Raconteur

November 2024
#0926
raconteur.net

An independent publication in association with THE TIMES

The C-suite Agenda

The C-suite Agenda

Distributed in THE TIMES

Contributors

Sam Birchall
Staff writer at Raconteur, focusing on the inner workings of the finance function and the trends shaping the future of financial leadership

Sam Forsdick
Senior writer at Raconteur, leading its coverage of HR. He analyses the trends shaping the function, offering insights and advice for people professionals

Tamlin Magee
Senior technology writer at Raconteur. He's interested in big ideas shaping business tech and the impact of new technologies on people and society.

Raconteur

Special projects editor
Ian Deering

Commercial content editors
Laura Bithell
Larnie Hur

Commercial content executive
Jessica Lynn

Commercial production managers
Alex Datcu
Ellen Newsome

Production executive
Sabrina Severino

Design and illustration
Kellie Jerrard
Samuele Motta

Design director
Tim Whitlock

Certified B Corporation

LIABILITY

Can Delta win its lawsuit against Crowdstrike?

The Crowdstrike IT outage has sparked a legal battle between the security provider and Delta Air Lines. What would a Delta victory mean for the cybersecurity industry?

Tamlin Magee

Boarding1Now via iStock

When a faulty update from Crowdstrike, a cybersecurity vendor, crashed 8.5 million Microsoft systems, the travel industry ground to a halt. But one company appeared to struggle with returning to normality more than most: Delta Air Lines.

The US airline sued Crowdstrike for $500m (£388m) in October. In its Q3 earnings call, Delta estimated the incident cost the business $380m (£295m) in lost revenue and $170m (£132m) in associated expenses. Crowdstrike filed a counterclaim and the two firms are now engaged in a complicated legal battle.

Legal experts believe Delta is unlikely to win its lawsuit. However, if it prevails, the victory could have significant implications for software liability.

The faulty software update issued by Crowdstrike on 19 July was responsible for one of the largest IT outages in history. The software had access to the Microsoft 'kernel' – the core of its operating system. From there, it could access memory on client devices. Many users encountered a never-ending 'blue screen of death' and had to reboot their devices manually.

Banks, hospitals, media groups, retailers, delivery companies and manufacturers were impacted by the incident. Airports and airlines were forced to close.

Delta cancelled 7,000 flights in the five days following the Crowdstrike IT outage, several thousand more than the next worst-performing airline operator, United Airlines. As other airlines resumed operations days after the faulty update, Delta continued to struggle, ultimately prompting a probe from the US transportation department.

Delta is accusing Crowdstrike of breach of contract and negligence. The lawsuit alleges that the security provider "caused a global catastrophe" because it "cut corners, took shortcuts and circumvented the very testing and certification processes it advertised, for its own benefit and profit".

Crowdstrike countersued to establish it was not liable and claims that Delta refused help throughout the incident. It's seeking a declaratory judgment and legal fees.

Public statements by the companies have been blunt. A Crowdstrike spokesperson said: "Delta's claims are based on disproven misinformation, demonstrate a lack of understanding of how modern cybersecurity works and reflect a desperate attempt to shift blame for its slow recovery away from its failure to modernise its antiquated IT infrastructure."

Ramzy Ladah, a US liability lawyer, says Delta will need to prove that Crowdstrike acted with gross negligence to win the lawsuit. It's one thing to claim faulty software caused an outage, he says, but another to prove Crowdstrike didn't take adequate precautions on testing or monitoring.

To circumvent the liability limits set out in its contract, Delta must show the failures were not merely the result of regular mistakes, but instead crossed into reckless or careless behaviour, Ladah explains. Liability caps protect companies, such as Crowdstrike, by limiting their financial exposure, but a claim of gross negligence could see Delta seek higher damages beyond indemnity coverage.

Benson Varghese is managing partner of Varghese Summersett, a US law firm. He says Delta must prove Crowdstrike's actions directly caused its problems, and show that the software flaw was responsible for the damages. This is difficult in a massive cybersecurity incident, as there are potentially many contributing factors.

For instance, it could be that Delta's internal practices contributed to its operational difficulties. Legal disputes often amount to who can prove they did everything reasonable to prevent harm.

Proving negligence wouldn't be impossible, but it would be a "long shot", according to Ilia Kolochenko, cybersecurity practice lead at Platt Law. Going to court would probably involve a drawn out, "fierce battle of expert witnesses", he says.

Kolochenko believes the breach-of-contract claim may have a better chance of succeeding, but notes that most vendor contracts expressly exclude or cap damages, leaving the plaintiff with only a nominal victory in court. "The plaintiff's legal and judicial costs will likely be much larger than the judgment," he says.

But if the lawsuit does go to court, a Delta victory could set a major precedent and encourage other customers impacted by the update to file their own lawsuits against Crowdstrike. "If Delta wins, this would create a range of problems for everybody. IT and cyber vendors would be urgently reviewing their contracts," says Kolochenko.

Varghese adds that a win for Delta would ensure cyber firms are held to a higher standard of care – and put vendors in the legal firing line, even if a client is not following best practices. In that case, providers would likely protect themselves against liability through additional disclaimers and safeguards.

Conversely, a Crowdstrike victory would reassert that clients are responsible for their own cybersecurity posture and encourage companies to take more responsibility for their cybersecurity operations, Varghese explains.

Protracted legal battles rarely end well for any organisation involved. Kolochenko says it would be best for everyone if the two sides simply settled. "The best outcome for everybody – Delta, Crowdstrike and society – is to settle quietly and forget about this case," he says. "Otherwise we are opening Pandora's Box. Everybody will be suing each other and the cybersecurity business will become impossible."

7,000
flights were cancelled by Delta Air Lines over a five-day period following the faulty Crowdstrike update

1.3M
Delta passengers were impacted by the incident

$500M
The value of Delta's lawsuit against Crowdstrike

Reuters, 2024

INSIGHT

'Leading through a culture of fear risks discouraging innovation'

Employees are being fired for contravening company policies. But sometimes showing leniency could actually benefit the business

Workforce miscreants have been in the firing line recently, as companies crack down on rule-breakers. Both EY and Meta recently dismissed staff for flouting company policies.

