

# The Anatomy of Rebuilding & Recovery

A CEO LOUNGE INITIATIVE

## Beyond the Numbers: The CFO as a Value Creator

*In conversation with*



**Aksh Rohatgi**  
CEO & Country Manager,  
ISS Facility Services India



**Rakesh Singhania**  
CFO, Wells Fargo, India



**Rohit Bhagade**  
CFO, India Subcontinent,  
SAP



**Vijayanush Narasimhan**  
CFO and Sales Finance  
Controller, Cisco India &  
SAARC

Associate  
Partner:



Support Partner:  
**BLUE DART**



# Beyond the Numbers: The CFO as a Value Creator



*The role of the chief financial officer is on an evolutionary path, managing a variety of functions, steering the organisation, monitoring financial health, and economising wherever and whenever necessary. From profit-finding in perilous times to adapting to a changing economy and keeping up with the buzzwords of sustainability, datafication, critical success factors, JIC & JIT (just-in-case and just-in-time) and many more – a CFO's job today is altered and expanded to include the wisdom of being prepared for any eventuality beyond the business continuity plan (BCP). This whitepaper is the second part of a series aimed to understand the changing role of the CFO and what the future holds for the second in line of the C-suite.*

Words by Divya Sista

In the story of every organisation, numbers are a CFO's wingman. From digits to digital, along their journey, the CFO-and-numbers team has picked up and travelled with changing technology, difficult decisions, transformative strategies and disruptions. In these unusual times, the CFO's role has been underscored more than ever for navigating the organisation through choppy waters. Today's CFO has more than fiducial responsibilities on his platter. From constantly making room to include accelerated changes in strategies and investments, while not losing sight of the organisation's holy grail, to balancing between quick wins and long-term gains, the CFO has been there, done that.

## THE SUSTAINABILITY CFO

In today's technology-driven world, knowledge-centric intangible asset-heavy companies are on the rise. It is estimated that close to 80 per cent of the valuation of many companies today constitute intangible assets.<sup>1</sup> This implies that the true value of an organisation extends far beyond its balance sheet.

As the environment — social, economic, business and ergonomic — grows complex, *sustainability*, once a buzzword, has now been ingrained into every vertical of the organisation. 'Sustainability' today ranges from environmental sustainability to sustainability in accounting practices and performance to sustainable deliverables. The CFO dons another hat as a new role — the sustainability CFO — is on the rise. In the new role, he is responsible for managing the non-financial performance of the organisation, creating a sustainability matrix and setting non-financial reporting standards that have financial impacts.

"Many companies have consciously imbibed and embraced sustainability. Infosys, for instance, in 2006 decided to go carbon neutral and that reflected in every aspect of the organisation —

from orchestrated energy efficiencies to reduced per capita energy consumption and some of the most energy-efficient campuses in the world. CFOs across organisations today have been driving the sustainability initiative right from reduced carbon footprints to assessing social impact. These are assets of value," explains Rohit Bhagade, CFO, India Subcontinent, SAP.

The role of a sustainability CFO brings an interesting flavour to the job, one where the CFO is expected to bring profound change while bridging the discipline of accounting and the standards of sustainable growth and development.

"Sustainability is a movement not just among companies but individuals and nations. Pivoting towards sustainability means the organisation is sustainable with respect to business, profits and financials, and the environment," remarks Aksh Rohatgi, CEO & Country Manager, ISS Facility Services India.

