature of strategy.

FUTURE REPORTS OF THE CFO AND STRATEGY SERIES

THE CFO'S ROLE IN STRATEGY

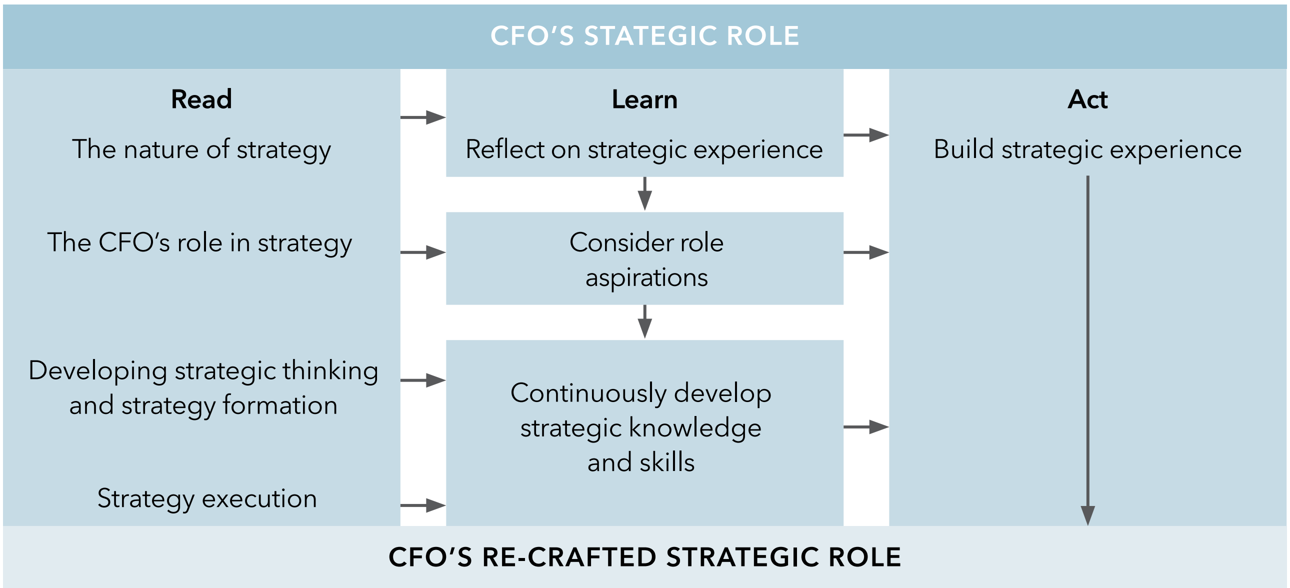
There is no one best way for CFOs to be involved in strategy. They also wear at least two strategic hats – as a collegiate member of the board and as the leader of the finance function. We will look at a range of perspectives to help new CFOs and aspiring CFOs carve out a position which is right for them and their organisations. We will also look at the barriers to CFO involvement in strategy and how they can be overcome.

DEVELOPING STRATEGIC THINKING AND STRATEGY FORMULATION

Effective strategic thinking stems from experience, innate ability and conscious effort. We will focus on the latter to analyse what tools, techniques and resources finance professionals can use to develop their strategic thinking skills. As CFOs may be responsible for the strategy formulation process, or will at least influence it, we will also look at the ways groups can effectively work together to formulate strategy or create an environment where emergent strategies can thrive.

