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Reimagine Tomorrow

CFO 20Infinity

CFO 20Infinity is a quarterly issue that addresses topics, trends and insights pertinent to building a sustainable and flourishing finance function of the future. An ally of the CFO, it provides easily digestible and regular stream of perspectives to thrive in a VUCA world.

What's Trending?

Articles encapsulated in byte sized portions to appraise you with the latest trends, in no time.

Under the scanner

A section that focuses on select finance expertises. We bring FinOps and FP&A under the scanner for this quarter's edition.

From dGTL's Desk

Hear Finance leaders at dGTL break down their learnings from exciting and challenging client projects.

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What's trending?

- Navigating uncertainty with planning, budgeting and forecasting strategies
- ERP upgrade: Decoding the upside and downside
- Metaverse: Knocking at the door of finance leaders

Navigating uncertainty with planning, budgeting and forecasting strategies

Developing a strong planning, budgeting, and forecasting (PBF) strategy is crucial for finance leaders in today's fast-paced business environment. A solid PBF strategy can help organisations make informed decisions, manage risks, and stay competitive. To create a solid PBF strategy, one must leverage technology and best practices and collaborate with other departments. In the following article, we try to outline recent trends related to PBF strategies.

1 Emphasis on real-time data

Companies are increasingly using real-time data to implement their PBF strategies. This includes leveraging cloud-based software and data analytics tools to track financial performance in real-time, enabling faster and more informed decision-making. A survey by the Hackett Group found that companies that use cloud-based software to support their PBF process are able to complete their budgeting process 40% faster than those that use traditional methods.

2 Increased focus on scenario planning

With the business environment becoming more complex and uncertain, companies are increasingly using scenario planning to create more flexible and adaptable PBF strategies. This involves creating multiple scenarios based on different assumptions and outcomes, allowing companies to quickly pivot their strategies based on changing circumstances.

3

Integration of sustainability goals

Companies are increasingly integrating sustainability goals into their PBF strategies. This includes setting targets for reducing carbon emissions, increasing energy efficiency, and promoting social responsibility, which can have a positive impact on both financial and non-financial performance. According to a study by Harvard Business Review, companies that prioritise sustainability goals in their PBF process achieve an average return on investment of 21%, compared to 9% for those that don't.

4

Use of predictive analytics

Predictive analytics is becoming more prevalent in PBF strategies, enabling companies to make more accurate and informed forecasts. This involves using machine learning algorithms to analyse historical data and identify patterns and trends that can inform future financial decisions. According to a recent survey, 67% of CFOs believe that predictive analytics are likely to be the most important technology for driving financial performance over the next three years.

5

Increased collaboration across departments

There is a growing recognition that effective PBF strategies require collaboration across departments, beyond just finance. This includes involving stakeholders from sales, marketing, operations, and other departments to provide more holistic insights into business performance and enable more effective financial decisions.

By incorporating the best practices and trends in PBF strategies, finance leaders can help their companies make informed decisions, manage risks, and stay competitive in today's fast-paced business environment.

ERP upgrade: Decoding the upside and downside

Enterprise Resource Planning (ERP) systems and software are critical for businesses of all sizes and in all industries, as they provide a single view of all the processes and operations within an organisation when implemented correctly. Upgrading an existing ERP system can have significant benefits and drawbacks.

But why is it important to keep your ERP updated and well-maintained in the first place?
It is same reason we maintain our cars. A well-maintained car will mean fewer breakdowns, fewer emergency call-outs, less expensive repairs, better miles per gallon, and most importantly, far less stress for you and your passengers.

