



EMPOWERING CFOs WITH DIGITAL

Reshaping the Finance Function

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Navigating the Digital Terrain

Digital disruption has been identified as one of the defining trends of the 21st century, creating new norms in the way we live and work. In an era of unprecedented access to technology and data, more than 80% of ASEAN business leaders believe that the coming 3 years are more critical to success than the last 50 years have been.

In today's digital age, CFOs must look beyond their traditional roles in specialty finance to become an enterprise-wide strategist, an innovation and change incubator and a proactive decision maker, utilizing technology to look at the bigger picture.

In short, we are now in the era of the digital CFO.

We define "A digital CFO" as **one who can go beyond his role of a financial custodian and turn data from insights into value.** New data management technologies are giving CFOs access to **real-time data** which help them in taking better and more efficient decisions, those are based on real time Insights as opposed to intuition.

As CFOs have a deep insight into the economics of the business. They can exploit this understanding and leverage technology to generate proactive insights and help drive enterprise-wide growth, while becoming strategic partners to the CEOs.

However only leveraging new technologies is not enough to become a digital CFO.

We have identified five essentials of becoming a digital CFO: strategic leadership, data-driven value creation, digital labor, cross-functional collaboration and cyber security.

The Role of a CFO after undergoing major changes over the past decade has developed into a business partner of the major functions of any organization with focus on improving business excellence through performance management tools and optimizing the finance function through Big Data, Process Automation and Cognitive Technologies. **In the near future, CFOs will gradually expand their roles to become digitally enabled planners and strategic advisors to the CEO.** The 4th Industrial Revolution has already kick-started this transformation as more and more CFOs are assuming additional responsibilities related to **risk management, business model innovation, and corporate strategy** all of which are **enabled by Transformative technologies.**

CFO as a Service Provider

- Helping the IT Function Rationalize
- Increase Transactional process productivity

CFO as a Data Provider

- Ensuring Regulatory Compliance
- Timely Financial Stats.

CFO as a Business Partner

- Improving business excellence
- Optimizing the finance function

CFO as a Digitally Enabled Planner

- Strategic advisor to the CEO
- Using innovative technologies for visualization and Predictive modeling
- Risk management and business model innovation



Priorities for today's CFO

In the early 2000's the role of a CFO was rather traditional and mundane. The CFO of an Organization was viewed as a Data Provider, His Responsibilities majorly included Ensuring Compliancy with regulatory principles and providing timely, secured and Reliable financial Information. As the years Progressed, and due to the increase focus on IT systems during early 2005 their role changed into a service provider, wherein they helped the IT department rationalize their Landscape and Increase transactional process productivity.

Once you go digital, you never go back!

With today's technological revolution being so different from the previous industrial revolutions, no one can predict with any degree of certainty how events will play out in the future. Most organizations make assumptions about what the possible future scenarios could be and accordingly make long-term plans to steer themselves into their preferred scenario.

A Digital CFO serves as a major link between digital technologies and ROI, they are actively harnessing the digital revolution and transposing themselves to drive value creation. Apart from the 5 Key essentials

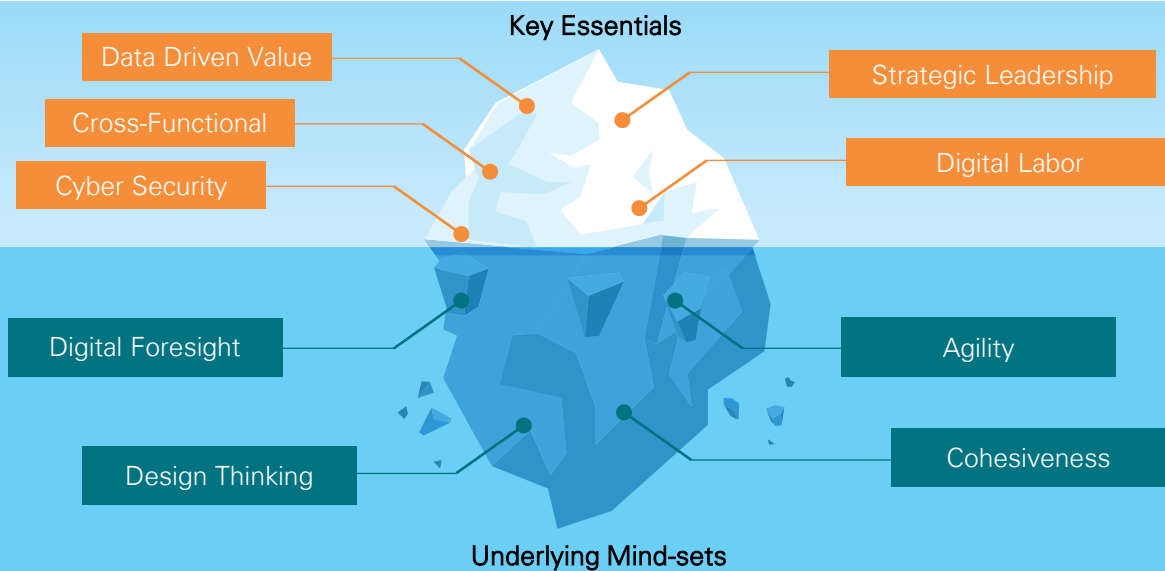
of being a digital CFO we have also identified a few underlying mindsets governing the behavior of a digital CFO:

Digital Foresight: Determination to rapidly evolve beyond the business partner role, spearheading the digitalization journey and using diverse technologies to transform finance

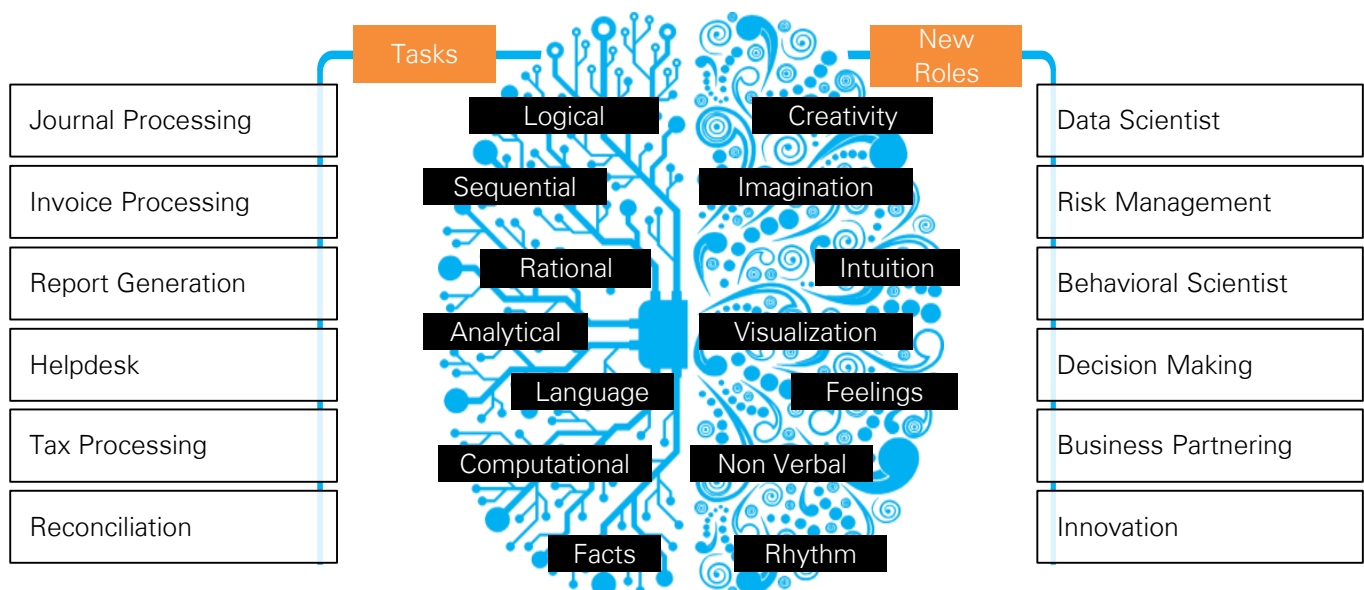
Design Thinking: Put the end users' needs at the heart of digitization, focusing on consumer journey to drive value instead of focusing only on efficiency from the process.

Agility: Instill a working style that embraces experimentation, innovation and incremental value creation over conventional waterfall development methods.