First, Meta fired two dozen workers for abusing its meal-credit programme. The company's smaller offices don't all have an on-site canteen, so employees are provided credits for food delivery services, such as Grubhub and UberEats. They get $20 for breakfast, $25 for lunch and $25 for dinner.

But several workers were caught spending their daily allowance on household items, such as wine glasses, toothpaste and laundry detergent. Occasional rule-breakers were allowed to keep their jobs, but those who consistently cheated the system were fired, according to reporting by the *Financial Times*.

Meanwhile, EY reportedly dismissed dozens of US staff who took multiple online training sessions simultaneously – something the accountancy firm says is cheating and in violation of its code of conduct.

While these infractions may sound minor, such workforce indiscretion can have serious consequences. For instance, the US Securities and Exchange Commission fined EY $100m in 2022 after discovering that its staff had cheated on professional tests and the company withheld evidence from the regulator.

While this might explain EY's hard-line response, not all rule-breaking is ill-intentioned. In some cases, allowing employees to bend the rules could actually benefit the business.

A 2019 study in the International Journal of Hospitality Management found that although some staff violate compnay policy out of self-interest, others rule-breakers are simply trying to increase efficiency, provide better customer service or help a subordinate or co-worker.

In fact, one of the fired EY employees claimed that multitasking is encouraged by the company.

The study's authors warn that, while managers' attempts to strictly enforce company policy can help to reduce "deviant rule-breaking", it also deters pro-social rule-breaking and can be counterproductive.

Such rigidity can also damage company culture. Allowing some pro-customer rule violations can improve employees' feelings of autonomy and competence and increase customer indebtedness, according to research published in the Journal of Organizational Behavior.

Employees who are empowered in this way tend to be more satisfied with their job and more likely to share concerns, ideas and suggestions with management to improve existing practices, according to the report's authors.

It's important that managers understand staff intentions before passing judgement. Were the rules broken for the employee's own gain, or was company policy preventing someone from helping a colleague or customer more effectively?

Clearly, not all rule violations should be forgiven, particularly those that put the company or other people at risk. But in some instances showing discretion is advisable. Even in Meta's case, issuing a reminder to staff of how meal-credits should be used would have been a better response than terminating the perpetrators' contracts.

Leading through a culture of fear, where even genuine mistakes are met with severe repercussions, risks damaging employee engagement and discouraging innovation. It's worth remembering, Mark Zuckerberg, Meta's CEO, once encouraged people to "move fast and break things". Apparently, this doesn't apply to rules governing its meal vouchers.

Managers who want their employees to feel empowered, trusted to solve problems and free use their initiative, should occasionally show some leniency. Not all rule-breaking is bad for business.

Sam Forsdick
HR editor, Raconteur

INTERVIEW

‘You can achieve a lot by aligning people behind a clear vision’

Hugo Boss set about transforming itself after a difficult period marked by dwindling sales. **Jochen Eckhold**, senior vice-president of global HR, explains how his team helped to shift the company culture from cautious to ambitious

Sam Forsdick

Hugo Boss, the high-end German fashion brand, was facing a crisis in 2020. Group sales were down €900m (£754m) on the previous year and the company finished on a €219m (£184m) loss.

The business was “a little bit dusted”, admits Jochen Eckhold, senior vice-president of global HR. “There was no excitement in the company. The brand had become boring in the mind of the consumer,” he says.

However, things changed in 2021, when Daniel Grieder was appointed chief executive. He immediately introduced a business transformation strategy focused on growth, innovation and digital technology. The company even adopted a new mission statement: “We love fashion. We change fashion.”

According to Eckhold, the new vision helped to reinvigorate the organisation and bring excitement back to the business. “We now have the ambition to change things and not just follow the crowd,” he says.

The strategy is paying off. Following Grieder's appointment, Hugo Boss increased its revenue from €1.9bn (£1.6bn) in 2020 to €4.2bn (£3.5bn) in 2023. And, although it will likely fall short of its 2025 revenue target owing to a recent slump in sales, the company exceeded its profit expectations for Q3 2024.

Eckhold believes that clear and simple communication have been key to reversing the company’s fortunes. Encouraging employees to buy into a business transformation project can be challenging. “We know that humans don't like change. But by adopting a clear and simple strategy that fits on one sheet of paper, it's easier to rally people around a goal,” he explains.

Company culture was a significant component of Hugo Boss's transformation, so naturally HR played an essential role in the process. Eckhold maintains that the company's culture in 2020 was not bad, and therefore it did not require a complete overhaul. However, instilling a greater sense of ambition in the workforce required “adding a couple of genes to the company DNA,” he says.

He continues: “We needed to develop some new skills and behaviours to help us be faster, bolder and more ambitious. It was the role of HR to support the company and fuel this change from the people side.”

Although many Hugo Boss employees were receptive to the changes, Eckhold says HR had to reinforce new ideas and encourage an entrepreneurial spirit through various workforce programmes.

For instance, Eckhold's team introduced an employee share scheme in 2023, which gave all staff the opportunity to buy stock at a discounted rate. The aim was to tap into the so-called ownership effect – the increased engagement and productivity that results from giving employees a stake in the company.

“It allowed every employee to literally become an owner of the company,” Eckhold says. “It demonstrated that we are growing together for the benefit of all.”

For Eckhold, this is a perfect example of how HR can align its activities with the goals of the organisation and support business transformation efforts. Plus, he says staff have “really embraced” the cultural changes as a result of the share scheme; it had a 20% uptake in its first year.

> **The people element is something that business leaders don't always see clearly – that's where HR comes in**

Another pillar of Hugo Boss's transformation project was its digital strategy. But the pace of digital change and the impact on workers can present challenges for HR.

“Like many other companies, boosting our digital potential is a big priority,” Eckhold says. “If we sleep on digital transformation for the next five years, it will be very hard to catch up.”

However, in the race to digitalise their processes, businesses often overlook how technological changes impact employees, he says. “Technology advances so quickly. Organisations are good at adapting their strategy, but it's the employees who bring digital strategy to life,” he explains. “They are the ones who directly face these changes, strategically and technologically.”

HR has a responsibility to train employees and create excitement around digital transformation, argues Eckhold. “If we lose people because they are either not adapting or not using technology, that will be a big disadvantage. Even worse, if they become fearful about losing their jobs or not being able to adapt to future roles, then we lose them mentally.”

