



PRIVATE EQUITY PERFORMANCE IMPROVEMENT

Driving Value Creation Through the Office of the CFO: Tools for Success

In the second part of our [series](#) on the evolving responsibilities of the CFO, we explore how finance leaders are expanding beyond their traditional reporting focus to take the lead in developing and tracking value creation, which requires a high-performing finance function built on business insights, speed and accuracy.

In this wide-reaching capacity, CFOs must find new ways to partner with business leadership to identify levers for operational excellence, commercial growth and working capital improvements based on the financial and operational data available. They also have a responsibility to monitor progress toward value realisation and flag emerging issues proactively.

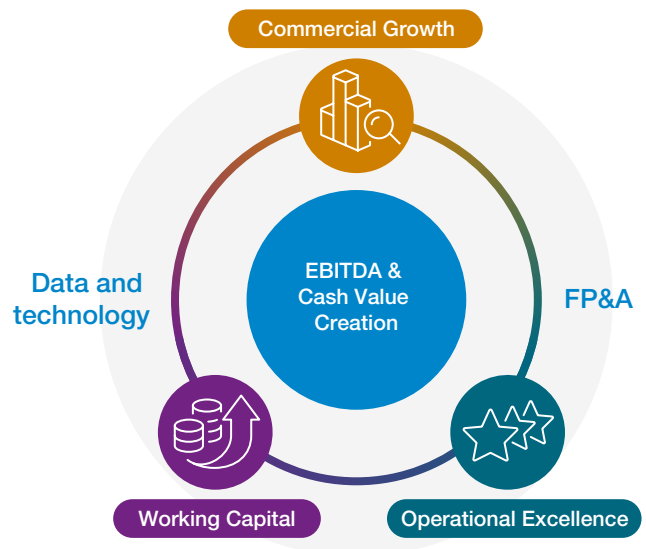
To unlock their full capabilities in driving value creation, CFOs need a strong foundation of reliable data, advanced technology and a high-performing FP&A team. This article outlines key considerations for CFOs aiming to maximise value creation for their businesses.



The CFO's value creation mandate

Reviewing overall profitability and the shape of the P&L through benchmarking with competitors is a common way CFOs and boards evaluate ambitions, but the question is always “how” to achieve better results.

To identify opportunities for tangible financial improvements, the CFO needs to work with business leaders to link the commercial or operational data to the financials, analyse the data to identify improvement initiatives, and agree the financial impact of any improvements. Achieving this requires data and technology, as well as a strong FP&A team capable of translating data insights into actionable initiatives in three areas:



1. Operational excellence

Achieving sustainable cost savings and operational scalability rests on the CFO's ability to work across leadership teams to develop lean organisational structures while driving productivity through automation, strong procurement practices, functional best practices and zero-based budgeting.

The CFO should promote a matrix view of operational excellence across their business through collaboration with:

- **The Chief HR Officer**, to design lean functions across the organisation, improving efficiency through reduced layers, increased spans, and generally addressing inefficiencies such as high-grade roles with no or low numbers of direct reports, fragmented activities, excessive low-grade roles pointing to the need for increased automation, and low use of near or off-shoring.
- **The Chief Technology Officer**, to maximise the use of applications, machine learning (ML), robotic process automation (RPA) and artificial intelligence (AI). These technologies can automate manual processes and enable greater data availability on operational performance.
- **Chief Procurement Officer**, to assess the business' supplier base and highlight opportunities for improvement through supplier consolidation, price negotiation, demand management and use of outsourcing.
- **Functional leaders**, to establish operational excellence metrics for each function, set targets for the planning period and determine the actions needed to close the gap between current and target performance levels.
- **FP&A business partners**, to define cost-drivers for each area of the business as well as enable zero-based budgeting for efficient resource allocation and finance business partner "challenge" across the organisation.



2. Commercial Growth

Customer and market data are invaluable for identifying growth opportunities, offering CFOs scope to collaborate with commercial teams in building data-driven growth strategies. Analysis of relevant commercial datasets provides credibility to growth plans and uncovers new areas of focus.

In addition to traditional market analysis, customer and product profitability, the CFO should partner with commercial teams to uncover growth opportunities related to:

- **Revenue leakage:** Using tools like Natural Language Processing (NLP) to analyse customer contracts and identify gaps in billing, such as missing clauses, non-standard terms or overlooked price adjustments.
- **Customer behaviour:** Analysing customer segments and purchase patterns to spot upsell or cross-sell opportunities. E-commerce players have pioneered this approach with tailored recommendations such as "customers who bought this product also liked...", but the strategy can be applied across industries, not just in retail.

