

# Chief Financial Officer to Chief Value Officer

Navigating the course of business  
during challenging times

November, 2020

AMERICAN  
EXPRESS

EY

Building a better  
working world

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Addressing business disruptions and leading through uncertainties

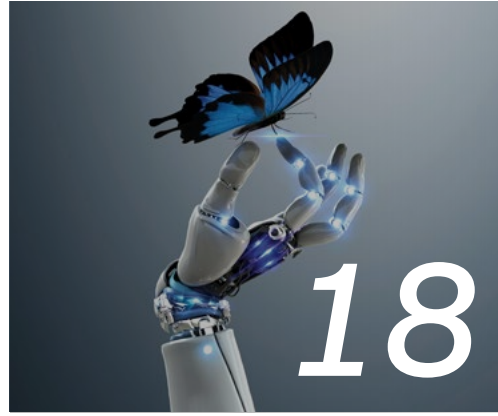


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2019-06-09

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38.00



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0.65  
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The COVID-19 pandemic has led to significant changes and challenging situations for businesses across industries. The unprecedented disruption in normal business operations has triggered organizations to rethink the role of finance.

As companies across diverse sectors strive to manage consequences of economic downturn,

What are the key concern areas of the CFOs?

What would be the outlook and focus areas of the CFOs for the future?

## Approach

This Amex India CFO Survey, where EY was the Knowledge Partner, aims to understand the impact of the current pandemic on finance function and business operations

The survey was rolled out to 350+ CFOs across industries such as Automotive, FMCG and Alcohol Beverages, Consumer Durables, Healthcare and Pharma, Technology, Real Estate and Construction, Energy and Resources etc. Global companies with presence in India and Indian headquartered companies were targeted for the survey.

The survey was conducted in Oct - Nov '20 to explore the viewpoint along the key finance transformation areas such as :

- ▶ Impact of COVID-19 on business performance
- ▶ Working capital management
- ▶ Financial risk management
- ▶ Transformation journey of finance
- ▶ Role of technology in ensuring business continuity and managing new ways of working

# Executive summary of key findings

# 1

In the wake of COVID-19 pandemic, organizations across industries have been facing the heat of business disruption. As a response to this, there has been an increased focus towards building a resilient operating model.

**More than 50%** of the CFOs are optimistic and believe that business will return to the **normal course in less than 1 year**

With supply chain management being a key issue for companies, CFOs are looking to re-strategize sourcing and focus on transparency across the value chain. Additionally, there is an increased focus to address bottlenecks in receivable and payable cycle - both internal and external - to meet working capital requirements.

# 2

**About 60%** respondents of the survey reported **high DSO (Day Sales Outstanding)** as an issue

# 3

While the systemic risks loom large over the organizations, there is a belief that further stimulus packages and regulatory support will ease the journey back to normal. At the same time, organizations continue to struggle with the internal inefficiencies arising due to COVID-19.

**One out of two CFOs** agree that they need to **address issues** such as **productivity, costs** and **talent management** to be able to build resilience

# 4

Remote working culture is here to stay and organizations are gearing up to digitally transform their processes and infuse technology to sustain operations.

Two in every three CFOs are willing to invest in collaboration software and digital enablers to enable virtual operations

While technology is being increasingly looked at as an enabler for virtual operations, there is also a growing need to leverage technology for better planning, forecasting and reporting.


# 5

Three out of five CFOs are also looking to usher in digital strategies and transform the core accounting processes

# 6

As the business expectations change, the role of finance is also evolving to focus more on value creation.

More than 70% of the CFOs agree that in the foreseeable future, business partnering will be their top priority



# Businesses are leading through uncertainty and addressing concerns with expectations of returning to normal

## Addressing the business disruptions

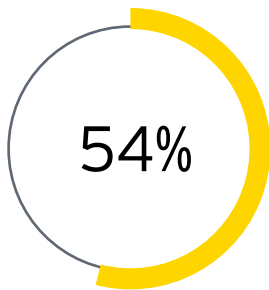
- ▶ Due to the restrictions and uncertainties posed by COVID-19, **customer delivery limitations** was a key concern area across industries; where as manufacturing, automotive, energy & resources and construction industry considered **manual ways of working and labour intensive processes** as a top concern
- ▶ Most companies (60%+ of the companies responded) are prioritizing **transformation to ensure business continuity and resilience as one their top focus areas**
- ▶ More than 60% respondents across sectors look forward to **strategic planning towards agile ways of working** with **primary focus on digitization of operations**