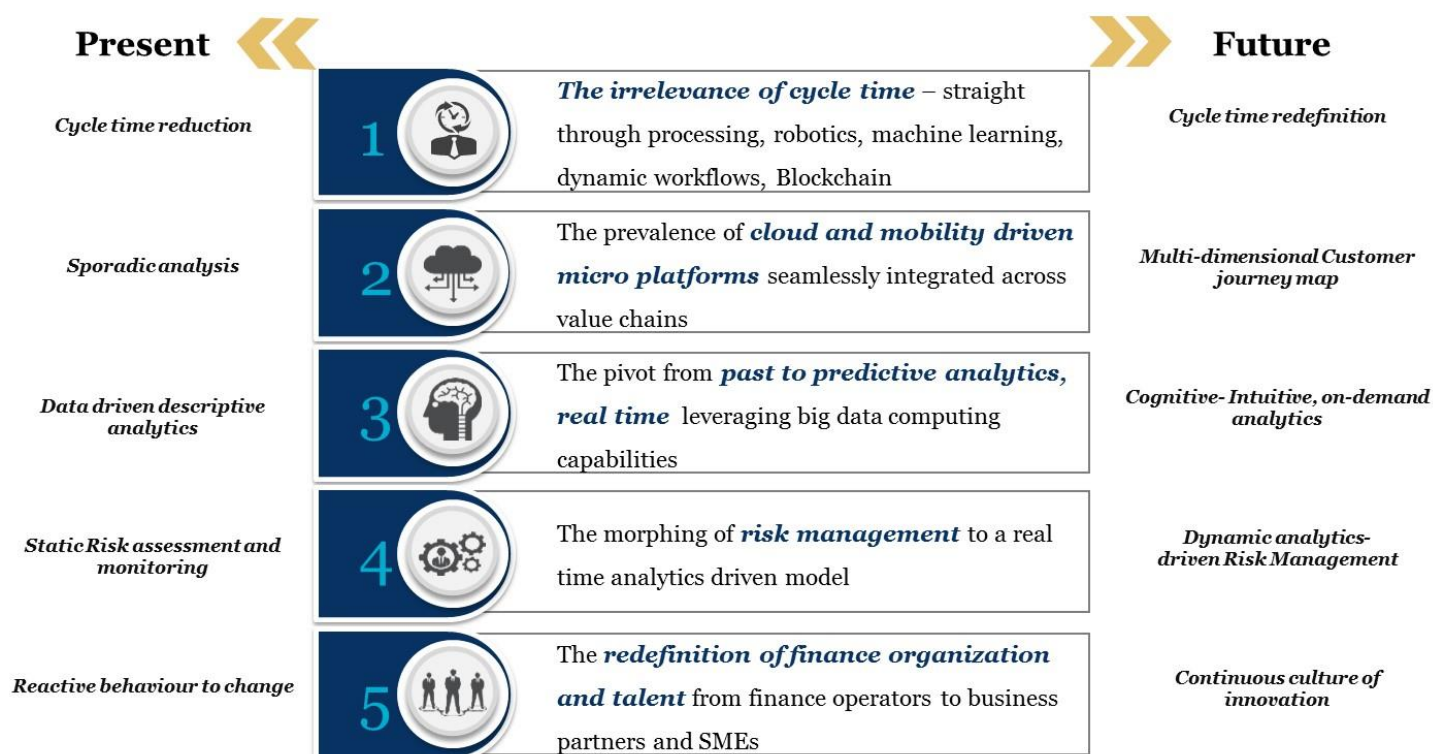
Cohesiveness: Transform the organization with a vision that weaves digital DNA into all operating models.



We've also identified a few Key skills required to further strengthen the underlying mindsets,



Trends



Source: Genpact Analysis

How Can CFOs Stay Relevant?

In today's digital age, CFOs should be technology advocates, if not technology evangelists. Technology as an enabler can expand finance's reach and efficiency. **CFOs should proactively seek out new tools that augment their jobs.** Ruben Stappers, CFO of Zalora spoke about how when he first started as a CFO, he had to use static excel spreadsheets to analyze his business. Now, he and his business teams are able to **utilize new tools** and technologies to analyze the business real-time, across multiple dimensions and in several visualizations. CFOs and their finance teams will need to reassess the way they work and the technology they use, and drive the transformation of their finance systems to deliver value to their Organizations. New CFOs have to be prepared to take on many roles in addition to the scope of finance – this includes legal, business development, and strategic planning and risk management. They have to be dynamic as the business landscape is constantly changing.

Digital Tools for the CFO

Digital tools support the entire finance function from its foundation up to the dashboards used for generating insights in the boardroom. These tools can improve decision making, planning, control, and governance while reducing costs and increasing investment returns. We have identified a few must-have technologies among the many transforming the finance function







Visualization engine Integrate data from various systems to generate meaningful insights.

AI Powered Digital Dashboards improve forecast frequency and accuracy while reducing volatility by modeling financial outcomes based on value drivers. Users can change assumptions and analyze sensitivities with one click of a mouse.

Predictive analytics use large data sets to drive prediction and insights and improve visibility into an organization's operations and performance.