STRATEGY EXECUTION

Many of the areas for which the CFO has direct responsibility, such as investor relations, budgeting and key performance indicators (financial and non-financial), have significant implications for strategy execution. We will consider the implications of these processes for the successful implementation of strategy and also how they may need to be developed to support the successful emergence of strategy.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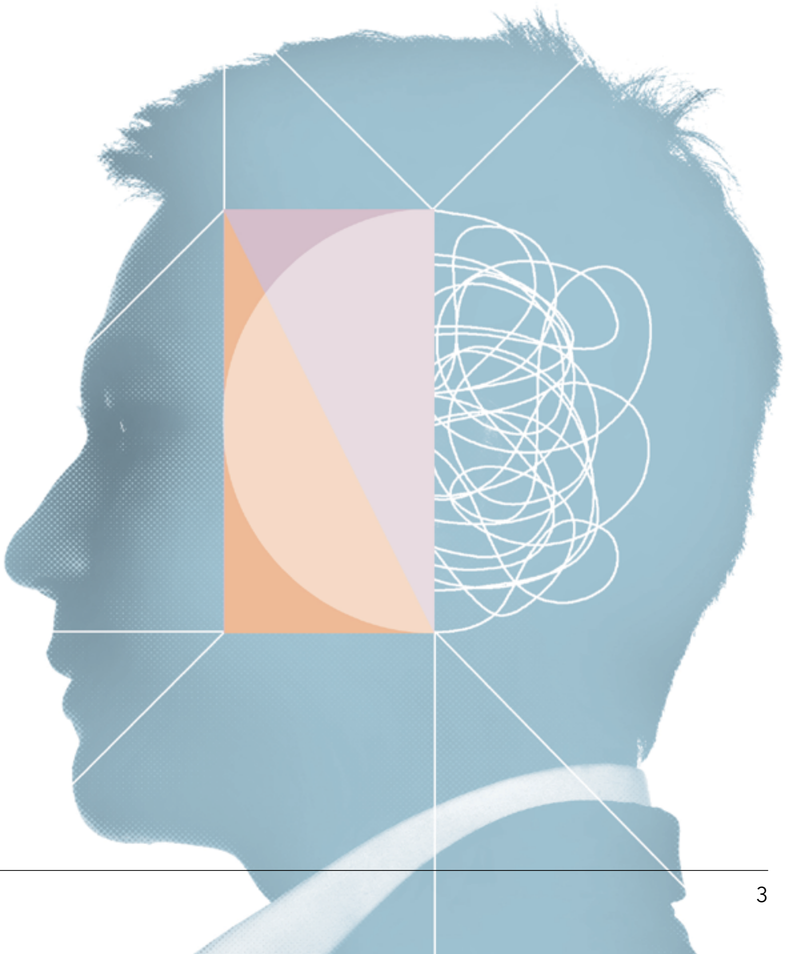
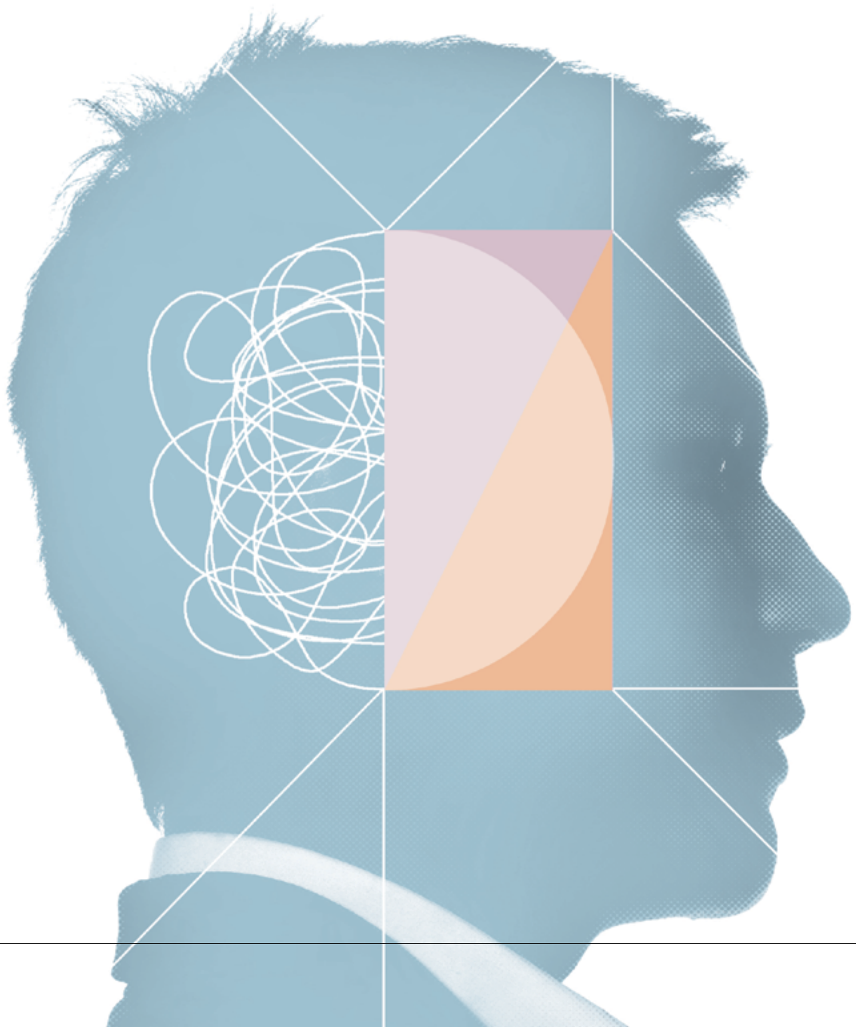


Introduction – the nature of strategy

CFOs take a pragmatic approach to strategy. They seek to manage the intrinsic tensions of strategy, such as balancing short-term and long-term goals and meeting multiple stakeholder needs. To do this they tailor their approach to their individual circumstances by applying their experience, discussing issues with others and, in some cases, drawing on formal learning.

The CFOs we spoke to did not advocate any grand strategic theories, such as Porter's approach to competitive advantage or the resource based view of the firm. They had a range of views. Therefore we do not attempt to argue for one best approach to strategy. Our focus is on the tension between planned and emergent approaches to strategy – a tension which featured in our discussions with CFOs and continues to be discussed by commentators on strategy today.