Eckhold says fostering an open culture that encourages peer learning has helped staff to embrace new technologies. “The goal is not to tell people what to do from the top down, it's to inspire them to come out of their shell, share ideas and admit their weaknesses, so they learn; it's about creating a sense of community,” he says.

And, although adapting to technological changes can be challenging, Eckhold argues that new tech should be viewed by HR leaders as an opportunity.

“The people element of digital transformation is something that business leaders don't always see clearly – and that’s where HR comes in,” he says. “By bringing these two things together – workforce and digital strategy – HR can be more strategic and fill a more influential seat at the table.”

Eckhold is adamant that people must be at the centre of any business transformation. But he acknowledges that HR can play only a supporting role in developing buy-in across the workforce. A successful transformation project requires and a clear strategy and effective management at every level.

“Businesses can achieve a lot by aligning people behind a clear vision,” Eckhold adds. “People want to perform, companies just have to provide an environment where that is possible.”

Why the future of AI must be sustainable

Businesses are investing vast sums in AI, but the technology is incompatible with net-zero targets. Now, leaders are on a mission to harness AI to make it part of the sustainability solution

In the future, historians will either look back at 23 November 2022 as the day humanity secured its future or sealed its fate. This was the day OpenAI launched ChatGPT. In the two years since, some of the world’s largest businesses have invested billions in artificial intelligence (AI). Leaders have predicted AI will improve efficiency, increase productivity, reduce costs, relieve workers of tedious jobs and power economic growth. But at what cost?

A 2023 study by Cornell University revealed that ChatGPT uses nearly 500ml of water for every 50 prompts. Research carried out by Goldman Sachs also found that ChatGPT needs nearly 10 times as much electricity as the Google search engine to process a query. At present, data centres worldwide consume 1% to 2% of overall global power usage, but this is predicted to rise to 3% to 4% by the end of the decade as AI use increases.

If these predictions come true, carbon emissions from data centres could double by 2030, meaning businesses will surely fail to meet the UK government’s legal target of reaching net zero by 2050. Despite this, the integration of AI in businesses is on an unstoppable rise. In a 2024 survey by Global Data, around 27% of businesses report a high adoption rate of AI in their workload processes. This is up from just 10% in November 2023.

A greener future

So with AI here to stay and businesses’ sustainability targets written into UK law, leaders are faced with an undeniable realisation: the need for change is paramount. But it’s not all bad news for those working towards a tech-driven, sustainable world.

In fact, in the future AI could be used to aid businesses’ sustainability efforts in many ways. Take for instance carbon accounting, the process of measuring and tracking the amount of greenhouse gases produced by an organisation.

This currently requires leaders to grapple with complex calculations to produce accurate and up-to-date figures. But AI could help to create more intelligent and efficient readings. Energy trading, the buying and selling of energy commodities, could also be enhanced with AI, enabling businesses to navigate volatile prices and save money.

But it’s the algorithms themselves, which serve as the brains of data centres, that must be targeted for AI to have a sustainable future. “The training phase of machine-learning models requires huge amounts of energy,” says Sheila Rohra, CEO at Hitachi Vantara, a global leader in building advanced data infrastructure, intelligent data management and AI-powered hybrid-cloud solutions for businesses.

“If businesses routinely retrain these models to adapt to evolving business needs, their energy needs will be substantial and long-term. This simply won’t be sustainable with their ESG goals. We need to retune algorithms so they require less retraining and energy consumption.”

Smarter algorithms, housed in energy-efficient data-storage platforms, can enable leaders to decarbonise their data centres at speed. As a result, organisations can arm themselves with the AI-driven insights they need to decarbonise their wider operations and achieve their sustainability goals.

AI-powered sustainability

But focusing on one solution in isolation won’t be enough to achieve sustainable AI. Instead, Hitachi Vantara uses a wider, AI-focused strategy to identify inefficiencies across businesses’ entire operations. Its AI discovery service generates data-driven insights to inform key business decisions. This includes assisting in the creation of predictive models to optimise processes, reduce costs and improve operational efficiency, particularly within areas such as manufacturing, logistics and energy management.

Rohra says the AI discovery service is already helping customers to overcome several common sustainability bottlenecks. “Some businesses lack the expertise and specialised knowledge to transition to more energy-efficient operations,” she says. “They may also be reluctant to invest vast sums of money upfront into new energy-efficient technologies. AI can simplify this process by providing intelligent insights into the short- and long-term sustainability and operational benefits and reduce costs.”

Organisations are already benefitting from these AI-driven insights. Infosys managed to reduce its electricity and air-conditioning costs by 60% by using Hitachi Vantara’s technology in its data centres. It achieved this while continuing to run applications up to 90% faster than it could previously. The organisation also delivered a seamless storage migration for BMW Group, which led to a 70% smaller carbon footprint and a data centre that requires 80% less power, all without disrupting business operations.

> **With AI here to stay and businesses’ sustainability targets written into UK law, the need for change is paramount**

Decarbonising data centres

Another crucial element of making tech sustainable at a global level lies in the decarbonisation of data centres. Despite the growing energy consumption of data centres, Rohra firmly believes that technology can also be part of the sustainability solution. Hitachi Vantara is on a mission to help businesses achieve sustainable AI and has set its own ambitious target to become carbon neutral in direct and indirect emissions by 2030.

“We understand it has to start with us,” says Rohra. “Transparency is essential to instilling confidence in our ESG commitments and we are proud to say our technology has one of the lowest carbon footprints compared to other data-infrastructure providers.” She says it’s possible for businesses to increase AI adoption sustainably with the correct infrastructure in place. “We are able to deliver systems and solutions that can actually help drive other businesses to be more energy efficient,” she adds.

Hitachi Vantara is helping businesses to decarbonise their data centres through the adoption of energy-efficient data storage technology. Its virtual-storage platform one block has been shown to reduce data-centre power consumption by 30% to 40%. It also earned all three of the top rankings for ‘best storage solutions available’ by Energy Star® certification. Gijima, a South African information and communications tech company, deployed the platform to consolidate its physical infrastructure, which led to a 66% reduction in power consumption and a reduction in CO_2 emissions.