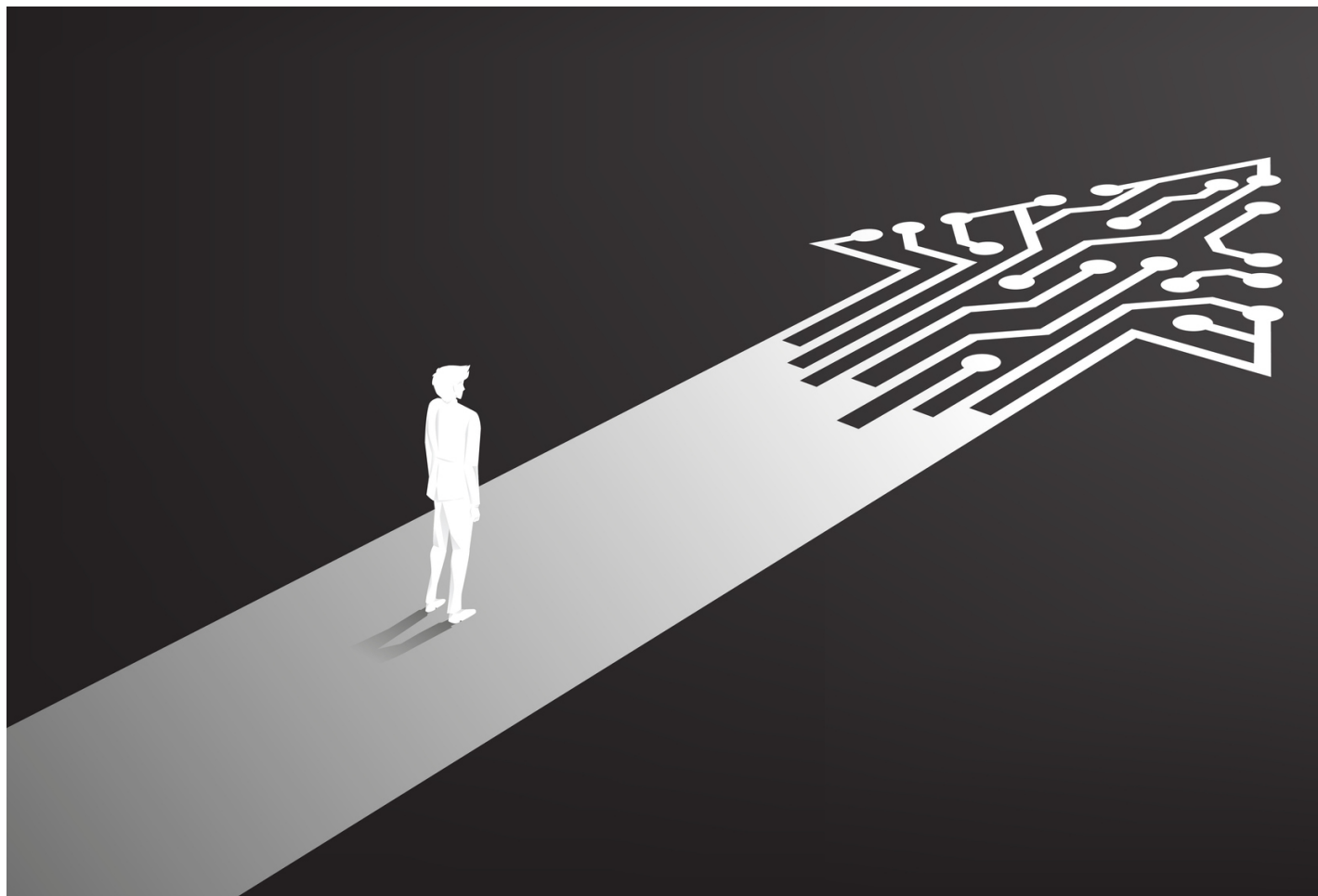
The basic tenets of economics that it is driven by the business of scarcity and demand-supply dynamics have long made sustainability a hijacked, distant dream. Many organisations, and in turn



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**Rakesh Singhania**  
CFO, Wells Fargo, India

their CFOs, have been trying to realise this dream through technology. Strategies today include agile processes, constant innovation, faster adaptability and falling forward — in trying a product, or bringing a change, and scrapping it for something better in case it does not work.

“With sustainability as a driver, it is important to believe in long-term strategy but also constantly question the path, the current strategy, and status quo,” says Bhagade.

### **UNLEARNING & RELEARNING THE BALANCE SHEET**

Most CFOs agree, cash is king, and developing business intelligence to run a predictive finance function scores over a traditional reflective capacity. How much cash to allocate and how to allocate cash is an art more than mathematics. Additionally, CFOs focus on understanding hurdle rates, opportunity costs and advanced projections apart from compliances and building financial statements.

