

# COVID-19: Rebooting your finance function and making it future ready

2020 is a year most of us will remember as the year that altered the way we view an enterprise's ability to survive.

India has been under full or partial lockdown for almost three months.

During this lockdown, the corporate world has undergone a revolution. Many companies closed their books remotely during this period, audit committees and boards met virtually, companies recast their plans and cashflow requirements, investors wrote down investments, supply chain financing underwent silent travails and now we are on the brink of entering a "new normal".

Finance functions in most organisations have stretched themselves thin during this period to support businesses as usual, provide data and information and help enterprises survive through 2020 and beyond. We surveyed business leaders from finance functions of diverse organisations on the challenges they faced and what wisdom we can gain from these challenging times.



## Minimal impact on finance operations

Finance operations have been successful in providing the necessary foundation to close books for the previous year and report financials, get them audited and presented to the board



## Relationships and trust will remain critical

During these challenging times, strong relationships and communication based on trust are important with the entire finance ecosystem, comprising of bankers, investors, shareholders, vendors and business advisors.



## Continuity to remain critical, as BCP testing was limited

Efforts by finance functions to support businesses despite no or limited BCP testing is commendable. However, the complete impact of practices and processes followed will need to be evaluated after the lockdown is over.



## Data is key

Data is vital for revisiting business plans or cash flow management. Without data, most interventions are not adequately detailed or robust



## Cost management was swift and efficient

It is now important to identify key areas that will help reboot performance. Significant cost cutting may put the enterprise into a continuous defensive cycle. Finance functions now need to assist businesses with focus areas that will aid growth



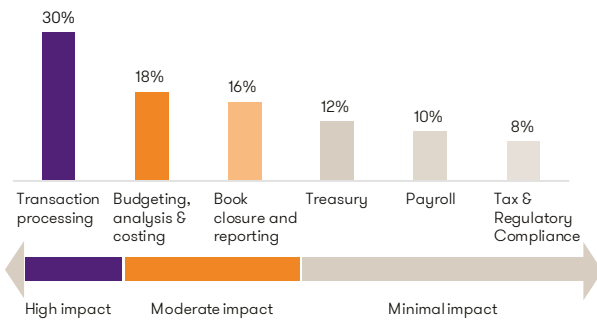


## Reinforcing core finance operations

### Survey findings

#### Impact on finance operations

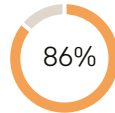
Impacted dimensions (% of respondents)



30% of respondents acknowledged impact on transaction processing in their finance operations

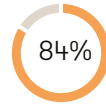
#### Availability of required technology

86% of respondents reported having the necessary IT systems and infrastructure to enable virtual operations

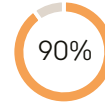


#### Digitised transaction processing activities

Procure-to-pay

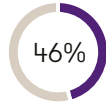


Order to cash



Majority of respondents reported having digitised their core transaction processes

#### Availability of documented and tested BCP for finance



Only 46% of respondents had documented and tested BCP for Finance



## Major takeaways from the survey

- Around 30% of organisations reported a significant impact in their transaction processing activities
  - Another 15-20% reported severe impact on their book closure and reporting, budgeting, analysis and costing processes
- If you are in this category and can relate to the above situation, here are two important questions:
- What did the other 70-80% of respondents do right to minimize impact in the above two areas?
  - Which internal teams within the organisation can provide necessary support to mitigate this impact?

### Survey findings

#### Readiness in key business focus areas

##### Not well prepared

58% of respondents mention they do not have access to advanced forecasting tools

42%

Have access to advanced forecasting tools

##### Moderate preparedness

Around 40% of respondents highlight that:

- They have not done detailed financial assessment
- Their finance function is not considering a strategic cost reduction plan
- Their organisation does not have additional sources of working capital funding

58%

58%

60%

Have done a detailed COVID-19 financial impact assessment, including potential scenarios

Finance function is leading the preparation of a strategic cost reduction plan

Organisation has lined up additional sources of working capital funding

##### Well prepared

80% of respondents mention their finance function has in-depth understanding of organisational cost structure

80%

Finance function has in-depth understanding of organisational cost structure

## Here is what finance leaders should consider as they PLAN to reboot operations and make their function future ready

Most finance and business teams have concentrated efforts and focus on the following key areas:

- Conservation of cash
- Revisiting newer business models
- Asset utilization
- Talent management
- Managing supply chain

While rebooting, it is important to consider if the investments made in processes are temporary or if they will become an integral part of these functions, going forward.

It is also critical to consider the difference between risk and uncertainty at an entity level and then zoom into your

department. Risk is a calculated chance that management takes – for example investing in a product, capital machinery or a new technology. Uncertainty is not knowing what will happen and navigating with an intent to survive and then succeed, in that order. We anticipate that on rebooting, organisations will be forced to adapt accordingly to these uncertain times.

The most important capital to navigate through uncertainty is having the right mix of skills and talent. It is equally important to equip teams with the right tools and processes. These challenging times are a unique opportunity to increase the digital maturity of finance processes and align activities by skill levels – by retaining high value and complex tasks with your people and outsourcing what is routine.

## Importance of outsourcing finance function during current times



### Frees up time of key decision makers

Many finance leaders were not convinced of the feasibility of remote working and the ability to service clients – however most businesses have managed that well in the last few months. If executed wisely, transaction and compliance outsourcing can release time and bandwidth of key talent who can deploy their superior knowledge and understanding of the business to effectively guide organisations during these uncertain times



### Ensures future readiness, while scaling up or down

There is a certain level of elasticity that is possible in outsourcing arrangements to shrink and increase efforts on transactions by volumes Vs. the time it takes for a business to set up and train talent



### Significant cost benefits

Your current team may not be able to cope with certain business model changes due to lack of knowledge and it may be cheaper and faster to buy this service from a provider

However, an alternative to outsourcing transaction processing is evaluating intelligent automation including Robotic Process Automation (RPA), intelligent optical character recognition (OCR), Machine Learning, AI, etc. which will effectively release time spent on routine activities.

## Digital processes have a host of benefits



### Helps in scenario planning

Review periods on change in actions are becoming shorter and therefore business partnering must be enabled digitally to ensure critical talent is effectively utilized



### Controls cash leakages

Enables visibility of information at a granular level, thereby ensuring reduction in avoidable expenses which were previously unseen



### Improves security of data by minimizing cyber threats

Expected increase in fraud or cyber challenges in the current environment is imminent – digital controls would be more difficult to break, compared to manually controlled processes.





## Way ahead

Finance functions have a key purpose – directing the enterprise’s energies towards conserving and enhancing wealth for the communities that they work for.

In order to ensure maximum effectiveness in a sustained manner, especially during these challenging times, it is important to use this reboot to effectively determine how the finance function can conserve its energy for organisational priorities, by working with the right ecosystem partners and service providers.

## How Grant Thornton can help

### Grant Thornton’s compliance and outsourcing team

can help remove the burden of back office operations and ensure compliance with the changing regulatory environment, thereby unlocking the potential for growth in dynamic organisations.

With first-hand experience of local reporting requirements in over 100 locations worldwide, we provide consistent international service through a single point of contact. We are the leading adviser to dynamic organisations, providing a complete consultancy and delivery service for organisations looking to improve their finance and accounting business processes.



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This report has been developed in collaboration with Kriya Consulting, which helps clients focus on delivering outcomes from strategy to implementation by leveraging digital technologies.

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