The journey towards sustainable AI is not without its challenges, but it’s also full of opportunities. By prioritising smarter algorithms, energy-efficient infrastructure and holistic strategies, businesses can strike a balance between technological advances and environmental responsibility. The future of AI doesn’t have to come at the expense of the planet. If innovation is matched with action, sustainability can thrive alongside progress.

For more information please visit hitachivantara.com

Hitachi Vantara

THE STATE OF DIGITAL RESILIENCE

With business models increasingly being driven by digital technology, developing secure and resilient digital operations has become a priority for businesses everywhere. Crucially, resilience isn't only a matter of security. Organisations must also ensure all the tech in their stack is compliant and compatible internally.

PRIMARY OBSTACLES TO DEPLOYING GENERATIVE AI FOR DEFENCE

Share of executives citing the following as obstacles to implementing GenAI to defend against cyber attacks

39%

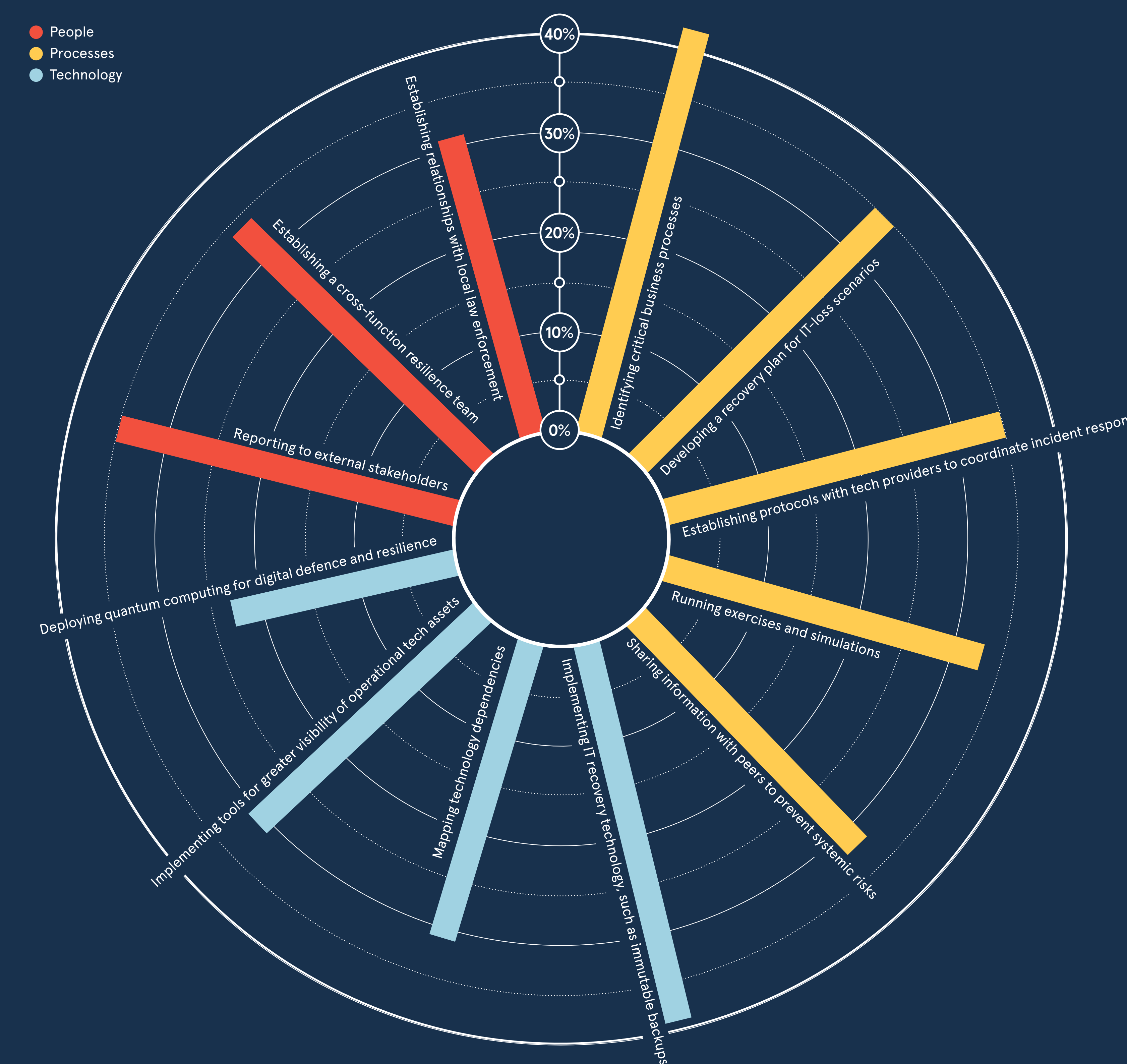
Difficulty incorporating with existing systems/processes