Process Automation automates rules-based activities using a software tool that captures and interacts with existing applications' user interfaces and data as a virtual workforce, reducing cost while minimizing errors.



	Description	Technology
	<ul style="list-style-type: none"> Deliver New Powerful Insights Evaluate Impact of Unexpected Events Timely Analysis of Real Time Data to decision makers across company 	<ul style="list-style-type: none"> AI Powered Digital Dashboards
	<ul style="list-style-type: none"> Automated On Demand Budgeting, Planning And Forecasting Instantaneous Feedback 	<ul style="list-style-type: none"> Visualization Engines
	<ul style="list-style-type: none"> Minimize Compliance Errors Maximize Transparency Save Time 	<ul style="list-style-type: none"> Process Automation
	<ul style="list-style-type: none"> Access to Better, More Timely data by finance teams Quicker response to changes in market place 	<ul style="list-style-type: none"> Predictive Analytics
	<ul style="list-style-type: none"> Less Error Prone – reduce error rates Work 24/7 Reduce Manual Work 	<ul style="list-style-type: none"> Process Automation
	<ul style="list-style-type: none"> Greater Value From Cash and Investment Management, Capital Market Financing and Foreign Exchange Hedging. 	<ul style="list-style-type: none"> Machine Learning

Digitalization of Finance

– No Longer Just a Number Cruncher

Digital technologies have the potential to drastically transform the finance function. But most of the companies struggle to prioritize and focus their digital efforts. We need to understand that just by going digital we aren't guaranteed success and positive ROI, therefore large organization should first evaluate roadblocks that might limit the impact of digital transformation and once they've tackled the organizational and process roadblocks, they are ready to embrace transformation with open arms.

KPMG's Step By Step Guide to Digitalization of Finance

1. **Prioritize:** The CFOs need to analyze and understand the **pain points** in the organization and identify high priority areas basis the incremental value it would generate in a short period by embracing transformation. So keep a look out for **indicators** which make certain areas more favorable for transformation as compared to others such as High-cost, Manual processes or data integrity issues and **benchmark** various digital initiatives basis **cost of acquisition, Complexity, Time to result and Projected Benefits**.
2. **Test and Learn Approach:** Digitalization is a gradual and steady process, it is not a good idea to transform all areas at once. Start with test pilots that focus on high priority areas as identified in the first step and use these pilots to develop capabilities, get new talent and refine new ways of working. Once you've established a proof of concept in your organization, start scaling aggressively across functions.
3. **Identifying key value drivers:** Digital technology provides massive analytical power, exposing finance teams to value drivers which are not only finance but also operational and business related. Key value drivers across functions have to be identified, which then have to be monitored and insight generation has to be focused on the key levers. The finance function is no longer a number cruncher, with the introduction of digital the function has to transform into a **strategy incubator unit** of sorts. Acquisition of **digitally sound & cross functional talent** will form the crux of Digital finance.
4. **Consistency:** Digitalization is a constant work in progress, as in, there is a need to consistently improve efficiencies by rolling out additional tools consistent with the digital strategy of the organization for increased benefits. Users can now easily test different business scenarios to understand risks and opportunities and make quicker and better informed decisions by eliminating guesswork.
5. **Progress tracking:** measuring the results of your digital efforts is critical, especially because many of the initiatives will be evaluated and refined over time. Knowing what cost reductions, Productivity improvements and other benefits the new tools are delivering it is important to keep a track of progress and accordingly communicate these benefits to the organization.



Overcoming the challenges being faced by CFOs today

1. Develop a future vision – “How will the finance function look like?”

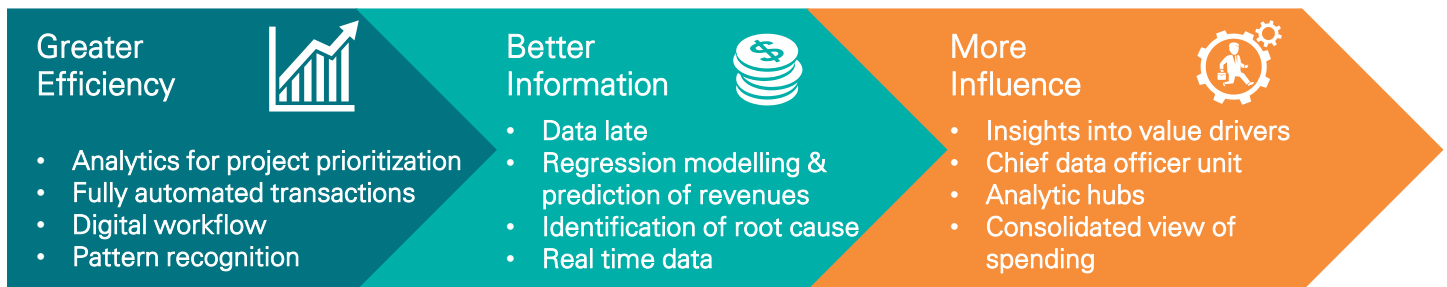
In close collaboration with I.T., finance can drive digital transformation. The CFO can almost be considered the quarterback of the organization, setting the delivery of targets with each quarter with a strategic view to score the ever elusive digital “touchdown”.