## Leading through uncertainty

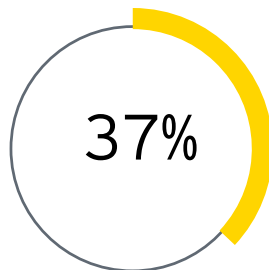
- ▶ 35%+ respondents already reported growth in business performance exuding signs of stabilization
- ▶ Most organizations while face the challenge, however are able to work towards employee motivation, working capital challenges and supply of goods / services constraints
- ▶ More than **50% of CFOs are hopeful of returning to normal course of business in less than 1 year** and rest were positive for a 2 year time frame.



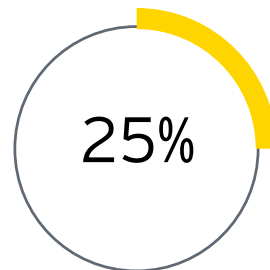
## Top issues impacting business performance



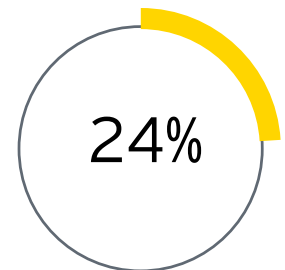
Customer delivery limitations



Labor intensive production

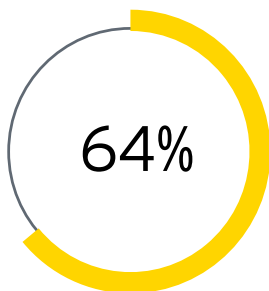


High dependence on manual ways of working

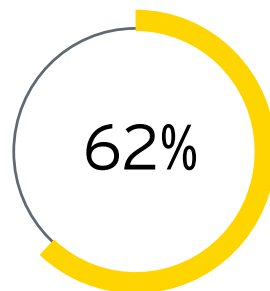


Limited digital presence while accessing customers

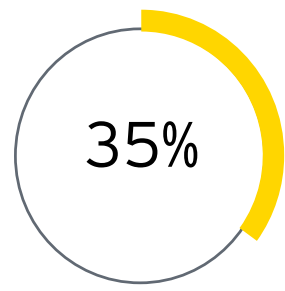
## Key focus areas




Business continuity and resilience transformation



Planning strategically towards leaner organization structure through digitisation



Accessing the right talent pool



# Businesses are managing the consequences of working capital challenges aggravated during COVID-19

In the wake of COVID-19, managing working capital has been one of the critical areas of concern for the CFOs. Impact and concerns have been reported by CFOs on all key aspects of the working capital

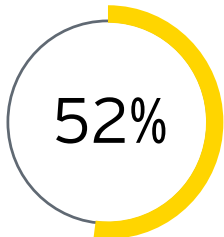
## 1. Inventory and supply chain disruptions

- ▶ Supply chain disruptions in varied degree has been faced by most industries during the lockdown. In order to mitigate the disruptions, some of the key strategies CFOs would like to explore are



54%

Widening vendor base by accessing more local vendors



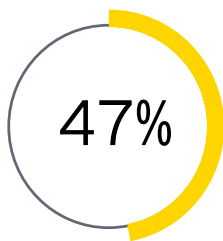
52%

Adopt technology for end to end supply chain visibility

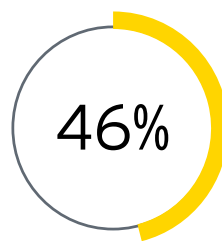
- ▶ Despite the disruptions faced in managing the supply chain, only 8% companies would prefer to “build” over “buy” the critical supplies over the next 2 years.
- ▶ The lockdown prompted consumers across the nation to stockpile supplies leading to supply demand gaps. In certain industries such as FMCG, **companies increased production to match up with uncertain demand leading to working capital challenges**

## 2. Driving the receivables

- ▶ About **60% respondents reported high DSO (Days Sales Outstanding) as a major challenge in managing working capital** during the pandemic leading to the focus on the following:



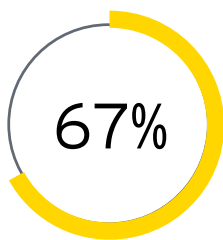
Need for policy reforms on credit management