We start by briefly discussing the traditional distinctions between vision, mission and strategy and whether such distinctions matter. Then we highlight some definitions of strategy and discuss how strategies come into existence. Why? We believe revisiting definitions, possibly long forgotten, may in itself generate useful ideas when considered with the benefit of greater experience. Improvements in strategising can be achieved by reflecting on what strategy is, how your organisation's strategy comes into being and comparing it to other approaches. We then focus on the positioning of organisations along a continuum of planned and emergent strategy and consider the advantages and disadvantages of each extreme. We conclude with ideas on how to promote productive strategic discussions and further develop strategic understanding.



The distinctions between vision, mission and strategy – do they matter?

Guidance on strategy processes often recommends an organisation should start with its vision and mission before developing a strategy. An organisation's vision is the long term, broad view of where it wants to get to, such as Microsoft's early vision of 'a computer on every desk and in every home'. Its mission sets out the organisation's purpose and delineates what business it is in. The mission may also include values. Johnson and Johnson's credo is one of the most well-known and opens with 'we believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services.' Strategy is seen as how the vision is achieved while it stays true to the mission.

Some CFOs made little distinction between vision, mission and strategy. Instead they were concerned with developing and communicating a clear sense of direction to motivate staff, set boundaries on what constitute acceptable behaviours and provide a basis for decision-making and allocating resources. Effective CFOs help define the messages needed to convey this sense of direction and play a key role in the communication process. We will consider this further in future reports in the series.

While the CFOs we spoke to did not make this point, arguably the terms vision, mission and strategy have become muddled, devalued and divorced from organisational reality resulting in empty words.

On the other hand St John's Ambulance provides a good example of a compelling vision and mission.

Our vision:

- Everyone who needs it should receive first aid from those around them. No one should suffer for the lack of trained first aiders.

Our mission is to:

- provide an effective and efficient charitable first aid service to local communities;
- provide training and products to satisfy first aid and related health and safety needs for all of society; and
- encourage personal development for people of all ages, through training and by volunteering within our organisation.

Our values:

- Our values guide our thinking and actions – they set out the way we do things.

Delving a little deeper it is clear there are overlaps and relationships between the terms. For example St John's Ambulance mission precludes a strategy of entering the long-term care market. Their well-developed, meaningful vision provides a long-term strategic objective.

'Follow effective action with quiet reflection. From the quiet reflection will come even more effective action.'

Peter Drucker

What is strategy?

The definitions of strategy by Mintzberg below and on the next page (p7) suggest the importance of a plan but also uses words such as pattern, policy and direction. These terms lead us to a more emergent view of strategy – where coherent patterns of action emerge, without detailed pre-planning, as individuals interact with their environments. The organisation's vision and mission provide an overall framework for action but the answer to the question 'what is strategy?' is more difficult. The concrete representation of strategy in the form of a written strategic plan may not exist, may be ignored or is so high level it provides little guidance on actions to take. In his discussion on 'What is strategy?' Michael Porter argues most organisations he speaks to do not have a strategy in any meaningful way. With an emergent strategy the focus moves to experimentation and opportunism through which recognisable patterns of action come into being. Planning such as it is, is done on the fly as initiatives are pursued, new opportunities arise and organisations respond to events.

'To almost anyone you care to ask, strategy is a plan – some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation... By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully.'

Mintzberg, 1987

STRATEGY DEFINITIONS

'Corporate strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.' (Andrews, 1971)

'A strategy is the *pattern* or *plan* that integrates an organization's *major* goals, policies and action sequences into a *cohesive* whole. A well-formulated strategy helps to *marshal* and *allocate* an organization's resources into a *unique* and *viable posture* based on its *relative internal competencies and shortcomings*, anticipated *changes in the environment* and contingent moves by *intelligent* opponents.' (Quinn, 1980). Quinn then defines goals/objectives which state what and when but not how; policies which set limits on actions; programs which specify step-by-step sequences of actions to achieve objectives and strategic decisions which determine the overall direction of the enterprise.

'The core content of a strategy is a *diagnosis* of the situation at hand, the creation or identification of a *guiding policy* for dealing with the critical difficulties, and a set of *coherent actions*.' (Rumelt, 2011, p79) 'A good strategy is, in the end, a hypothesis about what will work. Not a wild theory, but an educated judgement' (p243)

ICAEW's ACA manual for the Business Strategy module draws on a definition from Johnson, Scholes and Whittington, 2011 – 'Strategy is the direction and scope of an organisation over the long term which achieves advantage in a changing environment through its configuration of resources and competences, with the aim of fulfilling stakeholder expectations.'