39%

Lack of trust in GenAI by internal stakeholders

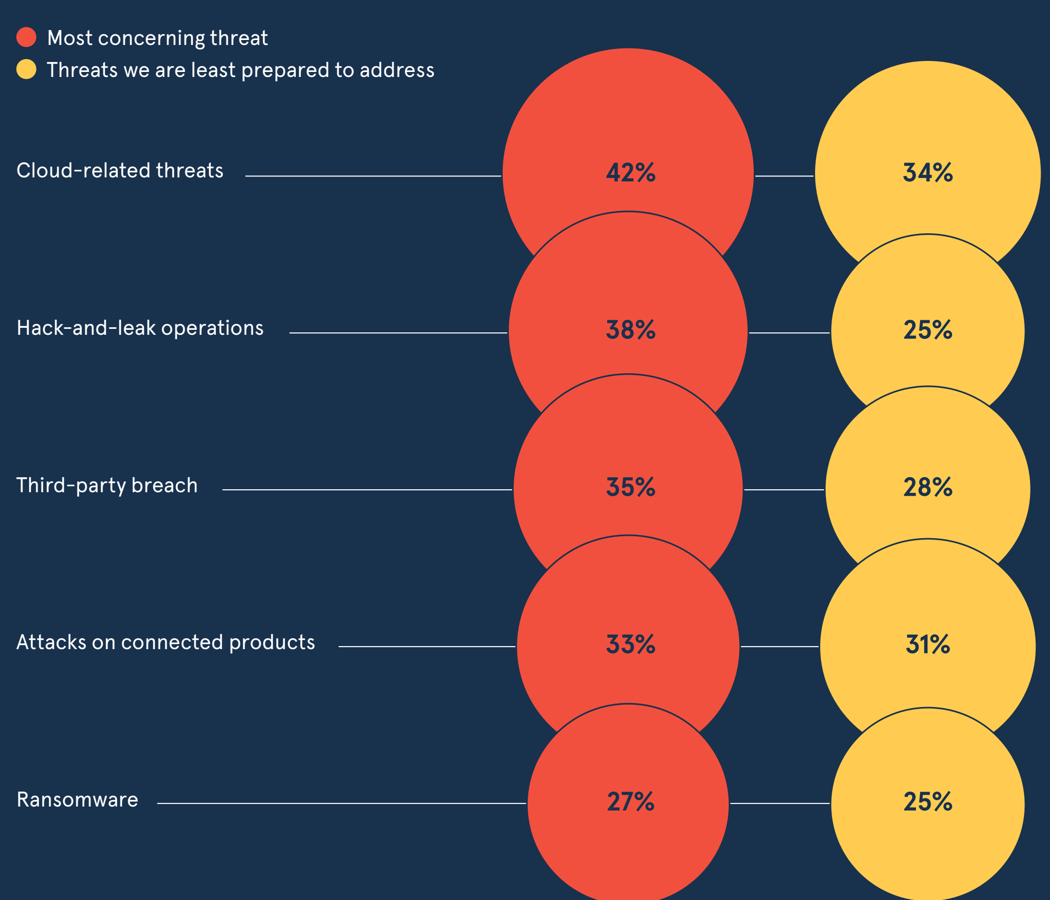
ONLY 2% OF FIRMS HAVE IMPLEMENTED DIGITAL-RESILIENCE ACTIONS ACROSS THE ENTIRE ORGANISATION

Share of firms that have implemented digital-resilience actions across the organisation, by organisational component



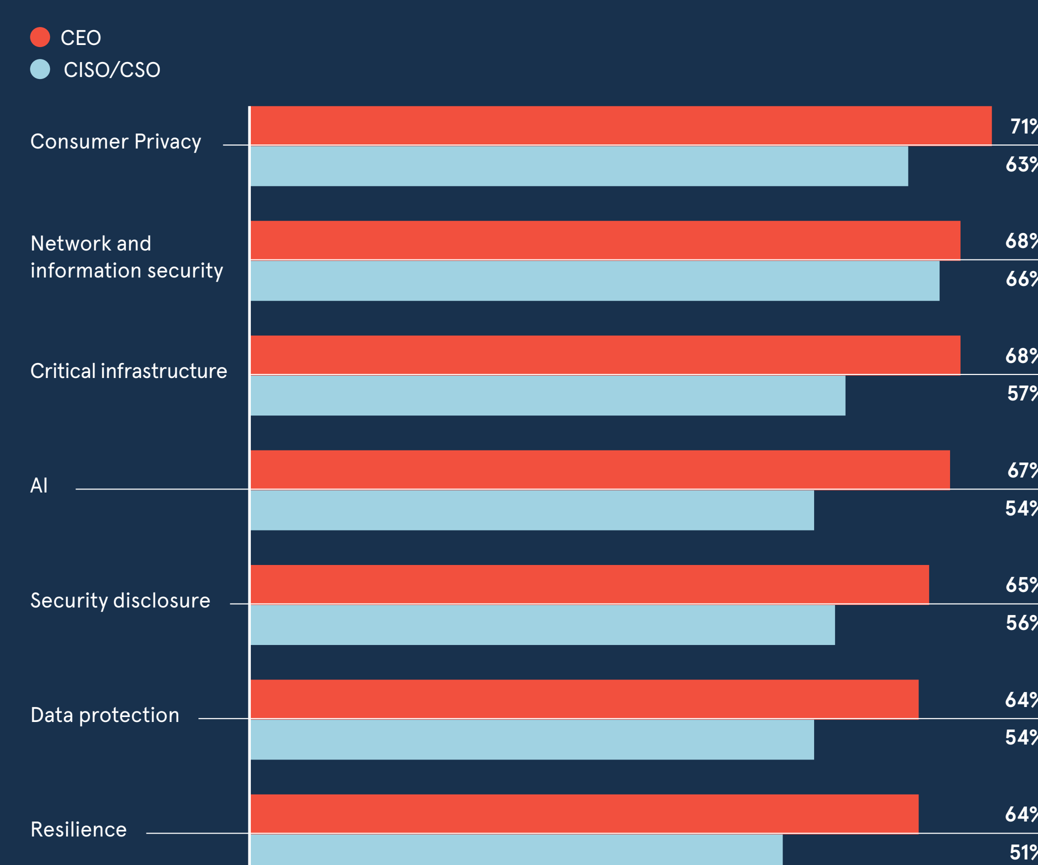
CLOUD-RELATED THREATS ARE THE TOP CONCERN FOR TECH LEADERS

Share of executives ranking the following threats in the top three, in terms of concern and preparation



CISOS ARE LESS CONFIDENT ABOUT CYBERSECURITY AND DATA COMPLIANCE THAN CEOS

Share of respondents who are confident in their organisation's compliance practices across operations



CYBERSECURITY AS A KEY DIFFERENTIATOR

Share of executives saying their firm positions cybersecurity as a competitive advantage to a large extent in the following ways

PwC, 2024

BOARD COMMUNICATION

Inside the boardroom: what's expected of the CFO?

Straight-talking, problem-solving, engaged participants, with the confidence to speak their mind and the tact to handle difficult decisions. Here's what board members want from the chief financial officer

Sam Birchall

Fielding frank and difficult questions from the board of directors can be daunting. While every business leader must be comfortable addressing the board, chief finance officers are increasingly expected to take centre stage in boardroom proceedings.

Board members are paying more attention to finance chiefs than ever before. Three in four CFOs say their influence in the boardroom has grown over the past five years, according to Deloitte's *2024 European CFO Survey*.

