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The CFO Program

SEA CFO Perspectives

Insights from the SEA CFO Vision 2022

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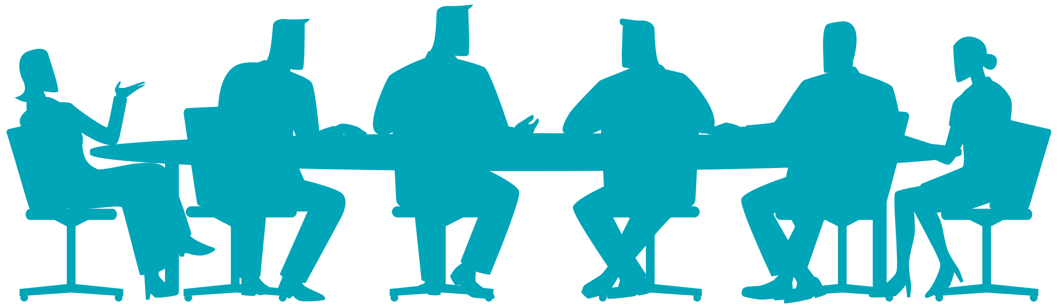
Content

About the SEA CFO Perspectives

As SEA CFOs strive to lead their organisations through the ongoing state of turmoil and change, many are feeling the weight of the evolving expectations of their role. In early November 2022, Deloitte Southeast Asia held its annual flagship SEA CFO Vision Conference to examine the tall and growing mandate for CFOs in their shift towards their newfound position at the heart of the enterprise.

Bringing together over 80 senior finance executives, the event featured keynote presentations by distinguished Deloitte and external speakers, as well as interactive fireside chats with regional CFOs on their experiences leading transformation programs and the evolving expectations of their stakeholders and wider C-suite team.

In this four-part series of the SEA CFO Perspectives, we present the key takeaways from the SEA CFO Vision Conference, distilled into the themes of Dynamic Finance, Cloud, Climate and Work. For more SEA CFO insights, also check out the latest edition of our SEA CFO Agenda 2022 report here.



SEA CFO Perspectives
Part 1: Building a dynamic finance function

If CFOs are certain of anything in today's volatile climate, it is that the relentless pace of change is not likely to slow down, and there is no way of knowing what is around the corner. This has led to a growing need for agility, that has led in turn many CFOs to reconsider their role in building finance functions that are more streamlined, responsive, and faster to deliver change – or what we term "dynamic finance functions".

Briefly, a dynamic finance function is one that possesses the capability to evolve to win, is always ready, and looks at every disruption as an opportunity. More often than not, they are characterised by the existence of simplified and standardised processes, a foundation of innovative and enabling technologies, and a highly skilled and technically fluent workforce.

Fundamentally, at the heart of it all, is the ability of the CFO and their finance organisation to wield their most effective tool – that is, data and analysis – to communicate, influence, and build trust across the wider enterprise amidst uncertainty and change.

Facilitating data-sharing and collaboration

Amongst the top-of-mind priorities for CFOs are the need to re-examine how the finance function is leveraging the vast array of data within its purview, and improve processes to deliver more relevant and actionable insights for the enterprise. To this end, CFOs are recalibrating their talent mix to bring in different skillsets to complement existing ones, modifying data processes to improve the quality of cross-functional discussions, and introducing initiatives to increase the finance function's understanding of business and strategic issues.

What is dynamic finance?

Dynamic finance means creating the capability to flex and adapt to external forces with speed, strength, stability, and flexibility to create value. Imagine that in a period of uncertainty or change, your finance function can quickly and adeptly:

- Model and scenario plan mitigating actions with business leaders to understand how known (and unknown) disruptions may impact business operations
- Pivot the organisation to tackle and address the most pressing needs – be it growth, cost reduction, system implementation, or merger integration
- Create an intentional workplace where finance talent feel valued and motivated because they are focused on meaningful and impactful work
- Identify and mitigate new financial and operational risks arising from changes in the market

For more insights on how you can build a dynamic finance function, click here to read the report in Deloitte's Crunch time series.

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Beyond technical capabilities, however, CFOs recognise that mindsets too must evolve. Given their traditional role as guardians of financial information, CFOs acknowledged that finance functions may sometimes display a tendency to be overly protective of data. But as CFOs seek out ways to build trust and add value in times of change, more open stance towards data-sharing could go a long way towards establishing common platforms of understanding and collaboration between the different business units

For example, CFOs dealing with shadow finance organisations – where individual business units set up their own "in-house" finance teams in response to the perception that they are unable to receive the support that they require from the central finance organisation – have shared that improvements to data-sharing processes have helped to enhance overall alignment and execution, as these teams become better connected and trusting of the central finance function.