'It's self-conceit to think you can figure out in advance and tell everyone in your company what to do. Instead, you need to build an environment where your customers, where your users, where your employees are figuring out what the business should be.' [1]

Scott Cook, founder of Intuit

Planned strategy

A planned strategy is thought through and well-structured before execution is initiated. A step-by-step process is followed as far as possible. This usually entails an analysis of an organisation's circumstances and potential, the development of a vision, mission and high-level objectives, followed by establishing how the organisation will achieve them. A planned strategy is communicated top-down at a sufficient level of detail to guide team and individual actions. The plan, supported by detailed budgets, serves to allocate resources in advance and provides the basis for assessing progress towards the organisation's vision and objectives. The strategy and plan is reviewed and amended periodically.

Emergent strategy

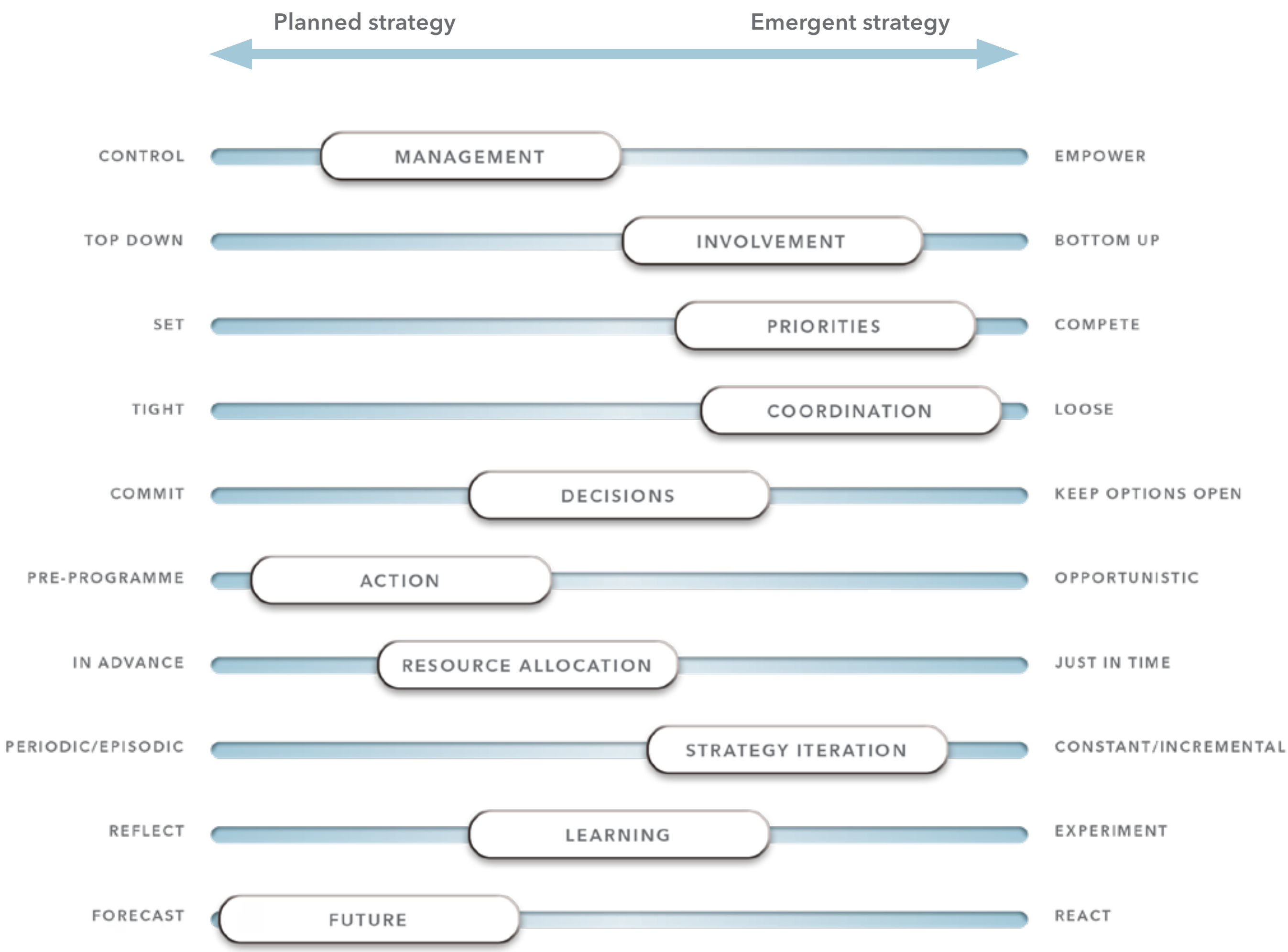
An emergent strategy is one that comes together without detailed planning. As the organisation reacts to the environment, experiments with different ideas and seizes opportunities, a coherent pattern of actions emerges which coalesce into a strategy. The organisation's vision, mission and culture provide some sense of direction and place boundaries on the business ideas that are explored and developed. However, the focus is on agility and empowering people throughout the organisation to experiment, pursue successful ideas and make decisions. As a result the strategy constantly evolves.