Liza Tullidge, CEO and founder of Netā, a boardroom consultancy, agrees the dynamics between CFOs and board members are evolving. "Historically, CFOs were focused on financial stewardship and risk-management," she explains. "But the landscape has shifted. CFOs are emerging as pivotal agents in steering their organisations, whether it's navigating volatile capital markets, adapting to rapidly evolving technology or taking charge on ESG."

And, for company boards it is no longer enough to merely react to risks as they arise, she stresses. Board members, as well as C-suite leaders, must be adaptive and well-informed. They must be able to anticipate risks and take advantage of shifts in the market. This means the pressure is on the CFO to provide business-critical intel in a timely and compelling fashion.

It is therefore increasingly important that CFOs develop their boardroom credentials. So what exactly do board members want to see from their companies' finance chiefs?

"Each board has a unique dynamic made up of executives with varied backgrounds, personalities and priorities," says Patrick Morley, who sits on the board of Bugcrowd, a security firm.

Some want intricate details straight away; others prefer to reflect on big-picture ideas first. Some like to ask questions one on one; others like to hash it out among the group. "It's up to the CFO to adapt accordingly, getting everyone on the same page," Morley says.

He adds: "Don't be afraid to ask the board what level of insight they want and how they'd like to receive information." Good board dynamics allow for feedback, which can highlight new ways to make communication more impactful. This will ensure that CFOs are producing papers and presentations that align with board members' needs and interests.

Finance chiefs must also understand how to make their own voice heard and how their influence in the boardroom will change over time. A newly appointed CFO will have fresh perspectives on the business and may be able to identify new problems or opportunities for growth. The board will likely value these observations, but it may be difficult for newer CFOs to recommend solutions if they lack familiarity with the board. With time and experience, however, their advice may be relied upon more readily.

Morley advises finance chiefs to work the room: "Understand your strengths and weaknesses – and use them to your advantage."

Active participation with the board is imperative. A well-timed insight or simple clarification could take discussions in new directions. Boards do not want a shrinking violet in the finance seat.

> "The board doesn't need vague reassurances. Be crisp, honest and to the point

So says Graham Goodwin, co-founder of Jigsaw Equity, a recruitment investment firm, and a former board member. In his experience, the best CFOs are those who understand their role relative to the wider organisation. "A willingness to speak up and an ability to bring the rest of the board on their decision-making journey are key attributes," he says.

CFOs don't always understand what boards expect in terms of frequency of communication. Morley says: "There is a tendency to think that communication only happens at specifically scheduled times during the quarter. That's not our approach – I like to have multiple touch points throughout."

In fact, boards often prefer to resolve as many points as possible before the board meeting, so CFOs should make themselves available ahead of time, he adds. This provides the opportunity to clear up any misinterpretations and anticipate potential disagreements.

To maximise board-level engagement and the impact of their message, finance chiefs must communicate using clear and succinct language. "Most board members expect them to present financial data in a straightforward manner, avoiding jargon," says Goodwin. "This ensures all board members, not just those with a financial background, understand the implications of the data."

He adds: "Communication should always connect financial performance to the company's strategic goals, offering explanations of how current trends impact future growth and long-term targets."

Above all else, boards simply want their CFO to tell them the truth. Misleading the board was what got Sam Altman, CEO of OpenAI, fired last year. Finance leaders must never be afraid to discuss the risks they believe the company is facing.

There can be a tendency to cushion bad news or attempt to put a positive spin on a negative situation. But, for Philip Sieber-Gasser, CEO of Besso and a former board member, the expectation is straightforward: "The CFO should deliver bad news promptly, without delay or sugar-coating."

In these situations, any information presented to the board must be factual and backed by a clear analysis of the root causes. The CFO's duty is to provide a precise breakdown of the challenges and explain how they impact the business. It's essential that the CFO avoids ambiguity.

"The board doesn't need vague reassurances or overly optimistic forecasts," Sieber-Gasser adds. "Be crisp, honest and to the point. This communication style fosters trust and collaboration, which are vital when navigating uncertainty."

However, the CFO must not be viewed as an obstinate doomsayer, or someone who is overly focused on compliance. They must strike a balance between ensuring good governance and finding ways to deliver value to the business. That's according to Mike Greene, former chairman of the Association of Convenience Stores and current CEO of Global Research Business. He says the most effective CFOs understand their role isn't to say no, but to articulate how.

"A strong CFO must be direct and unambiguous when communicating financial realities. But the most successful ones go beyond merely presenting barriers; they actively engage in problem-solving discussions that bridge the gap between ambition and fiscal responsibility."

Instead of simply highlighting a budget overrun, for example, propose cost-efficient alternatives or smarter investments.

Greene continues: "I'm often frustrated by CFOs who simply present roadblocks, but I deeply appreciate those who can stand their ground while offering constructive alternatives. The true art lies in being both the voice of reason and the architect of possibilities. A great CFO doesn't just tell you what you can't do, they help you figure out what you can do and how to do it responsibly."

Lastly, a strong working dynamic between the CFO and CEO is essential. While there is no one-size-fits-all approach, Morely typically prefers the CFO to be the "straight shooter" and the CEO to be "more visionary". The chief executive is there to set the scene, providing a general overview of the strategic direction for the business. The finance chief will then jump in to "add the colour", he explains. "They're there to provide an objective, 360-degree view of the situation and explain to the board how they arrived at a certain decision." Crucially, he expects the CFO and CEO to be aligned "99% of the time".

Greene, on the other hand, is not averse to a bit of conflict. "The CFO should possess the courage to challenge the CEO's vision while simultaneously working to find viable pathways to achieve strategic objectives. This tension is not just valuable, it's necessary," he says.