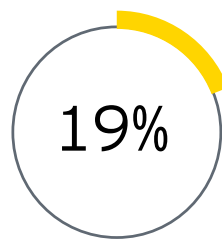
Need to adopt better use of analytics in collection management

## 3. Meeting payable commitments

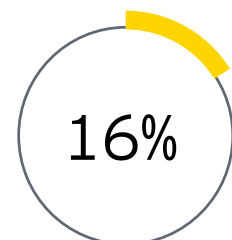
- ▶ While CFOs are grappling with issues pertaining to delay in receivables during the pandemic, **mid cap companies cited stringent vendor payment conditions to be further worsening the situation**
- ▶ As a response mechanism, organizations are assigning greater focus on exploring financial levers for meeting payable commitments. The high priority focus areas being:



Explore liquidity and cash flow enrichment opportunities



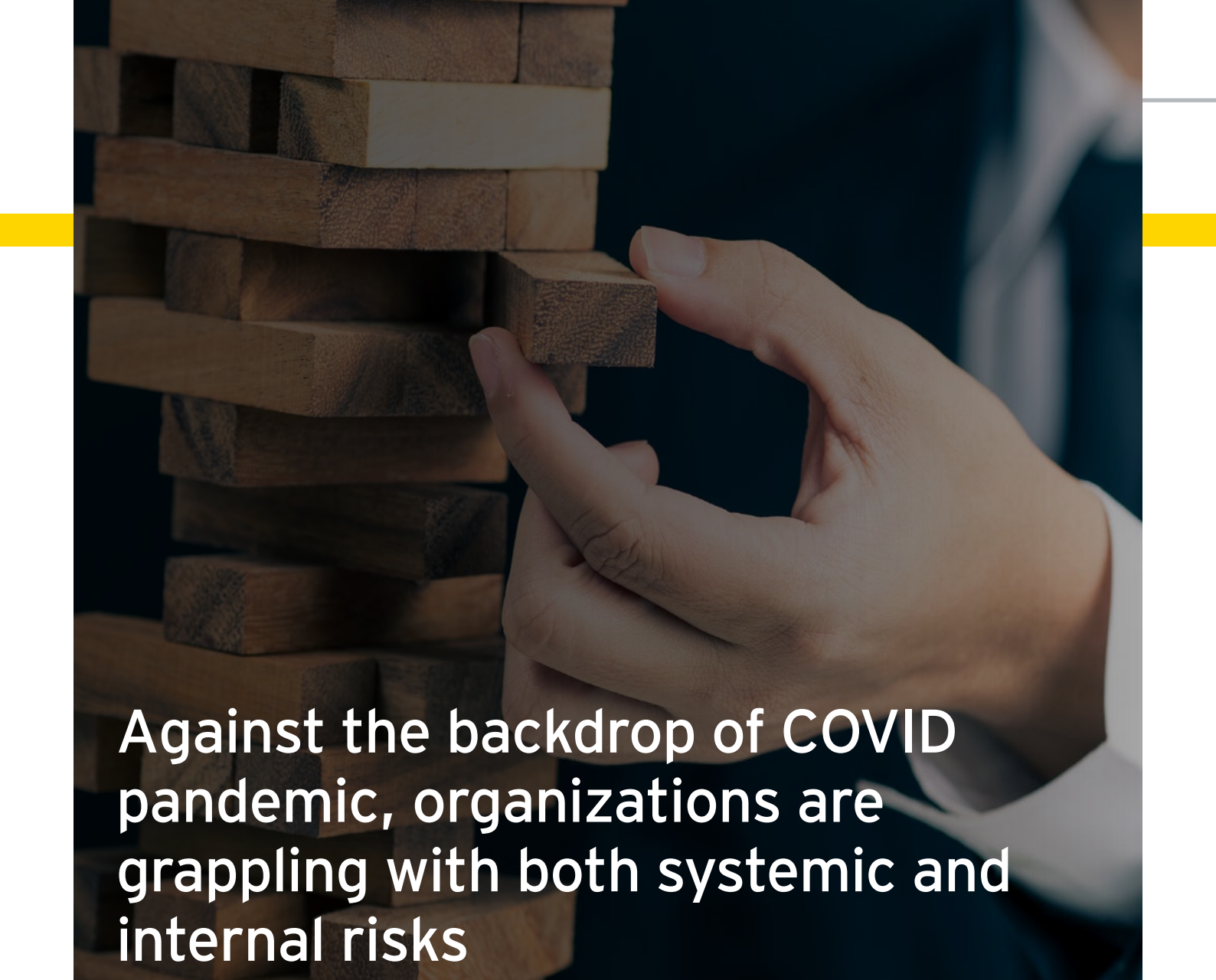
Explore financing options for meeting early payment requirements of suppliers