The strategy continuum – planning and emergence

When we consider the distinctions between planning and emergence it becomes apparent that in reality approaches to strategy lie somewhere on a continuum (see diagram).

Understanding where an organisation is and where it wants to get to on each of the 10 dimensions on the continuum is complex as they are interrelated. For example pre-programming actions requires good forecasting. Organisations can also be at different positions for different activities. They may be top-down when it comes to developing a vision but bottom-up when it comes to how the vision should be achieved. In some circumstances, and to a limited extent, organisations can seek the best of both worlds. They may, for example, allocate a proportion of resources in advance and keep a central pot available to fund new opportunities as they arise. However, in most cases there is some form of trade-off, if not direct conflict. For instance maintaining tight control almost inevitably reduces empowerment. In the following sections we discuss what CFOs need to consider in positioning their organisations appropriately.

THE STRATEGY CONTINUUM – PLANNING AND EMERGENCE



NB the sliders above are not intended to show ideal positions on each dimension.
They can and should be positioned to suit an organisation's needs.

Positioning an organisation on the planning and emergence continuum

There is no right place to be on the continuum, either as a whole or on particular dimensions. It depends on a wide range of factors including:

- organisational size – eg, large organisations may find it more difficult to reallocate resources and change direction quickly, but they can fund more experimental initiatives than smaller organisations;
- industry sector – eg, industries facing rapid change and high levels of uncertainty will tend to favour the emergent end of the continuum;
- ownership – eg, most external investors will expect business plans against which they can monitor progress whereas owner-managers can change direction without having to consult others;
- culture – eg, some organisations have a bias towards analysing data and acting on the evidence as opposed to acting on intuition;
- risk appetite – eg, organisations with a greater risk appetite are more likely to commit to big bets on large acquisitions or major capital investments, where as those with lower risk appetite will prefer smaller scale commitments and to keep their options open;
- executive preferences – eg, the preference to act first and think later or vice versa; and
- resource availability – eg organisations in crisis have no choice but to set clear priorities and act quickly if they want to survive.

It is not easy to alter an organisation's approach to strategy as deep-rooted beliefs and long-established processes will need to be changed. The group head office of a financial services organisation we looked at attempted to give its business units greater strategic flexibility, encourage opportunism and reduce the amount of detail in strategic plan submissions. However, the executive teams of each business unit were not used to this more hands-off approach and still expected to be questioned on the minutia of their strategies. So they continued to produce detailed information packs backing up their strategies with low-level financial budgets and step-by-step action plans. It took a couple of years for business unit executives to realise head office was genuine, and consequently reduce the levels of bureaucratic planning and empower staff.

CFO'S VIEWS ON PLANNING AND EMERGENCE

All the CFOs we spoke to discussed some form of planning perspective on strategy. This involved varying degrees of market and organisational analysis, forecasting, deciding on a clear way forward, planning and then executing the plan, all based on more or less formal processes. But the CFO quotes below show the importance of emergence was also recognised.

'You need different levels of strategy, from the high level concept to the business plan.'

'The strategy has to be pretty nailed down, you've got to be able to talk about it or else it just leads to confusion. But this may be very different in an organisation subject to ongoing disruption.'

'Strategy is difficult because it is an art not a science.'

'You have to be realistic about how far you can and need to look ahead and at what level of detail and certainty... don't over-define things for the next two, three, four years depending on the company.'

'Stop worrying about being wrong, there might not be a right answer, strategy may be a leap of faith.'

'Strategy equals the next best steps…it should not be divorced from every-day life.'

'Being opportunistic is a strategy.'

CFOs need to consider organisational realities and make changes to the strategic approach where the benefits are likely to be highest. Below we discuss the need for critical thinking when assessing the implications of case studies and provide some examples of planned and emergent strategies.

Using strategy case studies – the need for critical thinking

We should carefully interpret case studies and anecdotes which claim to illustrate the success of a particular approach to strategy (see illustrative examples below). There is a tendency to fit strategic examples to our own preconceptions. For example, John Kay (2006), discusses the case of Honda's success in the USA in the 1950s and 1960s. The case can be seen as evidence of both successful strategic planning and an emergent strategy. Those with a planning perspective regard Honda as having systematically exploited its low cost advantage and economies of scale in the USA. Those with an emergence perspective point to the failure of the planned focus on large bikes. It was Hondas smaller bikes that succeeded when potential buyers saw Honda executives using such bikes to get around Los Angeles. CFOs are well placed to apply their critical thinking skills to untangle the facts of any particular case and distil the learning that can be applied to their circumstances.