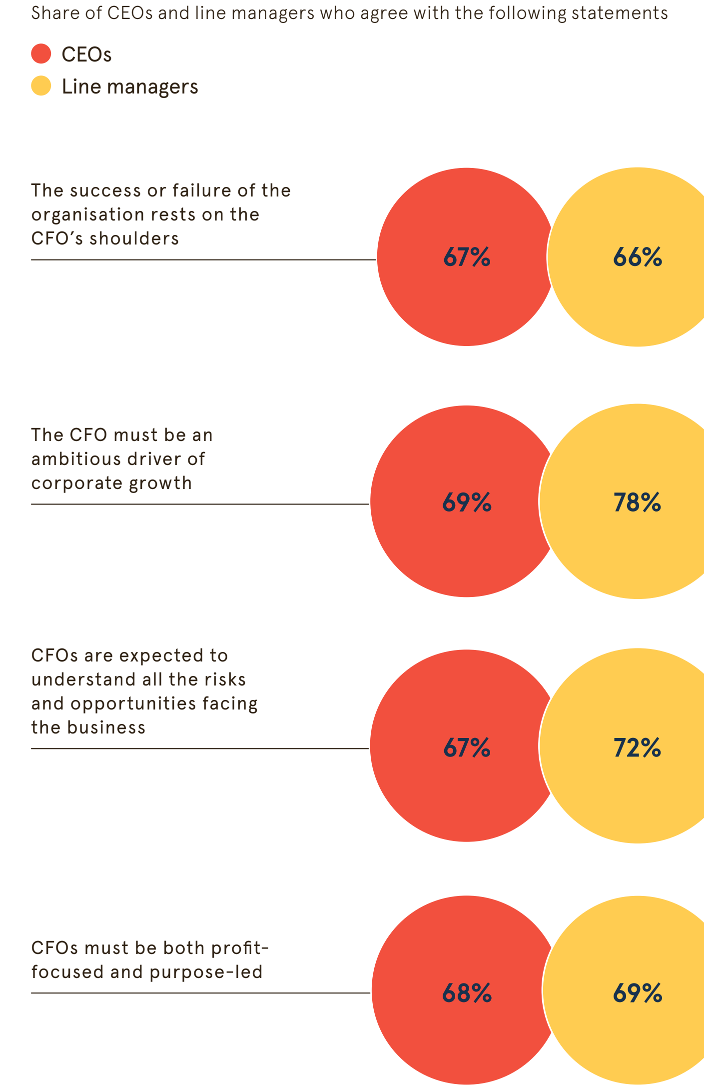
There are also signs that the traditional CFO-CEO power dynamic is shifting. A survey by OneStream, a finance platform, found that investors, who often sit on the board of directors, now rank CFO competency as the second-most important factor for investment decisions, behind only market expansion opportunities. CEO competency ranked seventh.

Vivian Smetsers, CFO of LionVolt, a battery manufacturer, says the board's attention will likely be skewed towards the finance leader in certain situations. "If a company is raising capital or facing a cash-flow crisis, for eample, the finance person is going to come under closer scrutiny – perhaps more so than the chief executive. However, this is heavily dependent on the business," she explains.

As board members raise their expectations of CFOs, finance chiefs must become masters of boardroom dynamics. While much of this comes down to experience and familiarity, no two company boards are the same. But getting the basics right will help to establish board-level confidence at the outset.

CFOS ARE INCREASINGLY EXPECTED TO BE MASTERS OF EVERYTHING

Share of CEOs and line managers who agree with the following statements



Onestream, 2024

RECRUITMENT

5 ways employers can cut recruitment costs

Employment costs are on the rise. We asked recruitment experts to outline ways businesses can cut the price of hiring

Sam Forsdick

Since Labour came to power, businesses have faced numerous increases to the cost of employment. To deal with the pressure, firms are reviewing their workforce plans for the year ahead.

The Autumn budget saw increases in employers' national insurance contributions (NICs) and the minimum wage. Meanwhile, an overhaul of workers' rights in the employment rights bill could cost firms £5bn, according to the government's own estimates.

The impact on the labour market is already being felt. The latest figures from the Office for National Statistics show a cooling jobs market as unemployment rose 4.3% and the number of vacancies fell by a further 35,000, marking the 28th consecutive monthly decline.

Alexandra Hall-Chen, principal policy advisor for employment at the Institute of Directors, says the numbers indicate a "concerning trend of employer caution regarding hiring staff. The measures in the employment rights bill and the large increase in employers' NICs are taking a serious toll on employers' hiring intentions."

According to Laura Bunn, HR director and board member at motorway services operator Roadchef, the situation is creating a headache for businesses. The NIC increase is a big cost, she says, adding that Roadchef is examining budget reductions elsewhere to offset the added tax burden.

One area where companies can reduce costs is in recruitment. Although this is unlikely to entirely offset the tax increases faced by businesses, reviewing the hiring process could give businesses the scope to grow their workforce at a time when the cost of employment is on the rise.

Here are five options for employers as they look to cut hiring costs.

Review recruitment processes

There are several hidden costs in the recruitment process, such as the time that hiring managers must take out of their schedule to interview candidates and the productivity that is lost while seeking a replacement for an outgoing member of staff. It is therefore valuale to identify processes that could be more efficient.

Streamlining the hiring process by reducing the number of interview stages can be an effective solution. Reviewing job ads also helps to ensure they provide an appropriate job description, salary expectation and work location.

"Although this might not be an obvious way to save money, it's going to prevent companies from hiring the wrong person in the first place, which can represent a huge cost saving." That's according to Bar Huberman, HR strategy and practice lead at Brightmine, an HR solutions provider.

> **Companies should not forget their internal talent. Even if someone's not the finished article, you can easily get them there**

"Be really clear about what the job entails, any flexible-working opportunities and a salary range to save time on interviewing people who wouldn't have applied to the role if they'd known this information beforehand," she says.

Consider employee referral schemes

Recruitment agencies are often one of the biggest expenses when hiring. As a result, some businesses are turning to their own employees to help source potential new recruits.

"Referral schemes are seen as a highly cost-effective way to find new talent," says Michaela Gartside, director of the HR Dept, which provides outsourced HR expertise for small businesses. "We are even seeing some businesses use employee referral schemes as their only method of recruiting new staff," she adds.

While employee referral schemes are a cost-effective alternative to paying for recruiters, they can create cultural homogeneity in organisations and therefore should not be the only recruitment method used by an employer, Huberman warns.

"If you're getting people to recommend those they've worked with in the past or friends, there is a risk you're going to replicate the people you already have in the business," she says.

Leverage technology and data

Companies can speed up several aspects of the recruitment process by leveraging technology and AI. Developments such as LinkedIn's recently announced Hiring Assistant promise to automate many elements of the pre-offer workflow.