As a finance leader, upgrading your ERP software is a significant decision that can have far-reaching implications for your organization. According to a research, 50% companies are soon acquiring, upgrading or planning to update ERP systems soon. While the statistic neither makes a case in favour nor against the investment, below are some pros and cons for decision makers to consider:

Pros

- **Enhanced Features and Functionality:** An upgraded ERP system typically comes with improved features and functionalities, which can streamline your finance processes, enhance reporting capabilities, and provide better insights into your financial data.
- **Better Integration:** Newer ERP versions often offer better integration with other systems and applications, making data exchange between different departments more efficient and reducing manual data entry errors.
- **Security and Compliance:** Upgrading your ERP can improve data security and compliance with industry standards and regulations. Newer versions often include updated security protocols and privacy measures.
- **Vendor Support:** As ERP systems age, vendors may phase out support for older versions. Upgrading ensures you receive ongoing vendor support, including updates, bug fixes, and access to the latest features.
- **Improved User Experience:** Modern ERP systems are designed with user-friendly interfaces, making it easier for your finance team to navigate and use the software effectively.
- **Scalability:** An upgraded ERP can better accommodate the growing needs of your organization. It can handle increased data volumes, user counts, and more complex business processes as your company expands.

Cons

- **Cost:** ERP upgrades can be expensive, involving licensing fees, implementation costs, data migration expenses, and staff training. Consider the overall cost and weigh it against the potential benefits.
- **Downtime and Disruption:** Upgrading an ERP system can lead to downtime and disruptions in your daily finance operations. Proper planning and preparation are essential to minimise the impact on your business.
- **Data Migration Challenges:** Moving data from the old ERP to the new one can be complex, especially if data structures have changed. Data integrity and accuracy must be carefully managed during the migration process.
- **Training and Adaptation:** Your finance team will need to learn the new ERP system, which may require time and resources. Temporary productivity dips can occur during the learning curve.
- **Customizations and Integrations:** If your current ERP system has significant customizations or integrations with other software, upgrading may require reworking or rebuilding these functionalities for compatibility with the new version.
- **Compatibility with Third-Party Systems:** Ensure that the upgraded ERP integrates well with your existing third-party systems (e.g., CRM, payroll) to avoid additional compatibility issues.
- **Risk of Implementation Failure:** ERP upgrades can be complex projects, and if not managed properly, there is a risk of implementation failure or delays that can disrupt your finance operations.

Before making a decision, involve key stakeholders, conduct thorough research, and consider consulting with ERP implementation experts to assess the potential benefits and challenges specific to your organization. A well-planned and executed ERP upgrade can significantly improve your finance processes and help drive business growth.

Metaverse: Knocking at the door of finance leaders

According to a recent survey, 70% CFOs believe that the metaverse will have a positive impact on their businesses. But if you think your company's metaverse focus belongs in IT, you're not seeing the big picture. The metaverse is the future of the internet. It will change everything about business. So it's time for CFOs to get metaverse ready.
Here are a few pointers, to get you started!

1

Identify new revenue streams from the metaverse

As more customers jump on the metaverse bandwagon (Gartner estimates that by 2026, 25% of people will spend at least one hour a day in the metaverse), CFOs must work with the marketing and sales heads to build viable business models that help generate new revenue streams from this parallel universe. Brand placements, virtual goods/services sales, and other sales tractions are some ways metaverse helps businesses make money.

2

Prepare for transactions in digital currencies

Cryptocurrencies and digital wallets are the preferred payment channels for business transactions in the metaverse. Gartner expects the metaverse to be a virtual economy powered by digital currencies and non-fungible tokens (NFTs). CFOs need to broaden and strengthen their business's payment processing capabilities to accommodate these virtual currencies.

3

Help measure ROI from metaverse investments

Metaverse investments are expensive and finance teams need to guide their businesses on the right opportunities. They should build frameworks that help predict the return on investment (ROI) based on various parameters, not limited to brand visibility, sign-ups, and purchases made on the metaverse platform. Metaverse investments need to be looked at from a long-term view to build engaged customers and prospects that translate into revenue numbers.