Explore short term credit opportunities

## Responding through digitisation

Greater awareness and understanding was observed on the need for digitisation to respond to the myriad disruptions that are emerging in working capital. **Almost every 2 out of 3 CFOs would like to focus on digitising the receivables and payables management and 1 out of every 2 CFOs would focus on adopting better use of analytics for collection management**

A close-up photograph of a person's hand in a white shirt and dark tie, carefully balancing a wooden block on top of a tall, slightly wobbly tower of other wooden blocks. The background is dark and out of focus.

# Against the backdrop of COVID pandemic, organizations are grappling with both systemic and internal risks

While organizations across sectors are worried about preparing towards market related risks, they need to relook at their business models and strategies to mitigate the operational risks and meet top line expectations

- ▶ The survey shows that **majority of the respondents across sectors have highlighted market risk to be their topmost concern** in the current uncertain environment.
- ▶ Overall about **30% respondents** agreed that to be able to emerge stronger out of the current pandemic, there is a **need for more rounds of stimulus packages. More than 50% respondents** suggest revisiting **the current regulatory policies in light of the lessons learnt** from the pandemic.

**54%**

of the organizations with turnover of less than INR 5000 cr. have expressed the need for increased external stimulus

- ▶ While organizations are taking measures to ensure employee motivation, **almost half of the companies surveyed are worried about managing operational risk due to lower productivity** levels as a result of remote working. In addition to this, the impact on revenue streams coupled with rising operating costs has further worsened the situation.

## 50%


of the organizations have highlighted that COVID-19 pandemic has led to increased operations costs

- ▶ Overall, half of the respondents have reported issues in managing the business revenue streams same as pre-COVID times. While in **Consumer Durables industry, about 70% organizations reported this as a key concern area, less than 35% respondents in FMCG highlighted this to be an issue.**

## 64%

of the organizations below a turnover of INR 2000 Cr. have highlighted issues in managing top line expectations

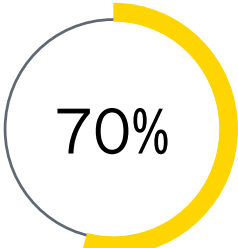




# As organisations adapt to the new ways of working, more focus is laid on digital enablement

## Remote working as a permanent cultural change

- ▶ In response to the forced cultural change that impacted the ways of working, various organisations have responded differently based on the nature of their industry. **While manufacturing and construction industry has been concerned about virtual ways of working, technology and telecom sector did not face significant challenges in operating remotely**
- ▶ Among the organisations which encountered issues while running operations virtually due to COVID 19, majority agreed that they would like to focus more on digitisation in the following areas



70%

Digital enablers for process enhancement

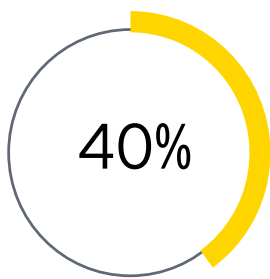


60%

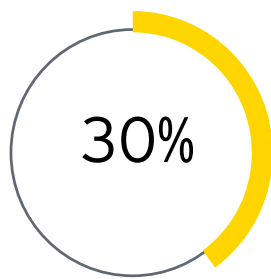
Strengthen remote working & productivity through collaboration software and digitisation

- ▶ Though organisations in the recent years have been experiencing digital disruption, **the pandemic has further emphasised the need to expedite the digital transformation journey**
- ▶ While remote working has become a new normal during COVID 19, two out of every 3 CFOs agree that up to **20% - 60% of positions** have the potential to continue permanently in a remote working setup