Finance Function Perspective:

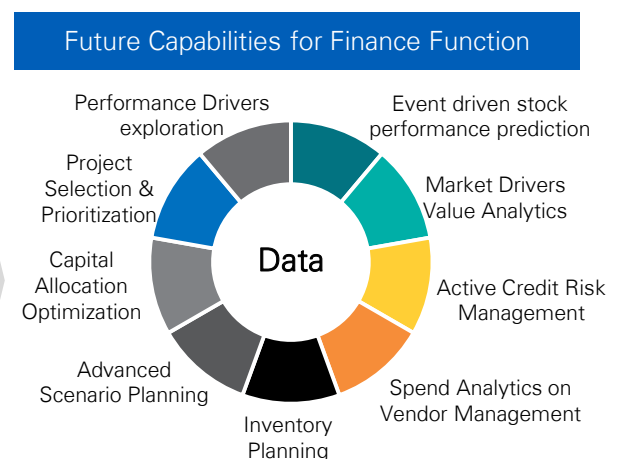
Innovator - Deploys data and analytics not just to inform but also to innovate on the core finance operating model and performance management processes.

Power user - Integrates data and analytics into key processes to drive improvement.

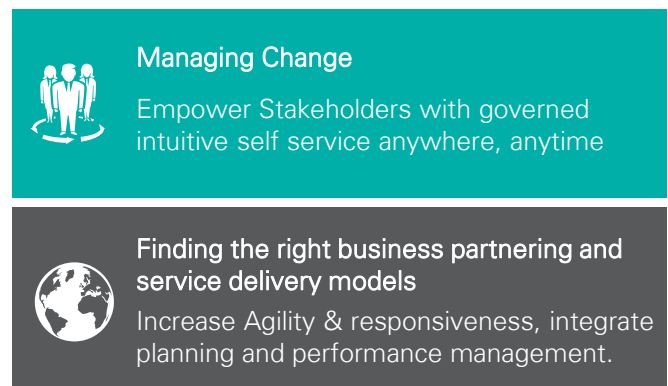
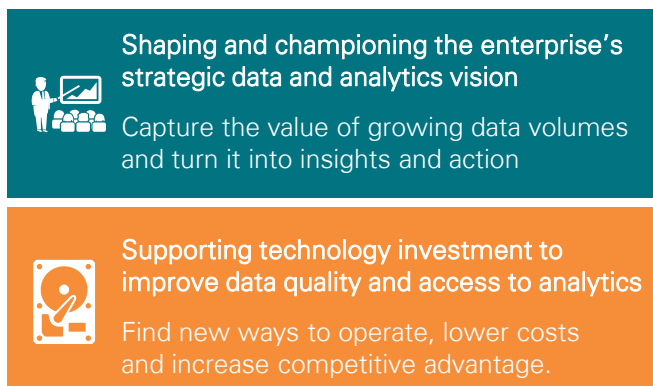
Evaluator - Oversees adoption of new data and analytics tools and systems.



PEOPLE	<ul style="list-style-type: none"> Automation can allow a finance professional to identify trends in customer profitability. Visualization of Operating Model Data
PROCESS	<ul style="list-style-type: none"> Demand Forecasting (CAPEX) Workforce Planning (OPEX) Risk & Bad Debt Prediction (CAPEX) Sales Area Planning (Topline) Assortment Optimization (Topline)
TECHNOLOGY	<ul style="list-style-type: none"> Machine Learning Big Data Analytics Robotic Process Automation Natural Language Processing Cloud



2. Define a value proposition – “What will we deliver?”



3. Determining Core Capabilities – “What capabilities are essential to deliver business value?”

Functional Capabilities

- **Ease of Use for Business User Self Service** - Delivery of a new level of ease of use for planning, analysis and reporting.
- **Integrated Strategic and Operational planning** – Collaborative, Flexible modeling for integrated planning and Performance Management.
- **Unified Planning, Analytics and Reporting** – Unified budgeting, forecasting, planning, analytics and reporting; a closed loop[process for greater transparency, efficiency, and actionable insights.
- **Flexible web and mobile access** - innovative web and mobile applications offer flexible, seamless access to common data model on any device.
- **Pre – Built Best Practice Content** - Pre – Built applications and business content demonstrate software capabilities out- of – the box and fast track implementations.



