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CFO Strategies: Navigating Risks, Building Value and Trusting the Future

Explore the expert guidance of CFO Chandra Chandragiri as he shares a strategic playbook for CFOs navigating uncertainties. Delve into actionable insights on value-driven risk management, the significance of ESG actions, and the pivotal role of trust in today's dynamic economic landscape.



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Steering through economic uncertainties and implementing risk management strategies are primary responsibilities handled by CFOs. While making decisions based on short and long-term business goals, they must evaluate their organization's current and future financial reality. They must consider several questions to answer in boardrooms, including whether this is the right time to expand into new regional markets or which is the best source of funds between equity, bank loans, and internal financing. Or even decide how to manage risk in the face of a recession.

Although many global companies have somewhat recovered from the pandemic's impact, they face new challenges in 2023. The ongoing Russia-Ukraine conflict has spiraled inflation in several regions, and the concerns such as supply chain instability weigh heavily on the global economic outlook. As per a survey by Deloitte involving CFOs in Central Europe, the average GDP growth expected by them in 2023 is 0.33% compared to 2.3% in 2022. Such trends make it more critical for financial leaders to concentrate on strategic risk management as they work toward business resilience and agility.

1. Operating environment scans: As they define their risk evaluation and mitigation strategy and set new goals, CFOs must also keep an eye on the environment they operate in—internal and external. Externally, attention should be given to social, economic, and political developments, regulatory changes, and technological evolution. Internally, it is necessary to delve into the company’s capital, people, process, and technology utilization. Armed with data-rich knowledge of such factors, a CFO can be more selective about fund allocation and enable growth even in lean times.



Building Value with Effective Risk Management Strategies: Risk Management Strategies for the CFO

Building value with a robust enterprise risk mitigation strategy

Traditionally, strategic risk management was used as a defensive tactic focused on value preservation while identifying, mitigating, and

eliminating risks. However, the threat landscape has become more complex over the past few years. CFOs must fuel their enterprises’ growth in scenarios tense with health and climate change concerns, inflation, unemployment, looming recession, geopolitical tensions, and growing cybersecurity vulnerabilities.

Today, risk mitigation strategies must be on the offensive for building and optimizing value. A CFO needs to leverage risk to create differentiation. To help a business thrive despite an uncertain future, here are some ways that CFOs can use for effective risk evaluation, management, and mitigation:

2. Business performance reviews: CFOs need to ensure that business performance reviews and potential risk evaluations are part of routine operations for their financial planning and analysis (FP&A) team. Is the company performing as expected? Which are the micro- and macro-economic factors affecting operations? FP&A personnel cannot keep their tasks restricted to closing the books and publishing financial reports. They need to prioritize reviews and forecasts to support business decision-making proactively.



Accelerated digital transformation

3. Accelerated digital transformation: Even while facing disruptions, enterprises across industries must make thoughtful and timely decisions to stay competitive. CFOs must acknowledge that advanced data analytics, automation,

usage of cloud resources, and adoption of cognitive technologies will be critical to solving customers' concerns and fostering a more productive work environment. Besides building better customer and employee experiences, investments in digital tech also pay off with support for real-time financial reporting and more confident forecasting.

4. Build risk appetite: As part of their risk mitigation strategy, business leaders should know the degree of risk they are prepared to accept while trying to create value for customers and investors. Are their decisions bold enough to attain the targets set for revenue, profitability, and growth? Or is too much at stake? By analyzing risks and rewards with data-based insights, a CFO can support their CEO and cross-functional partners in building strategies to reach pre-defined goals.

5. Scenario planning: Strategic risk management should also involve different “what if” scenarios that help improve business decision-making. For example, FP&A teams can consider the impact of acquiring a significant new customer from a particular industry or region, the supply chain disruptions that can affect operations, different levels of inflation, and the impact of changing the price of a product/service offered by the business. With each scenario, they should estimate how cash flow will be affected, identify the key indicators to check, and outline the preventive measures that can be taken in advance to minimize risk.

6. Action on ESG: Environmental-social-governance (ESG) issues remain priorities for business leaders. CFOs can handle this responsibility effectively if they underpin diligent efforts with the right data and generate consistent reporting metrics and models per their country's regulatory mandates. When they define the policies, methodologies, and controls for ESG data collection, CFOs can help the business reach investor-grade ESG disclosures while integrating financial and non-financial reporting ecosystems.

Trust: The New Currency for CFOs in Navigating Economic Uncertainties

As CFOs navigate the economic uncertainties of today's business world, trust has emerged as the new currency. Building and maintaining trust among customers and employees is critical to successful and strategic risk mitigation. By focusing on transparency, accounting, and reporting insights, CFOs can foster an environment of trust and transparency that will help mitigate risks and increase customer loyalty and employee retention. Additionally, providing adequate funds for cybersecurity and data privacy measures will ensure preemptive action against evolving threats. By embracing trust as a core business principle, CFOs can position their organizations for success in an uncertain future.



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