

# The Anatomy of Rebuilding & Recovery

A CEO LOUNGE INITIATIVE

## The CFO's New Playbook

*In conversation with*



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## The CFO's New Playbook

*The role of the CFO is being redefined, even revolutionised along with the evolution of organisations, balancing accrual and actual worlds. With a perpetual finger on the pulse of the organisation, CFOs account for things beyond ledgers – reputation, investing in emerging technologies, digital transformation, while not losing sight of risk, profits and financial goals. In this part of CEO Lounge insights, a few brilliant number crunchers from across domains discuss the changing role of the CFO, strategies employed in exploring new opportunities in line with the organisation's goal and identifying potential black swans that could weigh it down.*

Words by **Divya Sista**

**T**he chief financial officer, whose only responsibility once was to handle the company's financial movements, financial statements and statutory compliances, plays a vital role today in building the organisation, transforming existing processes and exploring new business delivery models. Playing Watson to CEO Sherlock, the CFO steers the ship towards set goals, both financial and otherwise. Most CFOs today are donning hats that extend to managerial and strategic roles. With technology, the need for human computing power in accounts has reduced considerably, leaving space to shift focus to other financial and business visceral functions.

### THE ARRIVAL OF THE FUTURE-FORWARD CFO

The internet, technology and data — the holy trinity credited with disrupting most industries and creating new ones — can be acclaimed for innovation in finance and accounting (F&A) too. This caused a seismic shift in the role, responsibilities and duties of the CFO. With the game picking up pace, there was an urgent need for innovators and a space for forward-thinking mega-minds like never before.

“Organisations had started to realise that the CFO offered capabilities beyond managing cash flows, to include strategy, shielding the business from bubble bursts, and providing that key spark that combined innovation and financial genius,” explains Sayamdeb Mukherjee, CFO, United Breweries Ltd.

The future-forward CFO had arrived, with a promise of making

the organisation shockproof, improving leader board positioning — both strategically and financially, and offer a perspective that combined numbers and moves.

“The value creation in non-traditional CFO roles is a game-changer for many organisations. In a level playing field, strategy is everything; a CFO brings in a bump key element unlocking many doors,” remarks Sandhya Sharma, CFO, Schindler (India & South Asia).

### A SEAT AT THE WINNER’S TABLE

The CFO today is the CEO’s right-hand executive who understands market opportunity, strategy, business model and provides a unique perspective across all departments through what he knows best — numbers. He brings a sense of objectivity to crucial decisions; his yardstick is clear — helping the C-suite make the right decisions. A trusted partner who provides real-time actionable intelligence in business operations, CFOs have moved from being financial gatekeepers to strategic allies.

“Though accounting skills are fundamentally invaluable and a must-have, the reality today is that the CFO’s role has moved from traditional waters to high seas where the focus is on the 3Ps — people, purpose and profits,” says

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

Engaging with external stakeholders, maintaining harmony amongst internal departments and constructively building on factors that contribute to the organisation financially are part of the CFO’s key performance indicators today. This change has been both evolutionary and brought in by the C-suite, repudiated by reality. Studies show that the C-Suite firmly believes that the CFO will increasingly play a crucial role in strategy and has a broader function across the chessboard.<sup>1</sup> Covid-19 has underpinned this belief like none.

“Despite being in an industry that has not been displaced by the pandemic in supply-demand terms, we see liquidity management, balancing between organisational strategic goals and effective communication become vital areas that need attention,” informs Sudhir Singhvi, CFO, Sterlite Power-Solution Business.

The global pandemic has been an economic crisis as much as it has been a catastrophe for world health. With uncertainty looming large, all eyes on recovery indicators, the CFO is not simply championing cash flows but engaging in active reforecasting and



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adapting agility to these mercurial times. Erratic markets, diminishing top lines, increasing profits and a cloudy tomorrow — the CFO is at the heart of it all.