Technical Capabilities

- Easy trial, fast deployment and high scalability
- Seamless Integration in best – of – breed enterprise Architecture.
- Enterprise level performance, security and governance.
- Choice of cloud or hybrid deployment and easy upgrades
- One Platform and Third Party Applications.



Source: Magic Quadrant for strategic corporate Performance Management Solutions, Gartner 2016.

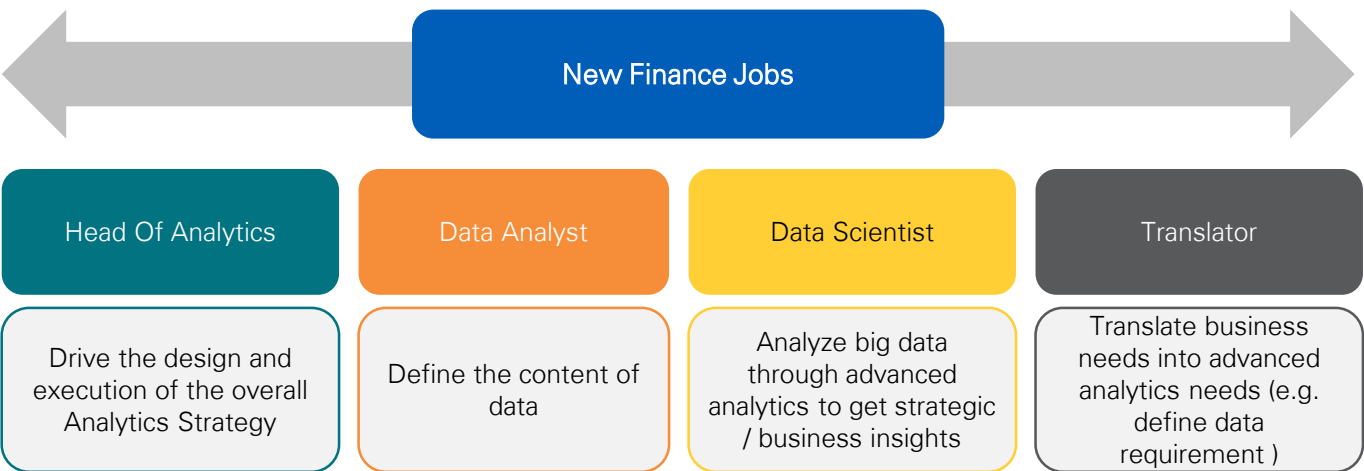
4. Developing the finance team – “What kind of people do we need?”

Finding accounting and finance professionals with business analytics skills is difficult, making it especially challenging for department leaders to recruit, develop, and retain people with the


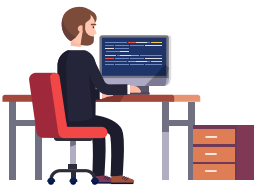


Requisite abilities. When building their teams, managers most commonly seek skills in financial analysis (87%), followed by budgeting, planning, and forecasting (85%), operational analysis (82%), and cost management (81%).

The significant skills gaps in the current market scenario are:

- Identifying key data trends
- Data mining and extraction
- Operational analysis
- Technological acumen
- Statistical modeling and data analysis

