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GENERATION CFO



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**TRANSFORMATIONAL JOURNEYS:
FINANCE AND THE AGILE ORGANISATION – AN INDIA PERSPECTIVE**

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants. We are a thriving community of 233,000 members and 536,000 future members based in 178 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals, with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904 being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals grow and prosper. It does this by creating robust trusted financial and business management, combatting corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through cutting edge research, we lead the profession by answering today's questions and preparing for the future. We are not for profit organisation.

Find out more about us at www.accaglobal.com

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) represents more than 128,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live. Around the world, Chartered Accountants are known as Difference Makers for their integrity, financial skills, adaptability and the rigour of their professional education and training.

Chartered Accountants ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a chartered accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world. We actively engage with governments, regulators and standard setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance.

Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. Chartered Accountants ANZ is a founding member of the Global Accounting Alliance, which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

About Generation CFO

Generation CFO is developing community-led educational media to help industry chief financial officers (CFOs), finance directors (FDs) and their teams learn, build and execute digital transformation, within their teams and businesses, with our accounting and finance-specific content produced by finance for finance.

Founder Christopher Argent walks the transformation talk, starting out as an entrepreneurial UK FD before leading finance transformation at Vodafone, Amazon, BAT and John Lewis Partnership. Predicting the digital opportunity for the CFO, Chris set up a LinkedIn group for like-minded digital CFOs, which grow quickly to 70,000 members.

Today, Generation CFO runs a highly engaged CFO community producing regular educational events, training and its annual summit Generation CFO Live and the Digital Finance Function awards. We also partner with finance teams in industry to advise on automation, visualisation and analytics capability and the reskilling, upskilling and change management of the CFO organisation.



TRANSFORMATIONAL JOURNEYS: FINANCE AND THE AGILE ORGANISATION

The COVID-19 pandemic has created a truly unprecedented situation, which has accelerated the speed of transformation and redefining the traditional definition of transformation itself. How the finance function is adapting to this change and how business models are changing to ensure that they remain relevant are the key questions.

This report is part of the global report which is based upon insights of finance and accountancy professionals across the globe, conducted through interviews and a series of roundtables, including one conducted in India.

Foreword



Md. Sajid Khan
Head of International
Development, ACCA

The COVID-19 pandemic has redefined the traditional business model for organisations, highlighting the need to focus on adopting and accelerating their transformation journey. In adopting this journey it is essential to have an agile way of working which includes the combination of people and processes, that deliver this agility.

As organisations look to build a business case for a sustainable business model, there is an urgent need to incorporate elements of environmental, social and corporate governance (ESG) ever more in terms of its impact on the purpose of organisations.

This timely report focuses on finance professionals' role in helping organisations understand and navigate these emerging and interconnected dynamics in the future of organisations. Leaders depend on real-time data-driven analysis and diverse insights to make decisions and meet ever-changing customer expectations. Financial professionals can help them not only understand these intricate aspects but also advise them on how to act and take advantage of the opportunities presented thereby making the transformation journey effective.

Transformational journeys: finance and the agile organisation

Transformation is a phrase that has been uttered in many conversations over the past years. Its definition can be confusing. The pace of change for organisations is continuing to accelerate and the forthcoming changes reflect yet more change in the years ahead. How should the finance community play its role in driving towards their organisations of the future?

Transformation: a changing field

The pandemic has seen many changes in the societies in which we live. The extent of these changes may not be clear for some time to come. For many organisations there has been a need to react to the needs of the customer and their changing behaviours in a rapid manner. The nature of this response has been driven, in part, by the understanding of the behaviour that can be gained from the data that the organisation has available to it. One finance leader from India roundtable reflected that 'in finance organisation, we primarily focus on the numbers a lot, but, at the end of the day, the customer-centricity is the most important point'. Adding to the point another panellist pointed out 'It is about transforming the customer experience, and meeting the customers redefined expectation'. Those organisations that have access to the data; who have progressed along a transformation journey; have been able to comprehend this. Having the technology available to analyse the data is also essential, which in turn is often Cloud enabled.