ILLUSTRATIVE EXAMPLES

PROCTER AND GAMBLE'S ON-OFF RELATIONSHIP WITH STRATEGIC PLANNING

In *Playing to Win: How Strategy Really Works* (2013) A.G. Lafley, former Chairman and CEO of Procter and Gamble (P&G) discusses the struggles P&G had in asserting strategic discipline.

He argues P&G struggled in the mid-1980s due to the lack of a clear strategy which resulted in 'a mishmash of acquisitions which never returned the cost of capital…and a raft of failed new brands and new products'. This led to a short-lived focus on strategy in the late 1980s. However, as results improved 'P&G forgot most of what it learned. When top-line growth slowed again in the late 1990s, the company reverted to the same helter-skelter, new categories and new-brands, and an M&A approach...Not surprisingly the wheels came off again'.

When Lafley became CEO in 2000 he determined he 'was going to teach strategy until P&G was excellent at it. I wanted my team to understand that strategy is disciplined thinking that requires tough choices and is all about winning. Grow or grow faster is not a strategy…Ten percent or greater earnings per share growth is not a strategy…A strategy is a coordinated and integrated set of where-to-play, how-to-win, core capability, and management system choices that uniquely meet a consumer's needs, thereby creating competitive advantage and superior value for a business' (pp49–50).

The book explicitly criticises taking an emergent view of strategy in the face of rapid change. 'Emergent strategy has become the battle cry of many technology firms and start-ups, which do indeed face a rapidly changing market place. Unfortunately, such an approach places a company in reactive mode, making it easy prey for more strategic rivals.'

'CFOs need to consider organisational realities and make changes to the strategic approach where the benefits are likely to be highest.'

EMERGENCE OF STRATEGY FROM LUCKY ACCIDENTS AND OPPORTUNISM

There are many stories which illustrate the emergence of strategy from lucky accidents and opportunism rather than executives analysing the market, developing a plan and introducing new approaches and products.

- IKEA's flat pack approach is said to have resulted from a member of staff dismantling a table in order to transport it in his car to a photo-shoot for the catalogue. Without the move to flat-packed furniture IKEA's business model, stores, marketing, logistics and cost structure would be very different. (Brownlee, 2016).
- Southwest Airlines 10-minute turnaround approach arose out of necessity. As legal challenges had depleted their funds they had to sell one of their four planes. To cover the same number of planned flights, fast turnarounds were the only option. Fast turnarounds have remained an essential part of Southwest Airlines low-cost strategy and has been copied across the industry (Pfeffer and Sutton, 2006).
- Established in 1998, PayPal's initial strategy was to enable payments between personal digital assistants (PDAs) and provide payment services on the web. The services did not take off. In 2000, out of the blue, they received a request to use the PayPal logo on eBay auctions. Some executives resisted this on the basis it was not in line with the agreed strategy. However, the opportunity was grasped resulting in a step change in user numbers (FT Timeline Sept 2014, Scott Cook Intuit YouTube.

Of course we should be wary – the above emergent strategy examples make more interesting reading than successful strategies based on detailed analysis and step-by-step implementation. And just because there may have been some initial serendipity, organisations have to recognise the opportunity and scale it up.

The advantages and challenges of planned versus emergent approaches to strategy

Discussions of the strengths and weaknesses of planned versus emergent approaches to strategy have been around since the 1980s. The current calls for organisational agility can be interpreted as arguing for a more emergent approach. Table 1 summarises the advantages and challenges of planned and emergent approaches to strategy to help CFOs weigh up where they want to position their organisations. These should be read in the context of organisations having already agreed a clear vision and mission.

Given the advantages and challenges identified in Table 1 and 2, CFOs have to make tough judgement calls to manage the tension between planned and emergent approaches to strategy, taking into account their unique circumstances.

TABLE 1 – Advantages – based on De Witt and Meyer (2014)

PLANNED STRATEGY	EMERGENT STRATEGY
Provides a sense of direction based on analysis and forecasting, whereby people know what they are working towards and can be evaluated on whether they deliver.	Retains the freedom to take opportunities as they occur and respond quickly to new circumstances.
Enables commitment to large-scale, long-term courses of action and investments which may be difficult to reverse.	Allows greater agility and innovation as people can react to their environments without being constrained by detailed strategies.
Provides the basis for setting up appropriate organisational structures and programming activities in advance.	Keeps options open for as long as possible, avoiding the risks of heavy resource commitments to strategies that may turn out to be wrong.
Supports coordination by addressing differences of opinion early and avoiding duplication.	Supports entrepreneurialism where different people try out the strategic ideas they feel passionate about. Organisations can increase commitment to those proving successful and cut those which are failing.
Optimises resource allocation by disciplining managers to consider available information, evaluate options and only commit resources when the best available option has been found.	Promotes learning and insight into what works through the feedback from experimentation, trial and error.
Provides a form of organisational legitimisation, demonstrating to stakeholders it is in control.	More accurately reflects the realities of organisations where it is difficult to forecast and circumstances change rapidly.
	During major strategic change allows for the necessary coalition building, shifts in power and culture change which cannot be imposed top down - strategic change is pragmatically shaped based on what is feasible not what is ideal.
	Saves time and costs by reducing the amount of detailed planning.