While use cases might be many, let's look at one involving Digital twins. In the metaverse, every asset, process, or person within and related to an enterprise can be replicated virtually—and connected. As a result, nearly every aspect of work can take place digitally before it does so physically. By building digital twins—virtual replicas of physical settings and objects in a metaverse that generate data in real time—far richer analyses can be generated to enable improved decision making. AB InBev built a digital twin of its supply chain and manufacturing; the tool allows adjustments to the brewing process based on active conditions and helps avoid production bottlenecks. Siemens did something similar in its factory in Nanjing. It built a digital twin of the factory before breaking ground, avoiding mistakes that had been costly in the past. The company says that the digital twin doubled manufacturing capacity and also helps with steady-state operations, improving productivity by 20%. BMW, Renault, Hyundai, and many other automakers are also creating value through digital twins. Even professional athletes are using it: Emirates Team New Zealand won the most recent America's Cup in part through an innovative digital twin.

Did you know?

SAP has launched a new enterprise on the Metaverse with the aim of accelerating cloud adoption among Indian firms. The interactive and immersive **'cloud on wheels'** platform will enable customers to experience the full range of SAP's offerings and reimagine processes for improved business outcomes.

While metaverse interoperability is almost nil today, experts believe it to happen soon and will be the key to its success. While some metaverse technologies such as cryptocurrencies and blockchain wallets are nearing their plateaus of productivity, CFOs need to proactively look at the market trends and check if they align with their business goals and the preferences of their target audience. While the viability of metaverse investments is still too early to determine, there are other mature technologies—cloud, AI, analytics, iBPM—that CFOs need to implement to ensure that their business is ready for future opportunities.

Under the scanner

- FinOps: Data Ingestion and Ntandardisation
- Top Financial Planning and Analysis (FP&A) trends you can't miss

FinOps: Data Ingestion and Standardisation

Data ingestion and Standardisation in the context of FinOps represents a set of functional activities involved with processing/transforming data sets to create a common queryable repository for your cloud cost management needs.
In this context, data ingestion and standardisation take place when combining data from various cloud providers and IT data repositories, including cloud billing data, cloud usage data, cloud utilisation and performance data, on-premises CMDB or ITAM data, business-specific data, and other data points, to create a collection of cost and usage information that can be queried to support and enable FinOps.

The technique for data input will largely be determined by the requirements for reporting, cost allocation, and optimisation. Data need not be so granular or thorough to make decisions at the business unit level.

The issue of data intake and standardisation intensifies as data complexity and diversity rise. Even before taking into account the frequent change and enormous volume of data provided, the level of granularity, consistency of cost and rate metrics, mismatches between similar or analogous services, application of various types of discounts, application of metadata to resources and hierarchies, and many other differences between the billing and usage data provided by the cloud providers can all pose challenges.

Research indicates a shift towards using non-cloud-centric data to enhance cloud billing information. Cohorts operating at a higher FinOps Walk maturity level were those who were utilising business, performance observability, and CMDB data sources. Practitioners of FinOps were at a FinOps Run maturity level when they added sustainability data to their cloud cost management to take it to the next level.

Where is your organisation in terms of maturity?

The following parameters can help analyse if your organisation is crawling, walking or running.

Crawl
- Match cost and consumption data granularity on receiving source files while reporting separately
- Consistent metadata should be applied to resources and hierarchy across cloud providers and data sources.

Walk
- Ingest data from various sources while adjusting cost metrics
- Data standardisation with the use of a third-party
- FinOps platform being able to produce reliable reports for several clouds potentially using different reports
- Including performance and use statistics together

Run
- Data lake with consistent usage, cost, performance, and utilisation information
- Ability to use many clouds in a single report

Top Financial Planning and Analysis (FP&A) trends you can't miss

The increasing influence of FP&A specialists on cross-departmental and cross-dimensional choices coincides with the evolution of technology. Finance professionals need to have a comprehensive understanding of both the numbers and the decisions made as they relate to everything from HR to sales and marketing. As geopolitical tensions, global inflation, and supply chain disruption continue to transform the global economy, the necessity for precise, regular, and integrated business planning has increased. In response to these difficulties, eight FP&A technological developments have surfaced.