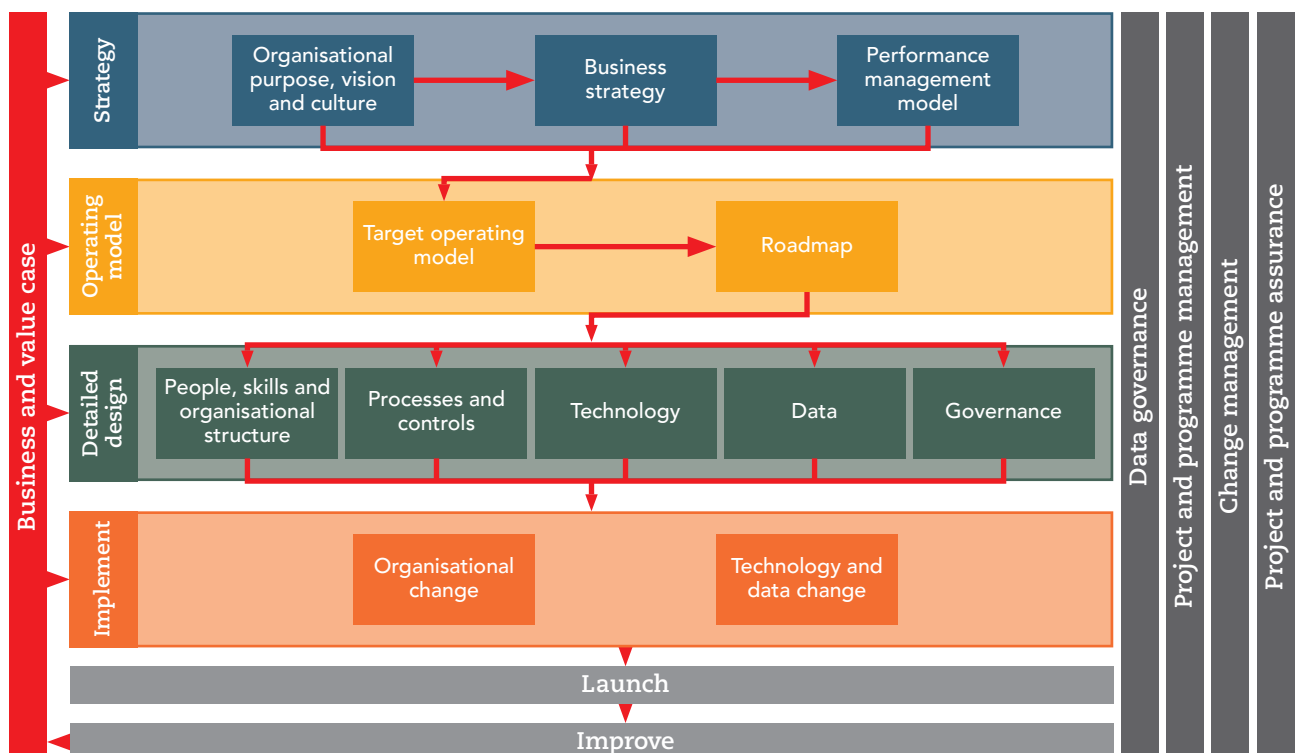
None of this has value without an ability and culture to respond in a flexible manner – to be agile.

It is unlikely that this trend will change in the coming years. Yet the agenda that organisations need to respond to is expanding.

What is transformation?

Transformation is best expressed as a dramatic or sudden change in form, nature or appearance. For organisations the improvement journey is not new. The term 'transformation' in this context dates from about 2015, however. Organisations have been changing since long before then. The expression can have negative connotations unless it is properly understood, and the behavioural change management aspects continue to challenge many organisations.

The following model represents a typical transformational activity chain.



Transformation has to start with the organisational purpose and vision. This cascades through to the strategy and how performance is measured. Finance professionals are at the core of this performance model and as increasingly organisations reflect on non-financial measures as well as financial ones, we need to recognise the role that finance professionals need to play from the initiation of any transformation project. Chief financial officers (CFOs) are increasingly being looked to by their chief executive officers (CEOs) to evaluate performance in many dimensions and the pandemic has reinforced this change in the role. CFOs are increasingly providing strategic advice to CEOs as well as engaging with a broader range of stakeholders.