- **Customer targeting:** Combining customer profiles, pricing and social media insights with ML to create precise customer segments and target the right audience for new or expanded offerings.
- **Market trends:** Using AI to analyse market data to track consumer preferences and competitor activity, helping identify underserved segments or emerging trends.
- **New markets:** Analysis of socio-economic and demographic data can help find areas with high potential customer density, guiding decisions on where to open new locations.

By leveraging these strategies and using new technologies, CFOs and commercial teams can uncover insights to grow revenue, improve customer experiences and stay ahead of competitors.



3. Working capital

Effective working capital management has always been a cornerstone of the CFO remit, which must ensure the business has the resources needed to sustain operations. This involves challenging assumptions around cash flow forecasts, payment terms, inventory levels and receivables management to identify inefficiencies and opportunities for improvement.

To strengthen financial resilience, CFOs should push for rigorous scenario planning and stress testing to evaluate the stability of cash positions under different market conditions. Benchmarking performance against industry peers is equally critical, as it helps uncover potential gains in working capital efficiency. Additionally, promoting cross-functional collaboration is essential to align all departments in improving cash conversion cycles. Ultimately, the CFO must balance short-term liquidity needs with long-term investments that drive sustainable growth.

Increasingly, technology can help uncover and realise working capital opportunities. Examples include data analysis tools that provide real-time visibility into billing cycles, cash collections and overdue payments; supplier payment timeframes and procurement optimisation; and inventory management including demand forecasting, safety stock analysis and SKU profitability.



Data, technology and FP&A as key enablers for value creation

The CFO's ability to develop value creation opportunities grounded in operational and commercial data relies on the quality and availability of that data. Finance leaders depend on robust technology and data strategy to capture and maintain relevant, timely data, along with KPI reporting and a strong FP&A function to help execute on those opportunities.

Increasingly the CFO has responsibility for the business's technology and data strategy or, at a minimum, helping drive significant technology and data-led transformations. While it's not necessary for CFOs to be a leader in emerging technologies, they should keep abreast of new AI and ML tools relevant to the organisation and finance function, working closely with technology teams and the business to identify, trial and adopt new tools. These will become critical to establish leading capabilities that can support informed decision-making.

Timely data and KPI reporting enabled by robust technology are essential in establishing a data-driven culture. In a transformation, the appropriate KPIs to measure progress towards the "target state" help build a performance management culture across the organisation. The CFO should be the single source of commercial, operational and financial data to ensure consistent and reliable metrics are used to measure progress by the board, executive management and day-to-day managers. Ideally KPI reporting should be "self-serve," rather than over-reliant on analysis provided by the finance team.

A strong FP&A function is pivotal in driving value creation, serving as the central hub for financial, commercial and operational data used for analysis with the business leadership. Alongside the expanding role of the CFO, FP&A is evolving far beyond its traditional responsibilities of budgeting, forecasting and performance reporting.

A modern FP&A function, including finance business partners, must leverage advanced digital tools such as predictive analytics, AI and dynamic KPI visualisation dashboards – to act as the single source of truth for business performance insights. It is critical that such insights come from a common, trusted source of organisational data held by FP&A as this will enable CFOs to engage with executive teams on an indisputable fact base, fostering alignment on performance gaps and the actions needed to bridge them.

Partnership across the leadership team is also critical for the success of any value creation programme. Executing a value creation programme is a team effort that requires buy-in from all stakeholders, including the board, employees, investors, creditors and others. While the CEO is responsible for communicating the transformation objectives and overall "story," the CFO plays a critical supporting role by owning and controlling the financial data that underpins the narrative.



How A&M can help

At Alvarez & Marsal (A&M), we specialise in partnering with CFOs and executive teams to accelerate business transformation. Our hands-on approach empowers CFOs and their teams to drive value creation through:

- **Independent ‘as-is’ assessment:** We conduct deep and rapid data analysis leveraging our zero-based approach including interviews with key team members across all key functions to understand the data fully and co-develop opportunity hypotheses.
- **Identification of key improvement initiatives:** We work with the leadership and the wider organisation to define a future-state target operating model across all business functions. This includes identifying key improvement initiatives to close performance gaps, supported by change management best practice and technology enablers.

- **Transformation roadmap:** We develop a detailed roadmap to transition from the current state to the future state, including prioritised initiatives and timelines for key activities.
- **Delivery support:** We support CFOs and leadership teams through benefits delivery with our Transformation Management Office approach, combining A&M and business resources.

A&M has developed a series of rapid diagnostics to assist CFOs in scoping priority value creation efforts, focusing on EBITDA impact, working capital improvement, finance function transformation, and data & reporting enhancements. Our rapid diagnostic offerings provide CFOs with actionable insights in weeks, enabling swift prioritization and implementation of value creation initiatives.



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ABOUT ALVAREZ & MARSAL

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