“The role of the CFO was evolving. The pandemic has only accelerated it. In the

past, being a CFO involved keeping the books clean and plain vanilla financial reporting. Today, it is more of return on investments, making investment decisions and placing the next dollar at the right place, at the right time. The role of the CFO there is not just to aim for sustainable growth but sustainable profitable growth. It is time we relook at our statements, focus lesser on the balance sheet, identify potential investments for the long term, and look at everything from an opportunistic lens — automate processes, fix broken ones and get all the functionalities to talk to each other,” conveys Bhagade.

These new responsibilities call for newer skill sets, a different perspective of the balance sheet, and deeper insights into consumer relationships and operations. The CFO’s role is to essentially coordinate and support decision-making by triangulating data from financial, market and client sources.

With the landscape of every business moving towards technology, digital, automation and data analytics, there

is a paradigm shift in the roles and responsibilities of the C-suite. The CFO's role today is also about employing technology, data and automation to increase margins and elevate profitability.

"A finance professional who understands tech for business will be more valuable as a CFO to an organisation than someone just good with numbers. CFOs increasingly have to be sharper and focus on being agile. An agile response scores over a delayed yet accurate response in today's just-in-case and just-in-time world. Whether cash is king or not is debatable, but it is definitely vital," opines Rakesh Singhania, CFO, Wells Fargo, India.

CFOs are now having to expand their horizons, reaching operations, IT and HR management, to drive financial results in the right direction.

## THE ECONOMICS OF RESOURCE MANAGEMENT

It is not just technology that is disrupting the world as we perceive it. Demographic changes, socio-cultural shifts and the globalisation of talent added to the constant innovation of new technology

are what contribute largely to change — the result being a highly-skilled, mobile and anywhere-anyone workforce. This makes investment decisions complicated and questions previous CAPEX-intensive investment decisions.

"All organisations will invest largely in security going forward. With the concept of work from home becoming a norm due to the pandemic, the concept of fixed desks might be done away with, making room for the idea of hot seats with at least 30-40 per cent of the organisation's workforce working from home or remotely at any given point in time," says Singhania.

Office spaces have always been a large part of the organisational fixed asset portfolio. While mobility, remote working, shared offices and home offices had been catching up over the last decade, it was Covid-19 that drove everyone to work from home.

"While certain organisations continue to acquire space, there are also multinationals giving away space. The CFO has to consider factors like optimisation of costs, changes in crucial government policies like SEZ identification and



***It is no longer sufficient to think of profit but every decision must think about creating value"***

**Vijayanush Narasimhan**  
CFO and Sales Finance Controller,  
Cisco India & SAARC





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**Aksh Rohatgi**  
CEO & Country Manager,  
ISS Facility Services India

taxation, and per capita spending with respect to space," explains Singhania.

The pandemic also saw companies required to make off-beat investments overnight. Thrown into a sudden lockdown situation, equipping employees with tools, hardware and the right environment became a priority to keep the business functioning.

"We have seen multinationals investing heavily in creating a home-office environment. While many companies had provided laptops to employees who otherwise worked on desktops, there are organisations which have reimbursed and funded ergonomic chairs, furniture and high-speed connectivity to help create a better work environment," adds Rohatgi.

With the boundaries of geography blurring, work is no longer keeping up with change but also increased competition through accessibility. Human resources, like the word suggests, are resources and investment in human capital, managing performances, designing and identifying resources for the next growth strategy, and deciding on pay structures and bonuses, which are just as important as managing cash

flows and ensuring liquidity. Companies are investing substantially in upskilling, reskilling and deployment of existing personnel to optimise resources.

Most companies today have mandatory training courses, self-paced learning, and collaborations with edtech platforms where the employee is encouraged to pursue certifications or explore emerging fields. Upskilling is a win-win for both the organisation and the employee. But, how does a CFO strategise and allocate for an improbable or an unknown phenomenon of the scale of Covid-19?