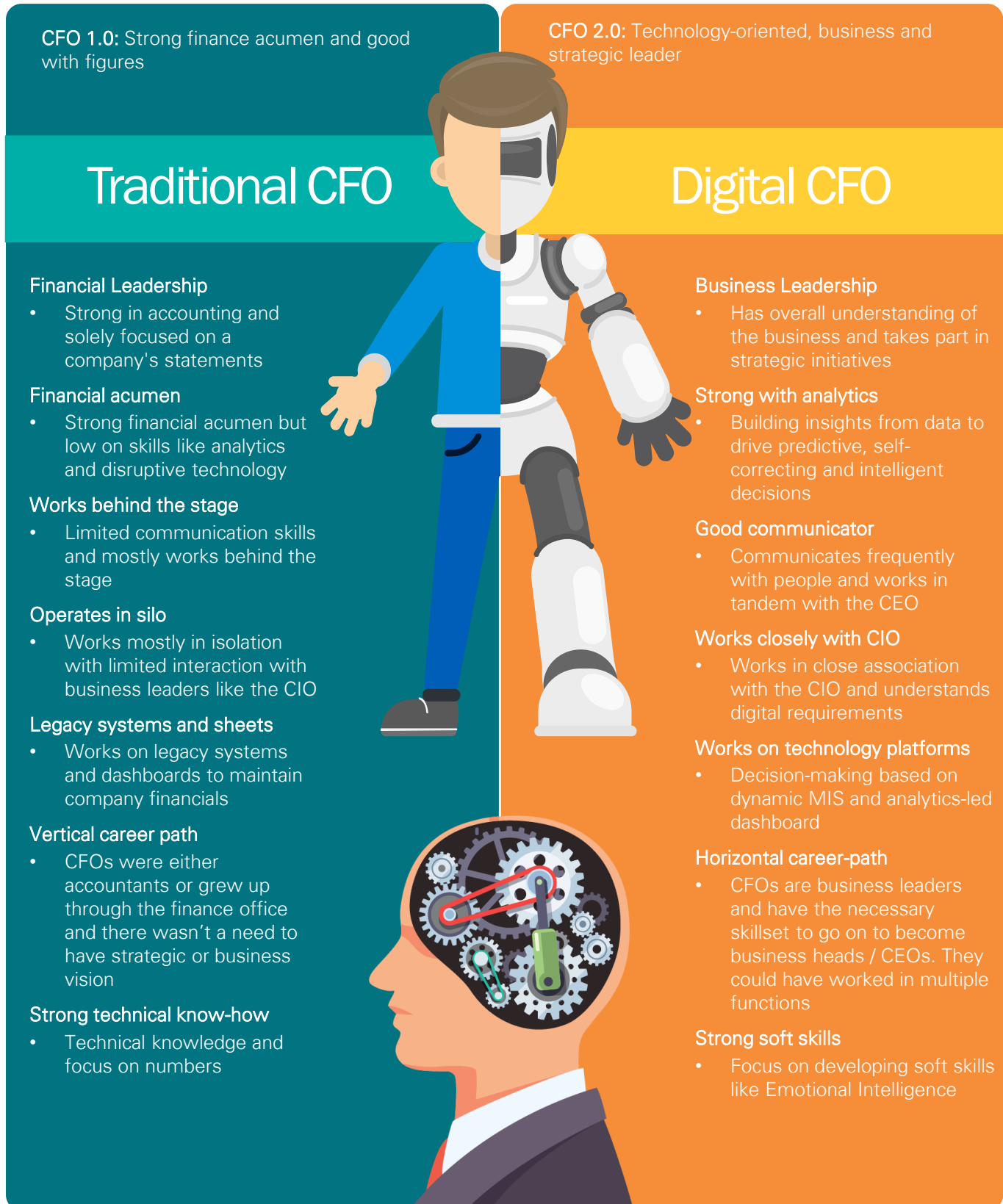


Benefits of Adopting a Digital Approach

Finance functions	Digital Interventions	Outcomes
 Reconciliation	<ul style="list-style-type: none"> 50% elimination of reconciliations by automating corrections at entry point 2/3 reduction in efforts on manual discovery of mismatch reasons using machine learning algorithms and integration layers will enable seamless drill downs Mobility will power real-time collaboration 	<ul style="list-style-type: none"> > 95% Touchless reconciliation and matching(End-to-End) > 98% Confidence level for Trial balance > 99% Exception auto resolved (Matching Efficiency Analysis)
 Time to Close	<ul style="list-style-type: none"> Balance sheet review will be augmented by sub-ledger based heuristic insights 40% of close tasks to be auto-scheduled with intelligent robots Smart forms & dynamic workflows enable zero misses and omission In-memory computing reduces systemic stresses by 80% 	<ul style="list-style-type: none"> > 95% Touchless Manual journals and/ or Topside adjustments < 5% Deviation from policy standards for top corporate actions Real time onboarding of new entity/ CC/ account (Agility)
 Invoice processing	<ul style="list-style-type: none"> E-invoicing enables paperless invoice processing OCR* extracts data from scanned invoices Machine learning and robotics for exception handling Transaction analytics for root causes Dynamic workflow to enable alerts etc. 	<ul style="list-style-type: none"> Up to 90% straight through invoice processing Improves productivity by 60-80% Up to 70-80% exceptions handled automatically Reduces cost of invoice processing by 50-60%
 Planning & Forecasting	<ul style="list-style-type: none"> Using Business Analysis outcome and drivers for future scenario building Tool based risk analysis of plans and forecasts Cloud based EPM tools Mobility and Visualization 	<ul style="list-style-type: none"> Efficiency and short cycle time for Planning & Forecasting Insights to enable optimal plan/forecast, balancing risks & opportunities Dashboards and other visual outputs available on mobile devices for ease of use

Conclusion

We have classified attributes of a Traditional CFO Vs a Digital CFO to help identify areas of improvement and Kick – Start the transformative drive.