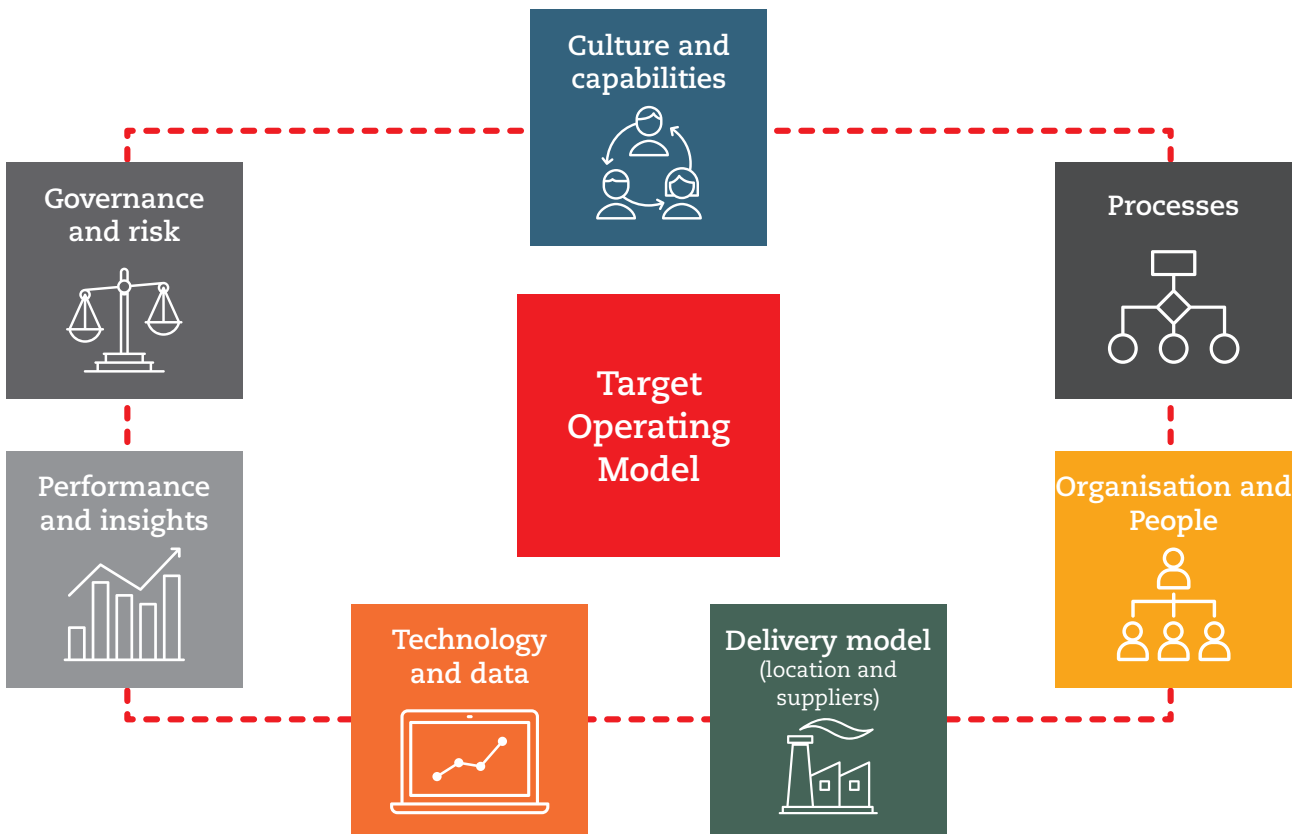
This demand for change cascades to our future ways of working, as represented by the target operating model (TOM). In many senses the components of this model represent elements of the capitals that finance teams are increasingly reporting against.

In turn the TOM translates to both strategic and detailed level plans to execute the required change across the dimensions of people, process, technology, data and governance. It is important to stress that technology is only ever the enabler, not the definer of transformation initiatives.

The ambition of the finance function

To play its full role in transformation, the finance function itself needs a clear vision as to its purpose. There is an increasing role for insight and analytics across the performance agenda, supporting organisations in the delivery of their strategic objectives. Finance teams that purely focus on scorekeeping or compliance run the risk of being marginalised in their organisations and not being able to address the needs of the CFO.

Reframing their role enables them to contribute fully in organisational transformation. Being advocates for change and improvement rather than just the scorekeepers of expenditure. As one CFO commented 'We are moving from a scorekeeper to a partner and a business partner who can drive the leaders, in making some business decisions.' To achieve this there needs to be a repositioning of the role of the finance team, a strategic focus on data and technology and an investment in the skill sets to support the data and technology that underpin these insights, as well as the ability to tell the narrative that it presents. Being guardians of data integrity and the data model is a significant part of the performance agenda.



Successful transformations are collaborative activities. As one of the CFO noted transformation in finance, is not only about the finance transformation, per se but part of an overall enterprise wide digital transformation

As initiatives need to be developed at an increasing rate to respond to customer and stakeholder demands so members of finance teams need to play a full role in these teams.

Changing face of transformation

The speed by which organisations need to respond to change drivers means that traditional approaches to change are no longer sufficient. Techniques such as Agile, Sprints and DevOps are the language of the present and those participating in the transformation activities need to be cognisant of these approaches and how they bring value and relevance to the discussions. Fail fast is a new mantra. It is better to have a minimum viable product, a first version that delivers, than no product at all. That is not to say that transformation is a technology led activity – rather it is first and foremost about people and process. If technology and data drive it then there is a loss of connectivity to the organisational purpose and performance management.