TABLE 2 – Challenges

PLANNED STRATEGY	EMERGENT STRATEGY
Premised on our ability to predict the future, when even analysing the present is no easy task. The creativity required for new strategic ideas cannot be guaranteed to spring forth at the timetabled point in a deliberate, strategic planning process. The strategic plan gets ignored as new ideas are approved and pursued without relating them back to the pre-planned strategy. Mintzberg (1994) takes things to the extreme when he states 'Strategic planning is not strategic thinking. Indeed, strategic planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers' (p107).	Working with the planning orientation of investors and bankers while operating on the idea that viable strategies emerged in the past and will continue to emerge in the future requires great skill, resilience and faith. Consciously moving to a more emergent approach to strategy is challenging because people have an innate desire for control (Leotti et al, 2010). This may be particularly true for CFOs given their responsibilities for an organisation's control environment. Deeply institutionalised processes such as forecasting, budgeting, cost management and so on need significant rethinking if we embrace the uncertainty and ambiguity associated with emergent strategy. Finance professionals may give up some of their power if they no longer have a role in orchestrating a formal strategic planning process and loosen their grip on resource allocation. The organisation could be seen as chaotic and indecisive.

Strategising in practice

THE POLITICAL NATURE OF STRATEGY

Strategy is inevitably political. In part, this is because decisions on priorities and resource allocations result in winners and losers. CFOs are often in the middle of such politics, arbitrating among many conflicting interests. While strategic proposals will practically always be presented as being in the best interest of the entire organisation, CFOs play an important role in judging whether this is actually the case. In extreme cases, CFOs have resigned when they believe otherwise. For instance, in 2016 the CFO of EDF energy, Gérard Magnin, resigned because he believed the plan to build two nuclear reactors at Hinkley Point in South West England jeopardised the company's future (FT 9/3/16).

Little progress on strategy is made without compromises and horse trading. Strategies may be the result of deals between executives, explicit or implicit. For instance, the head of marketing supports (or at least does not object to) the head of operation's idea to open a new factory in return for significant investment in a new online e-commerce platform. One CFO spoke of executives protecting 'pet' projects that were not really aligned to the overall strategy. Strategic progress towards a goal is often the result of compromise and give-and-take.

THE CFO AND PRODUCTIVE DISCUSSIONS AROUND STRATEGY

Effective strategizing requires good teamwork. However, facilitating productive strategic discussions is challenging, partly because strategy is difficult to define and not everyone follows text book distinctions between vision, mission and strategy. Additionally, the term strategy gets bandied around inappropriately. While, for example, Formula 1 racing teams talk of using 'one-stop' or 'two-stop' strategies, these are surely just tactics, even if we take an emergent view of strategy. Parkinson's law of triviality also comes to mind. Parkinson tells the story of a management meeting where complex strategic decisions prompt little debate because few people understand the issues, but there is a lengthy discussion about the new bike shed because everyone can contribute (Parkinson, 1965). The political nature of strategy means emotions will often interfere with rational discussion. But if we want people to be passionate about the organisation's objectives, which some would argue is essential for success,[2] then heated debates are also inevitable.

So what can CFOs do to facilitate productive discussions on strategy? Most importantly, CFOs need to have a deep knowledge of the business, including understanding key internal and external stakeholders. This foundation enables CFOs to manage a range of issues which we discuss below.

Inevitably the focus of many strategy discussions is around the substance of strategy such as deciding what markets to enter. However, it is also important to step back and discuss the strategy process, which can often be taken for granted. In particular CFOs are in a strong position to consider whether the right people are involved and the best approach to reaching decisions.

Productive strategic discussions strike the right balance between people energetically arguing the case for their ideas and thinking things through to a logical conclusion. Effective CFOs judge when the energy and emotion associated with important decisions becomes counterproductive and help return things to cooler, rational discussion.

In his essay Isiah Berlin (2013) identifies two sorts of people – foxes, who seek multiple views and change their minds as they gather more information and hedgehogs, who stick to one big idea and fit all the evidence to this point of view. Because foxes articulate both the pros and cons of ideas and change their minds more often than hedgehogs, their message is often less clear, and harder to translate into financial numbers. Consequently, people are less likely to listen to them, despite evidence from Tetlock and Gardner (2015) that foxes make better forecasters. CFOs who ensure foxes are heard as well as hedgehogs will enhance the quality of strategic discussions.