Well-established recruitment technologies – such as CV scanning systems and video interview platforms – can also be useful for saving recruitment teams' time. Huberman advises companies to map out their recruitment process and review where time is being spent. "CV scanning is quite an obvious area where AI could really help," she says. "Companies are receiving more applications than ever before and it's one area where more recruitment time is being spent."

Data is another aspect that is often overlooked, according to Elisabetta Bayliss, chief operating officer at Hays, a recruitment firm. Using internal data to inform recruitment decisions can help companies identify areas to save costs.

"Your workforce data might show that you already have the skills in-house, or that you're carrying significant costs from contingent workers, consultants, contractors or temporary workers," she explains. "Understanding your data and the shape of your resources is one way you can mitigate employment cost increases."

Promote from within

A strong talent pipeline can help businesses to overcome short-term recruitment challenges. Crisis hiring, where companies are forced to hire quickly for an essential role, can be excessively expensive, Bayliss warns, so having a good talent pipeline and effective workforce plan is essential.

At Roadchef, 65% of management vacancies are filled with internal candidates. According to Bunn, investment in training and development and providing staff with clear career pathways have been crucial to this success.

"Companies should make sure that they are not forgetting their internal talent," Bunn says. "Even if someone is not yet the finished article, you can easily get them there and it will often be cheaper than recruiting externally."

Address retention issues

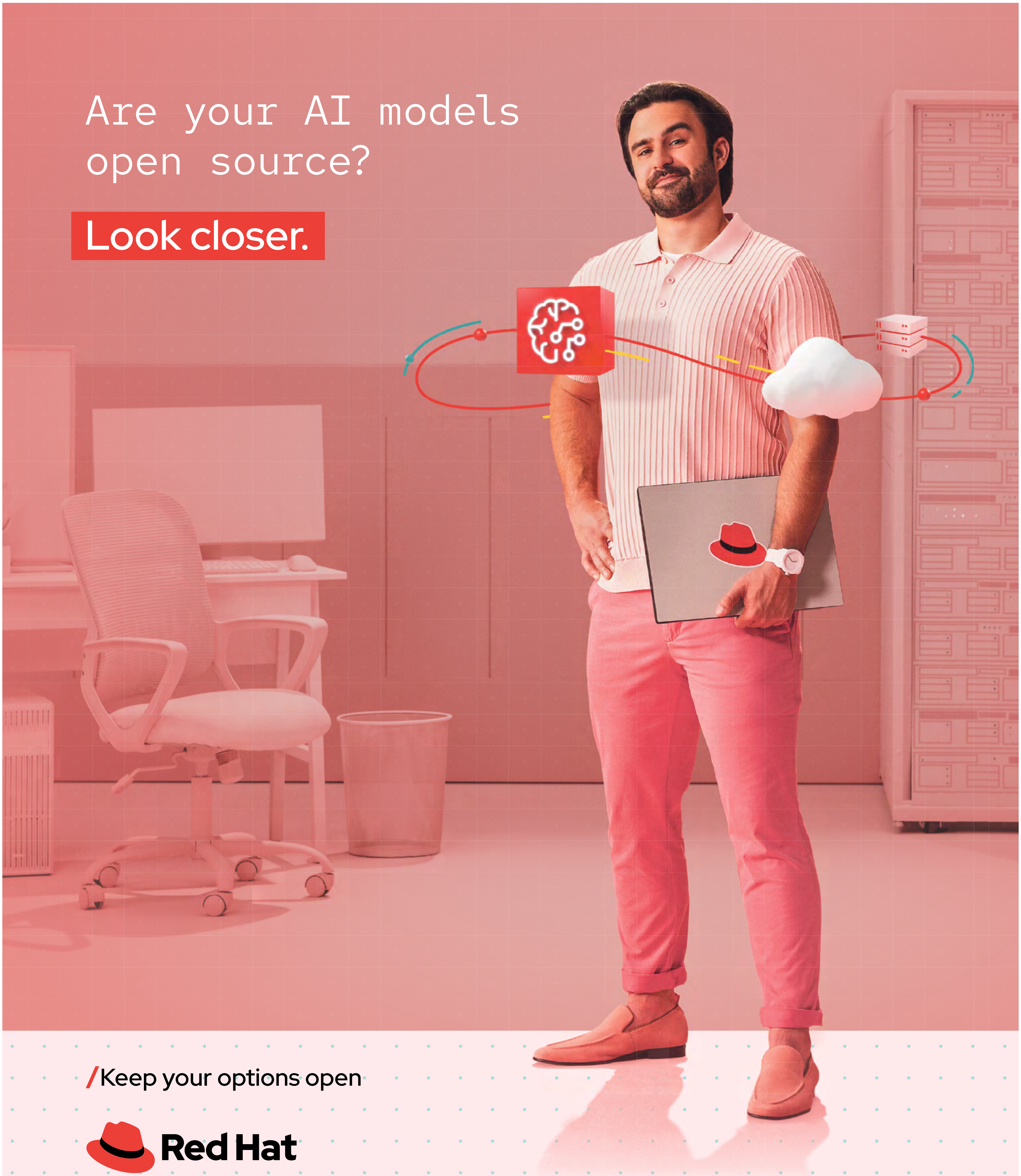
Replacing outgoing members of staff is costly. Recruitment consultancy Omni RMS estimates that a company hiring 100 people per year could be losing more than £500,000 in hiring and replacement costs.

"Recruitment isn't just consigned to the advertising and recruitment process," Bunn explains. "It's the uniform, the training, the time and resources required each time a new employee walks through the door, so the real cost of recruitment is a lot higher than we often imagine."

Perhaps the most effective way to reduce recruitment costs is to improve employee retention. "The cost of hiring is phenomenal, so the more you limit your churn the more you can cut down on unnecessary costs," says Bayliss.

Companies should focus on onboarding. Four in 10 (41%) employers have had new recruits resign within their first 12 weeks, according to the *Resourcing and talent planning report 2024* from the Chartered Institute of Personnel and Development (CIPD).

"It's crazy because businesses spend so much money recruiting people and then lose them immediately," Huberman says. "They should focus on training line managers and establishing a relationship with new employees."



/Keep your options open

Red Hat

redhat.com/options