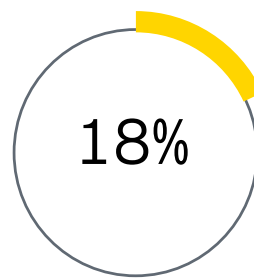
## Adopting remote working culture



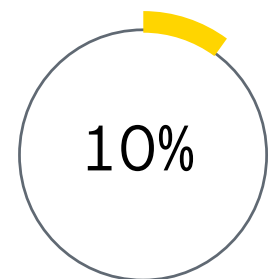
Few critical roles  
required in office



Very effective to run  
operations virtually



Designing system  
and methodologies  
to support virtual  
ways of working



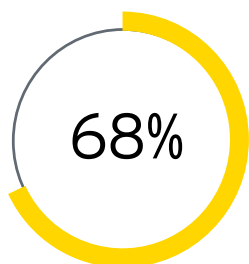
Not effective to run  
operations virtually



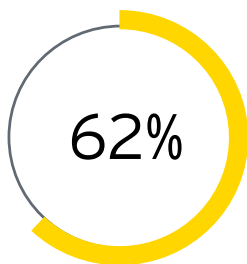
# COVID-19 pandemic has accelerated the pace of digital adoption to ensure seamless business operations

As organisations look forward to invest in technology, what are the key focus areas of the organisations for digitization?

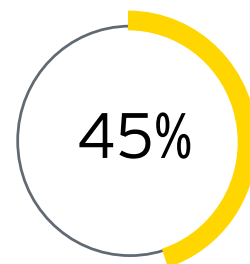
- ▶ As customer satisfaction has been one of the key focus across industries, more than 50% CFOs in Manufacturing, FMCG & Alcohol Beverages and Consumer Durables industry are looking to **integrate smart technologies to workflows to drive the consumer experience**
- ▶ With remote working accentuating the need for enhanced control measures, more than 40% of organisations are focused towards **digital transformation of security**



Drive integration of smart technologies into workflows



Remote working, productivity and collaboration software

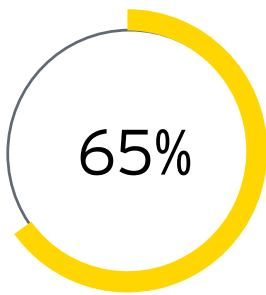


Digital transformation of security

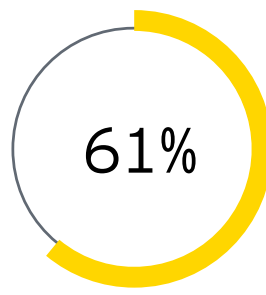


## What process do organisations want to digitize specifically in the finance vertical?

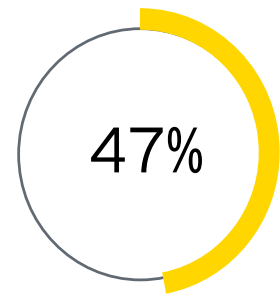
- ▶ Due to uncertainties around cash forecasting during the pandemic, organisations have identified **financial planning and budgeting** as the top area for automation to aid stakeholders in making informed decisions
- ▶ **More than 60% of CFOs** have highlighted **automation of management reporting** as key area for digitization to ensure higher visibility on business operations
- ▶ Additionally, organizations also look forward to **automation of Accounts Payable and Accounts Receivable processes** to enable efficient business operations



Forecasting Financial planning and Budgeting



Management Reporting



Accounts Receivable

**75%** | of the CFOs plan to increase the investment in technology as compared to last year



As the world is changing,  
so is the role of Finance....

## Top 3 focus areas of the CFO

### Focus on value creation through Business Partnering

With the evolving role of finance, the CFOs have prioritised and redefined their role as a business advisor adding strategic value by enabling value driven enterprise transformation and focusing on agile service delivery model

On exploring some of the **critical areas of focus for the CFOs as business partners for 2021, more than 50% reported digitising end to end supply chain and revisiting and diversifying the vendor pool as some of the key focuses**