Referring to the Indian stock market, Rohatgi says, “In the second quarter of 2020 (June 2020) Nifty 50, the profit was about ₹40-45 crore. A simple extrapolation and some conservatism thrown in, experts expected the third quarter to rake in ₹65-70 thousand crore. It was a surprise that in actual numbers, the fourth quarter sprung a profit of ₹110 crore. However, the revenue, the top line shrunk during the same period.”

“Revenues went down, but profits soared. In situations like these though bigger companies have robust shock-absorbing mechanisms in place, smaller companies, MSME units perish,” Rohtagi adds.

That said, this complicated number game is not just about chopping budgets, laying off high-cost resources, or squeezing costs.

“It is about sustainability beyond the environmental sense. We need

to bring about significant changes in processes and operations constantly, not restricted to crisis response. We may have to change perspective, exit certain areas of business, identify revenue leaks and plug them, and make life-changing decisions for the company — all for the greater good,” remarks Mukherjee.

That brings us to an indispensable factor whose importance can't be stressed enough in recent times — stability. Buttressing long-term strategies and the organisation's vision are a series of bite-sized micro plans in the form of identifying key opportunities, preventing shortfalls and innovation in leadership.

“We talk about black swan events, unpredictability, disruption and having a business continuity plan (BCP) in the same breath. BCP is a technological process while contingency for disruption is an action mindset,” Mukherjee says.

As a gentle reminder, “Profit is vanity, working capital is sanity and cash is reality. We must do a micro level, detailed cash planning, taking all stakeholders into confidence first,” he adds.

## PIVOTING TRANSFORMATION

As organisational frameworks change, the CFO's role is maturing to keep up with competition and pushing the boundaries of F&A into territories once thought of as management.

The advent of digital-first approaches and technology transformations has provided opportunities to enter new segments, transform supply chains, delivery models and replace existing products. Interestingly, financial leaders focused on growth have all placed their bets on going digital.

Research backs this fact, showing that CFOs who have growth on their agenda are investing and building new resources into digital technologies, or even channelising existing ones onto the digital path, focussing on risk-mitigation, organisation overhauling and cost-efficiency.<sup>2</sup>

"There is no credible way to grow today without investing in technology. What is more important to understand from a financial lens is that it offers potential cost-efficiencies that are easy

and simple in the long run through operational change. This trumps the hurdle of it being capex-intensive while taking the first step towards digital transformation," says Sharma.

So, even if driving growth may not be the CFO's highest priority, digital definitely should be, to fulfil his role as chief protector and conservator of the business. Transposing a digital business model and nudging the organisation towards a path of digital maturity through the right digital investments creates real value.

"We are already in a digital economy where mobile penetration and the pandemic have pushed digital even more. Navigating through these, with situations like environmental sustainability or changing taxation policies, dynamic costs go beyond being just digital-ready. It is also about building the organisation's capabilities and confidence to take on these with elan," affirms Singhvi.

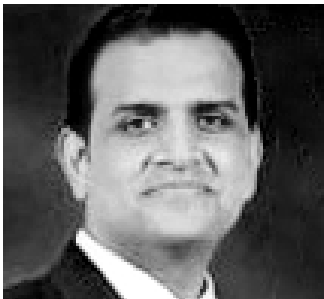
The CFO of today must lead his organisation to digital readiness, provide a fresh pair of eyes when



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there is a disruption, and give it the confidence to wade through choppy waters. Goods and service tax changes, currency fluctuations, implementation and impact analysis, the trickle-down effect of robotics and AI into everyday manufacturing operations, and the stepped-up globalisation of the world economy — these call for a unique zoom out and zoom in of the CFO's financial lens according to the challenge posed.

### **THE RHYTHM OF THE DIGITAL DRUM**

With automated solutions, accounting procedures and processes have changed to a great extent. The fact that a CFO's role goes beyond numbers is established, the focus is now on a clear bird's eye view of the entire operational framework and how it integrates with artificial intelligence (AI), automation, data science and analytics.