Illustrative case studies of digital innovation being used in the finance function

Case study 1: A large Indian consumer electronic good company uses blockchain for supplier payment

- Yes Bank developed a permissioned supplier financing solution, which is based on 'smart contracts'
- The solution is already being used by Bajaj Electricals, replacing their manual bill discounting process
- Invoices details processed in Bajaj Electricals' Oracle system gets transmitted to Yes Bank on blockchain.
- These are then discounted and funds disbursed to the vendors of Bajaj Electricals. On the due date, the solution initiates an automated debit from Bajaj Electricals' account maintained with Yes Bank
- A fintech start-up, Cateina, has built the smart contract solution over the Hyper ledger fabric
- The processing cycle for bill discounting has been reduced from four-five days to almost real time
- According to Chetan Bhanushali (GM Treasury, Bajaj Electricals) the use of blockchain has removed the manual steps and the whole transaction has become paperless.

Case study 2: A large Indian Conglomerate along with IBM developing blockchain solution for supply chain finance

- The Conglomerate announced that it was collaborating with IBM to reduce the time taken for invoice discounting for Mahindra Finance
- Both the firms agreed that a blockchain solution has the potential to reinvent supply chain finance by improving transparency, security and operational processes
- This one of a kind cloud-based application, is designed to transform supplier-to-manufacturer trade finance transactions
- Invoice discounting is a major source of working capital finance for many suppliers. This solution is aimed at enabling more suppliers to access credit, with the goal of driving more financial inclusion throughout the supply chain.

Case study 3: A large Indian Bank along with one of the largest banks of middle east carries out trade finance transaction using blockchain

- ICICI Bank and Emirates NBD performed a trade finance transaction using the EdgeVerve Systems developed by Infosys. This pilot involved approval to import shredded steel melting scrap by a Mumbai-based firm from a Dubai-based supplier
- As part of the experiment, a real-time data sharing platform was built to electronically authenticate international trade documents such as purchase order, invoice, shipping and insurance, etc.

Case study 4: A large international bank automating its back-office processes with Robotic Process Automation (RPA)

- The bank worked with solution provider Automation Anywhere to automate over 235 processes using RPA
- Types of processes automated included: transactions investigations, tracing funds, audit certificate, funds disbursements
- They achieved cost saving of greater than 40 per cent with 20 per cent less FTEs being used.

Case study 5: A mid –sized Indian Bank uses AI (Artificial Intelligence) bots to transform retail assets business

- The bank partnered with Gupshup, a leading bot platform, to launch 'YES mPower' - a banking chat bot for its loan products
- YES mPOWER is designed to help customers get information about loan products offered by Yes bank. It instantly gives a loan eligibility, enabling customers to get important information
- The YES mPower BOT is available through Facebook Messenger. It can perform all tasks of loan origination across multiple products.

Case study 6: A large Indian Bank uses bots to reduce response time to customers by 60 per cent

- Became the first bank in India and among a few globally to deploy software robots to power its internal banking operations
- The software robotics platform processes over 10 lakh transactions daily. It has reduced the response time to customers by up to 60 per cent and increased accuracy to 100 per cent, thereby improving the bank's productivity
- The bank has about 20 crore ATM cash transactions in a year, in which about 0.05 per cent queries are raised. Earlier, the ATM query resolution took 12 hours, however with the adoption of software robot this has been brought down to 4 hours with 100 per cent accuracy.

Case study 7: A large industrial manufacture standardizes indirect purchasing processes across seven countries using RPA

- Introduced an RPA tool, "RoboCorp"
- The solution enabled Bosch to enhance the level of standardization in its indirect purchasing processes across seven countries; it also increased transparency in indirect purchasing
- It reduced processing time by 30 per cent, which also resulted in cost savings

This report has been prepared by The CFO Board, under the guidance of Mr. Giridhar Sanjeevi, Mr. Sugata Sircar, Mr. Shantanu Ghosh, Mr. Mohit Bhatia & Mr. Anil Parashar, members of the CFO Board. This represents the views of the entire board.

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