Taking all these initiatives singularly can compromise the TOM and there needs to be a degree of governance over individual projects and how they form programmes. It may be at the latter level that governance is strategically exerted.

In turn this changes our view of organisational change. This is now constant and incremental and needs leadership from sponsors who are aligned to the business performance. Having an organisational culture that supports this is a key to success.

Not all projects are agile, however. There is still a role of traditional approaches such as waterfall-based ones. Being adaptive is the order of the day.

Transformation itself is changing. The need to be able to respond to the changing needs of the customer requires organisations to have a mindset that is adaptable and flexible. Organisations need to be forward looking and opportunistic. This requires a mindset shift away from industrial age-based thinking to collaborative structures.

Evolving drivers of change

Historically transformation projects were typically responses to cost pressures or the need to improve the business model. With the move to the Cloud that sense of competitive advantage that accrued from a business model has changed to one where the advantage comes from data and our ability to use it to understand customer behaviour.

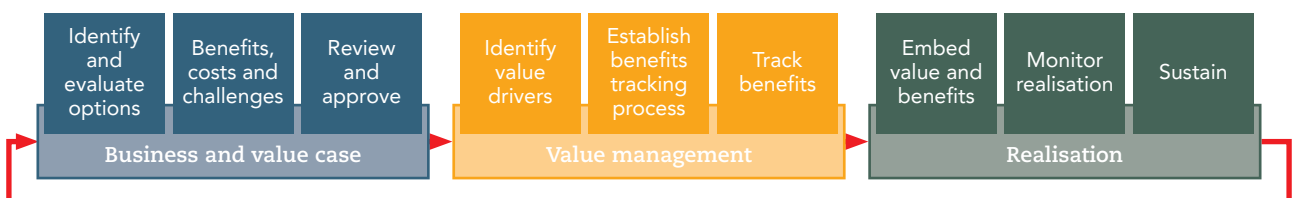
That is not the only driver for change, however. The environmental, social and governance (ESG) agenda is causing organisations to rethink their business models. The drive towards carbon neutrality, as an example, is not simply about emissions but also the impact on cost of capital and other dimensions of the business model. One panellist pointed out that ‘Those intangible benefits will ultimately convert into some tangible benefits’.

Move beyond business cases to value cases

The rationale for undertaking an initiative is expressed through a business case. This reflects the objectives as well as reflecting the costs and benefits. One of the panellists mentioned ‘building a business case is the most important determinant of the digital transformation success. It is a continuous process where you are, in a very agile way, monitoring, tracking, reporting, how you are doing.’ Finance teams have compiled and evaluated return of investment and internal rate of return calculations as part of these and are often seen as the guardians of these elements. As one of the finance leaders in the India roundtable highlighted that ‘finance professionals are in a position of power to influence the business decision making’. Those projects that are thought to have the greatest return were those that received the go-ahead. Whether the outcome was measured was another question.

It has become clear that this approach is no longer fully effective. It is time to transform our thinking from business cases to value cases. Initiatives that address ESG agenda are necessary for organisations but cannot always be measured in traditional financial terms. Our thinking needs to move more towards value and a broader set of evaluatory measures. An activity that is undertaken throughout the lifecycle of the initiative.

A roundtable participant highlighted the emerging role of ESG in the entire business case ‘ESG will take on more and more thrust, as we progress. It will have a huge impact on any kind of transformation or business case what we would want to review and approve’.



Conclusion

Transformation is a core part of all organisation's future. As highlighted by one of the panellists:

'FINANCE NEEDS TO BE VERY CAREFUL AND BE ON TOP OF THINGS, WORK CLOSELY WITH THE BUSINESS, TO BE ABLE TO UNDERSTAND THOSE THINGS IN DETAIL AND TO BE ABLE TO ADAPT TO THAT AS IT MOVES FORWARD.'

Finance teams need to engage throughout and bring their valuable skills and talents to activities. Use these 12 ideas to transform your approach to transformation.

Finance has to transform its role before it can play an effective role in organisational transformation	Focus on purpose and customer value when driving transformation	Transformation is a continuous process	Strong leadership and culture are vital in a successful transformation	Programmes are becoming more important than projects	Business cases are now value driven not just cost driven, incorporating ESG goals
Cloud is an enabler to transform, not an end goal	Not all projects are agile; projects form portfolios	Effective use of data by people and processes is the key to organisational transformation	Skills in technology and data are essential as are innovation and creativity	Pace of technology change will not slow nor will organisational change	Transformation is a business-led not a technology-led activity



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Author



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Senior Vice President, Finance NTT DATA



Clive Webb
Head of Business Management, ACCA