"How one can effectively manoeuvre the business without hitting too many roadblocks, as new technologies and promising procedures come up and perish every day, is crucial. Transitioning the entire organisation to an automated platform, getting them to use a digital dashboard is no mean feat," remarks Rohatgi.

Seizing the opportunity, optimising financial pipeline velocity, and catalysing the realisation of the value of technology in terms of increased efficiency, reduced costs and streamlining business among stakeholders is the next step of going digital. The F&A sphere is dynamic, driving CFOs to stay on their toes while elevating the entire finance function.

"Sophisticated technology largely helps deliver better economics. Often, we need disruption to bring in change. The butterfly effect that technology brings to the business in terms of better analytics, larger control, and just the fact that the CFO can see where every dollar goes is a power that adds immense value to the entire organisation," Rohatgi explains.

The ability to make better and informed decisions on the go not only upholds the credibility of the finance leader but gives a narrative to the numbers in transformational terms. The CFO today knows technology has his back and can rely on it for pulling accurate historical data. He has the best seat in the stadium with a 360-degree view and the benefit of hindsight simultaneously.

"CFOs are adapting fast, using tools and software not restricted to accounting. Digital dashboards have made it easy to

understand what is going on anywhere in any department, in any corner of the organisation. Knowledge not only gives power but also comfort that the decision-making is better and more reliable,” says Sharma. Increased productivity, saving time, resources and value for money are all logical and welcome side effects of adopting a good digital strategy.

It is important to separate the chaff from the wheat when monies are involved. A promising technology may go bust within months of adoption, becoming a yesteryear buzzword. Making the right decision about what, where, how and how much is more important than it seems. So how does a finance person make the right decision about technology?

“Technologies like AI & ML [artificial intelligence and machine learning] in data analytics, robotics in manufacturing,

are beyond buzzwords now. Technology has to be adopted at the right time, and choosing the right technology is key. That said, it is not magic. Taking the first step is difficult. Simple process automation in visual insights and going paperless, taking existing processes online are a good start,” says Mukherjee.

With everyone going gaga over technology, it may seem like a silver bullet. But technology is a maze with multiple paths leading the business to its destination or dead-end. On the other hand, its constant evolution pushed by demand is where the beauty of technology lies. For instance, automation, AI & ML and the digital revolution were propelled by a constant demand for better data analytics — of the customer, internal processes, vendors, employee productivity and business metrics.

## THE RESONANCE OF GROWTH AND RISK

CFOs are not just at the helm of the F&A industry but the second-in-command of every organisation today. Determining where and how to invest, packing a powerful strategy to increase revenues, fostering an environment that creates and transforms new best practices is how the CFO of today builds value. Growth and risk have always been two sides of the same coin, and technology has enabled probabilities in the favour of growth, today. The business environment for the CFO is unpredictable, complicated and more complex than ever. Risk volatility, stakeholder value scrutiny, data-backed decisions and digital transformation are game-changers making the role of a CFO undefinable. If there is one thing that does not change — it is that the CFO is a crucial cog in the transformation wheel.

## TAKEAWAYS



### Adopt technology to help CFOs, not hinder:

Choosing the right technology is more important than just choosing to go digital.

### Strategy backed by data:

Data science skills combined with finance functions will be all pervasive in the future.

### Stakeholder confidence & strategic communication:

Constant appraisal and updates to all stakeholders will improve organisational health.

### Measuring business performance:

With shifting traditional models, metrics and risk allocation, ways and means to measure business KPIs are also fast changing.

<sup>1</sup> <https://www.imanet.org/-/media/5ced0d3dfada40e78a4cac19797e8300.ashx>

<sup>2</sup> [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_gl/topics/cfo/cfo-agenda-pdf/ey-do-you-define-your-cfo-role-or-does-it-define-you.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/cfo/cfo-agenda-pdf/ey-do-you-define-your-cfo-role-or-does-it-define-you.pdf)

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