1 Integrated business planning needs more effective teams working together

The next generation of data-driven planning, based on technical advancements that foster deeper cross-functional collaboration, has been introduced by integrated business planning (IBP). Making business decisions based on knowledge silos is shallow and limited in scope. It is laborious and error-prone to manually combine data from several areas of the firm, including supply, demand, products, and financials. The growing demand for cross-departmental decision-making is met by technology. FP&A, in particular, has seeped into areas beyond finance that required integrated data drawn from across the entire organisation.

2 AI's emergence in Finance

Annual budgets, cash flow forecasts, and headcount planning remain the top three planning concerns, although tech-based strategic planning is becoming more crucial. Technically speaking, AI is established, developed, and prepared to assist the office of finance. From a strategic standpoint, it is assisting CFOs in offering the sophisticated insights that investors and business leaders are requesting. Decision-making processes in the future will switch from being data-driven to being AI-driven.

3 Technology is an attractor for young talent

As digital natives flood the workforce, young talent looks to technology as commonplace to manage their daily tasks. To simplify their tasks, smart organisations provide their staff with robust tech-based planning tools. Young finance professionals anticipate having access to the greatest tools available to them in order to perform their jobs. The possibility of employee engagement will rise for everyone if the appropriate solutions are provided, while the likelihood of high employee attrition rates will fall.

4 FP&A experts become important business partners

An organisation needs flexible planning skills in order to be resilient. Thus, FP&A specialists will play a crucial strategic role in preserving these talents across the entire organisation. Systems that enable flexible planning across organisational functions, including sales, operations, workforce (HR), and supply chain, as well as in finance, will succeed.

5 Leaders must have skills to extract value from data

Data are not all made equal. In other words, not all data sets are pertinent to the organisation as a whole. Companies have access to a multitude of data, but it takes time and effort to make sense of it and use it to improve routine tasks and procedures. To interpret the gathered data, finance leaders need new technological abilities. Nonetheless, many businesses are using sophisticated analytics to improve the forecasting power of past data. As a result, they identify trends and threats, enabling teams to act quickly and effectively. Technology is bringing the past and future together in the present, enabling faster, more accurate data-driven decision-making.

6 Decisiveness emerges through simplified forecasting capabilities

Resilient organisations need leaders who are confident in their forecasts and can make accurate, precise, and quick decisions. This assurance comes from a meaningful comprehension of the data and its consequences, not just from the fact that the data are present. In addition, when you use technology to do the tedious labour for you, accuracy can increase significantly. Each forecast that is simplified will enable a culture of confidence and decisiveness in every organisation, regardless of the size of the data at hand.

From dGTL's desk

- The quintessential Indian organisation finds itself at a critical juncture, recognising that digital transformation is an enduring imperative for success
- What does finance transformation entail for the Indian organisation?

The quintessential Indian organisation finds itself at a critical juncture, recognising that digital transformation is an enduring imperative for success

With research projecting digital transformation expenditures in India to reach USD85 billion by 2026, the focus is firmly set on enhancing efficiencies and improving the customer experience. In this landscape, the finance function emerges as a game-changer. The role of CFOs and their teams becomes pivotal in providing strategic insights, both financial and non-financial, to guide the organisation's decision-making process. This necessitates the development of two crucial capabilities: agility and adaptability in operations, performance insights, and workforce management. By embodying these foundational traits, finance teams can effectively contribute to driving the right business moves and ensuring the organization's sustained growth and success.

1 Digital transformation

Indian mid-market companies are increasingly embracing digital transformation to stay competitive and improve operational efficiencies. This includes adopting cloud computing, implementing enterprise resource planning (ERP) systems, leveraging data analytics, and incorporating automation technologies.