### Expanding the focus from trusted accounting towards adaptive finance function

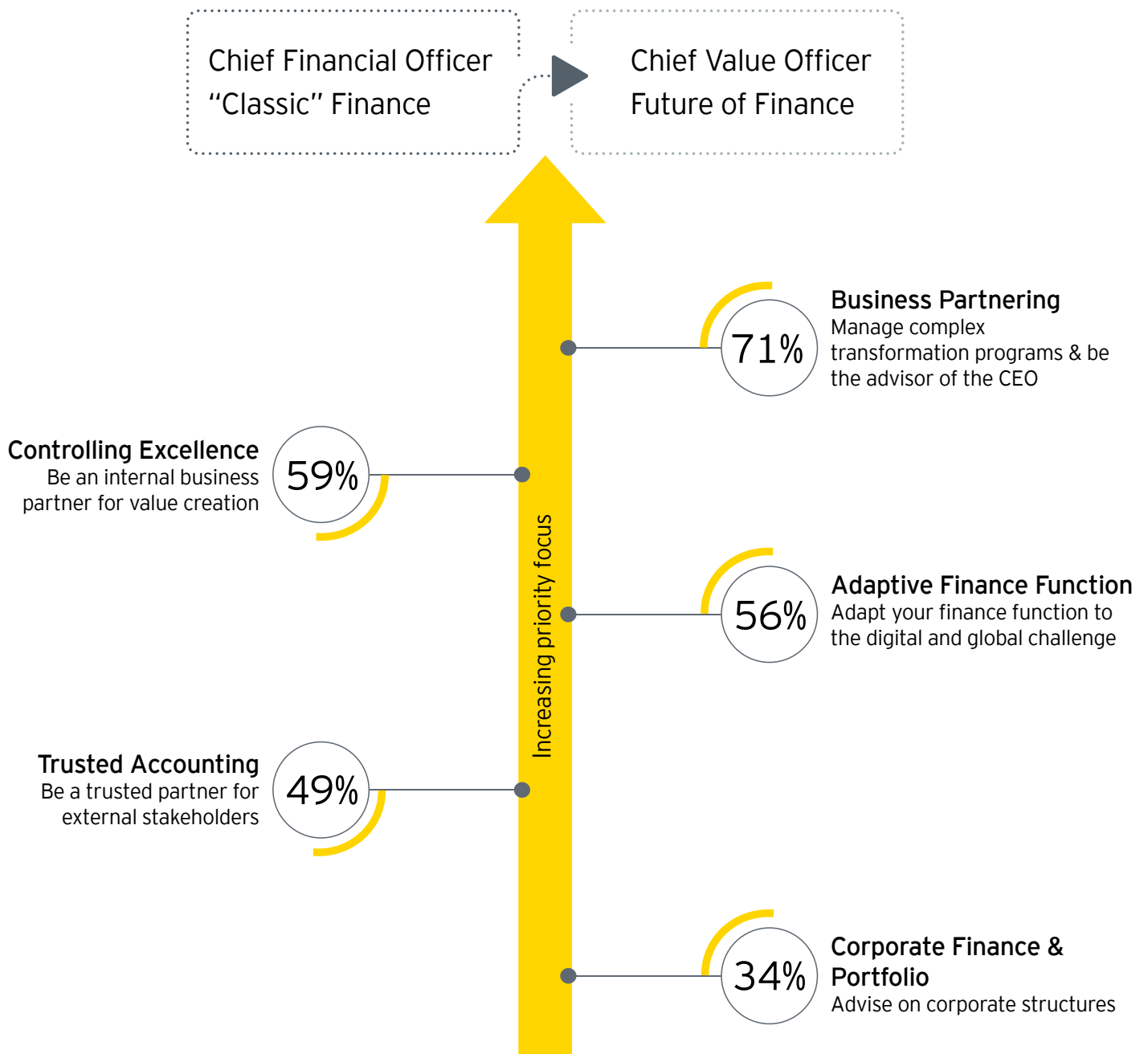
Over the recent years, finance has constantly evolved and re-shaped its ways of working and roles and responsibilities. With trusted accounting traditionally being one of the core focus areas for CFO's across organisations, there has been a significant shift towards centralised operating model.

**50% of the CFOs agreed that centralised finance function has been advantageous in responding to both internal and external disruptions faced by organisations**

With the increasing inclination towards digitisation due to the need of the hour, **75% CFOs would prefer to invest more than last year in technology** to further their digital transformation journey

## Controlling excellence; facilitating the balance between sustaining the present and striving for the future

CFOs have embraced the role of driving excellence through performance and risk management. **More than 50% CFOs are concerned about the operational risk arising in the organisations.** In order to ensure it can be managed with the right talent in hand, CFOs across FMCG, Healthcare and Manufacturing have reported it as one of the top focus areas for the next year



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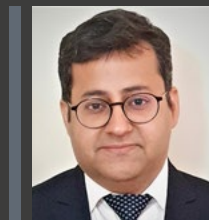
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