The CFOs we spoke to all mentioned the importance of asking challenging questions. In particular they were keen to ensure strategic proposals were in the best interests of the organisation and not based on personal agendas. However, CFOs also realised the need to be supportive of innovative ideas and appropriate risk taking.

Addressing the issues above requires negotiation and conflict management skills. There are many practical guides available on these skills. In 'Getting to Yes' (2012), Fisher and Ury. identify the principles of negotiation as focusing on interests, not positions; inventing options for mutual gain; insisting on using objective criteria; and knowing your BATNA (best alternative to negotiated agreement).

When it comes to conflict management, the Thomas Kilmann Conflict Mode Instrument (2002) still provides a useful framework. They analyse a range of options for resolving conflict depending on circumstances. If a decision is non-urgent, important and requires buy-in, it is worth investing the time and effort in achieving a win-win collaboration. If resolving a conflict is more important than winning the argument, then a compromise may be acceptable. When you have strong views and quick, unpopular decisions need to be made, it is appropriate to compete to win. On the other hand, when relationships are more important than winning, it makes sense to accommodate the other person's point of view. Conflict over trivial issues should be avoided.

THE ONGOING DEVELOPMENT OF STRATEGIC UNDERSTANDING

In addition to gaining hands on experience, what actions could we choose to deepen our understanding of strategy? We would be interested in your suggestions and hearing about your experiences by visiting icaew.com/cfostrategy, while considering the following aspects.

For a start, ask yourself, where would you place your organisation on the planning-emergence continuum of approaches to strategy (see p10)? Would the organisation benefit from repositioning itself on the continuum?

Exchanging ideas with others about their approaches to strategy is invaluable in developing strategic understanding. Additional benefit can be gained by putting yourself in the position of those who take a different view of strategy – CFOs we have spoken to stress the importance of empathy in understanding the business, building relationships and effective collaboration. Furthermore, the political nature of strategy makes it important to assess the personal agendas of the key players in strategic decision-making.

Reflect on your organisation's stated vision, mission and strategy. Do they resonate with you? Do they meet the needs of the organisation in providing sufficient direction without overly constraining individual initiative? Have they been effectively communicated and how have staff reacted to them? Don't ignore people who are excessively critical in their responses. Their challenges can be particularly helpful in honing the message. If you are not satisfied with the vision, mission and strategy what changes would you make and how would you make them?

Consider whether you have enough detail from the organisational level strategy to develop a financial strategy and a strategy for the finance function. If not, what further detail do you need, keeping in mind emergent strategies and the inevitability of uncertainty and incomplete information?

It is also useful to analyse the strategies of other organisations, competitors and non-competitors, as well as their successes and failures. Consider these strategies not just in terms of content but also the level of detail made available, what aspects of strategy they cover and how they distinguish between vision, mission and strategy. Be conscious of examples where strategy seems to have emerged rather than been pre-planned.

And finally, review the successes and failures of previous strategies you have been involved with to hone your strategic judgement. Deborah Meaden, of Dragon's Den fame, emphasised at an Oracle conference in London in February 2017 that good judgement is a key business need, but noted businesses rarely used a methodical approach to developing it.

Conclusion

Through first-class professional judgement, a pragmatic approach and a thorough understanding of the business, CFOs can play an important role in strategising. They work to ensure that an organisation's vision (long-term goal) and mission (purpose and values) are meaningful and provide a foundation for an effective strategy. In addition, they are able to handle the inherent tensions in strategy which includes achieving an appropriate position on the continuum of planned and emergent approaches to strategy. For example, by taking into account the unique circumstances of their organisations, CFOs contribute to decisions on whether to pre-programme actions and allocate resources to projects well in advance or take a more just-in-time, opportunistic approach.

Strategising requires effective teamwork and productive discussions. Neither are easy in a strategic context as individual interests will be at stake and emotions can run high. Therefore CFOs will need to draw on their conflict management and negotiating skills to help organisation arrive at strategic decisions that have sufficient buy-in.

SHARE YOUR EXPERIENCES OF STRATEGY TO HELP OTHERS

CFOs understand the need for continuous improvement and learning to maintain their strategic influence. We have suggested some ideas to help, such as reflecting on the nature of strategy and previous successes and failures. CFOs who complete ICAEW's F-Ten leadership programme (icaew.com/f-ten) agree that stepping back to think broadly about strategy is beneficial and they also value getting input from peers. We have learnt a lot from speaking with CFOs to produce this report and we would welcome any additional thoughts on the nature of strategy, how CFOs can further develop their strategic understanding and our proposed future outputs (see p2). Share your ideas and feedback on icaew.com/cfostrategy

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End notes

[1] Scott Cook, Highlights from Vegas/Emergent Strategy http://bit.ly/2FwW5oI

[2] Whitehurst, J. 'How to build a passionate company', Harvard Business Review On-Line, 15 Feb 2016

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