2 E-commerce and online marketplaces

The rise of e-commerce and online marketplaces has provided new avenues for mid-market companies in India to expand their reach and tap into a larger customer base. Many companies are now leveraging these platforms to sell their products and services both domestically and globally.

3 Focus on customer experience

Mid-market companies are recognising the importance of delivering exceptional customer experiences. They are investing in customer relationship management (CRM) systems, personalisation techniques, and improving their customer support processes to enhance customer satisfaction and loyalty.

4 Sustainability and ESG initiatives

There is a growing emphasis on sustainability and environmental, social, and governance (ESG) initiatives among Indian mid-market companies. They are adopting eco-friendly practices, promoting social responsibility, and integrating ESG considerations into their business strategies.

5

Remote work and flexible work models

The COVID-19 pandemic has accelerated the adoption of remote work and flexible work models among mid-market companies in India. Many organisations are embracing hybrid work arrangements and implementing digital collaboration tools to enable remote collaboration and ensure business continuity.

7

Access to finance and funding

Indian mid-market companies are exploring alternative funding options such as venture capital, private equity, and debt financing to fuel their growth ambitions. There is a growing interest from investors in supporting mid-sized enterprises, providing them with capital and strategic guidance.

6

Data privacy and security

With the increased digitisation of business processes, data privacy and security have become crucial concerns for mid-market companies. They are focusing on implementing robust cybersecurity measures, complying with data protection regulations, and prioritising customer data privacy.

These trends reflect the evolving business landscape in India and highlight the strategies and initiatives mid-market companies are undertaking to drive growth and success in their respective industries.

What does finance transformation entail for the Indian organisation?

1. Finance function transformation is becoming increasingly crucial for mid-size companies in India as they strive for growth and improved financial performance. As these companies expand and face increasing complexities in their operations, it becomes crucial to streamline their financial processes and enhance efficiency.
2. A key aspect of finance function transformation involves embracing technology and automation to streamline financial processes, enhance data accuracy, and improve overall efficiency, reduce manual errors, and gain real-time visibility into their financial performance.
3. Transforming the finance function involves adopting modern technology and best practices to optimise financial management, reporting, and decision-making.
4. Additionally, finance function transformation involves upskilling finance teams to enhance their analytical capabilities, enabling them to provide valuable insights and support strategic decision-making.
5. This includes developing expertise in financial forecasting, risk management, and compliance to ensure robust financial governance.
6. Transformation entails redefining roles and responsibilities within the finance team, empowering them to become strategic partners to the business.
7. This shift involves developing financial acumen, fostering cross-functional collaboration, and providing timely insights to support key business decisions.
8. By undergoing a comprehensive finance function transformation, mid-sized companies in India can achieve greater operational efficiency, improved risk management, and enhanced competitiveness in the market.

Indian mid-size companies can approach finance transformation by following a systematic and strategic approach. Here are some steps they can consider:

01 Digital mindset and reset

- Willingness to invest in technology
- Encouraging organisation-wide adaptability
- Accepting failure as a natural consequence of innovation

02 Recheck and re-establish ways-of-working

- Agile WoW enable companies to respond quickly to change
- Foster cross-functional collaboration
- Align governance, processes, and organisational structure with a more platform-driven-and less siloed-operating model

03 Reflect on existing processes and operating models

- Check for: Status of data, associated controls, dependency on resources
- Gap analysis to identify unmet objectives and corrective steps
- Diagnose need and extent for process improvement and digital interventions

04 Setting the right KPIs

- Define finance vision and strategic outcomes basis finance function maturity
- Identify key indicators that would guide transformation journey

05 All set to begin the transformation journey!

Carve out your transformation journey that will help you meet the identified KPIs

It's important to note that every organisation's finance transformation journey will be unique, and the specific steps and priorities may vary based on the company's specific needs and circumstances. Engaging with finance consultants or experts can provide valuable guidance and support throughout the process.

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