"Upskilling is all about keeping an open mind that one can find a solution to a problem using tech rather than avoiding it. With the dramatic speed of change, one can't stop learning. Everyone must adapt, learn, reinvent or cease," answers Singhania.

Another challenge that poses a constant threat is talent retention.

"High attrition rate is a major challenge especially in the middle management levels and this calls for managing changing expectations of the younger workforce while understanding their aspirations and offer alternatives for growth," analyses Vijayanush

Narasimhan, CFO and Sales Finance Controller, Cisco India & SAARC.

"The CFO has to formulate and strategise such that the workforce has a holistic perspective of the business, and the employee grows with and within the organisation. Greater opportunities and diversity in terms of migrating across functionalities and business areas within the organisation will help foster the value psychic income brings and contribute to resource retention," Narasimhan adds.

### KICKING OUT OF THE 'EEE' LIMBO

The finance function calls for ubiquitous transparency and clear communication both internally and externally. The CFO has to communicate effectively, making sure everyone understands the financial goals of the organisation and the roadmap to profitability. Transparency brought in through the right financial communication breaks knowledge silos, help optimise time and overall operational costs.

"There is always scope to do things better, seamlessly integrate technology

into processes that we are reluctant to let go. We created digital dashboards for our business partners instead of a PowerPoint presentation," informs Singhania.

Technology, in its all-pervasiveness, has a role to play and transform communication. Despite understanding that technology is unavoidable, companies and individuals alike find themselves stuck in an EEE limbo — moving in the direction one is moving only because it is easy, effortless and enjoyable.

"How do you exploit technology to your advantage? Accelerated adoption had kicked in overnight because of the pandemic, but we could have been better prepared to face the upheaval had we been fully digital already," says Singhania.

### THE PROFIT-HUNTING AND VALUE-CREATION DUALITY

An organisation's business strategy should reflect in its financials. While this may seem obvious, it is complex and complicated to put it to work. Strategy is an explanation of how set goals would

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**Rakesh Singhania**





be realised given the current business scenario and competition. In simple terms, this realisation or performance metric is what is best known as return on investments (ROI), profits that have traditionally known to indicate the company's growth and success.

Pushing the envelope with ROI is tricky, because technology investment cycles are often long and call for recurring revenue models.

"In the pre-pandemic era, CFOs would want a detailed ROI, due to which significant dollars in potential technology investments had been pushed out. But with the uncertainty that the pandemic has pushed everyone into, no one thinks of ROI like they used to," points out Rohatgi.

The focus of the CFO is a continuous and constant shift between profitability and value creation. How everyday investments, decisions and actions translate to fuel the organisation's business goal to create value is a crucial factor.

"Running the business is only one side of the coin. The other side is business transformation — where there is no choice except to invest in technology. While it is nice to look into

ROI, the challenges that a CFO would face if business transformation is ignored are higher," propounds Singhania.

The answer lies in adding more dimensions to decision-making and strategy. The need of the hour is to think about unfolding a vision, rather than focussing on numbers alone.

"The CFO has to move from managing internal stakeholder expectations to include those of external stakeholders too. It is no longer sufficient to think of profit but every decision must think about creating value," Narasimhan states.

The role of the CFO has always been about numbers, but more recently it has turned into applying those numbers as performance metrics across the company. The CFO-and-numbers team will have to further drive value propositions through technology, a deep understanding of needs and listening to data. Data and numbers correspond to power in today's world and the CFO with them in his arsenal, can influence, steer and create tremendous value.

***The CFO has to strategise such that the workforce has a holistic perspective of the business and the employee grows with and within the organisation"***

**Vijayanush Narasimhan**

<sup>1</sup> T. David Colgren, "Expanding the Accounting Ecosystem, Strategic Finance, February 2017, pp. 62-63, <http://sfmagazine.com/post-entry/february-2017-expanding-the-accounting-ecosystem/>.



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Founder & Publisher : **Deepak Yadav**



Editor : **Hari Govind Nair**



hari@ceolounge.net

Deputy Editor : **Amit Ranjan Rai**

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