Conveying credible change narratives with data

As constant waves of business transformation become seemingly the norm, CFOs across the board also recognised the need to reconsider how they leverage data to articulate and convey credible change narratives across their organisation – which include, but are not limited to, the strategic rationale behind the change, and the roadmap for the business to reach its new target state.

The good news here is that CFOs have at their disposal the currency of trust that the finance function has always had – but which has often been undervalued and underutilised – that they can leverage and amplify to influence their CEO and wider C-suite team. Nevertheless, two aspects may require further consideration.

Firstly, rather than try to get to the destination in a single leap, CFOs should instead focus on getting to the 'next thing' – that is, convincing stakeholders to make small changes at a time. This, in turn, will give CFOs the opportunity to develop a better understanding of their stakeholders' capacity for change, and the levers that can be deployed to move them in the right direction.

Secondly, where possible, CFOs should form and leverage change coalitions with business partners that possess complementary skillsets. For example, if the finance function is adept at providing an analytical perspective, the CFO should consider co-opting a counterpart with more persuasive communication skills. Empirically, change coalitions have been proven to have higher rates of success than individual changemakers – and for good reason, as complex change cannot typically be achieved by any single individual.

"Although CFOs find themselves increasingly being consulted on matters relating to strategy and the business model, they tend to have reservations about "overstepping" their boundaries, given that strategy is traditionally perceived to be the domain of the Board and CEO. In this regard, CFOs would do well to remember that their unique edge lies in their ability to act as an independent, rational voice of reason – one that is fair, unbiased, and backed by data."

Panellist speaker at the SEA CFO Vision Conference 2022

SEA CFO Perspectives
Part 2: Navigating the risk-reward paradigm in the move to the cloud

When it comes to digital transformation, cloud is unquestionably of the foremost priority for CFOs. But with their organisations at varying levels of maturity of cloud adoption, CFOs are still not quite sure as to the specific roles that they should adopt as enablers of this journey. Fundamentally, however, there was broad agreement that a CFO's most important function lies in their ability to lead and facilitate the investment decision-making process.

Given that cloud platforms offer an endless array of different configurations and strategic possibilities, CFOs recognised the need for them to support their C-suite team in prioritising investments for optimal returns. In this regard, they will need to leverage their core competencies in data and analysis to not only identify processes that could benefit from greater technology-enabled efficiencies, but also develop the business case to invest in new areas of competitive advantage.

At the same time, CFOs also see themselves as an important source of "checks and balances". Indeed, excitement about the endless possibilities of cloud and digital may sometimes inevitably lead to cost overruns, and it is up to the CFO to implement the appropriate controls and guardrails, and clearly define the roles and responsibilities of the different stakeholders involved in a cloud transformation program.

Closing the gap between expectation and reality

There is no doubt that investments in cloud platforms can drive positive outcomes beyond efficiency and agility. Unquestionably, CFOs recognise integrated cloud technologies as a "force multiplier" of digital strategy – one with positive outcomes for numerous strategic business measures, from the mitigation of business and strategic risks to the creation of new revenue sources and expansion into new markets.

But what they remain wary of are the cost overruns that often result in significant gaps between the expected value of a cloud transformation program, and its actual realised value. Common sources of cost overruns include, but are not limited to, ungoverned costs due to the lack of a proper optimisation matrix and definition of key performance indicators (KPIs); unplanned resource provisioning from ad hoc demands or scope creep; overprovisioned or idling resources; as well as an underutilised setup or over-scaling of requirements.

At this juncture, it is perhaps timely to emphasise that the burden of optimising the return on investment for cloud transformation programs does not rest on the shoulders of the CFO alone – nor does it rest entirely on the technology team. It is a collective team effort, one requiring close coordination between the CFO, CTO/CIO, and all other relevant

"It would be fatal for a CFO to not be tech-savvy today. In this context, being tech-savvy does not mean that a CFO has to know how to write code. Rather, it is about developing the mindset to be able to connect the dots about digital developments such as cloud, and understanding how data is flowing and being used throughout the organisation."

Panellist speaker at the SEA CFO Vision Conference 2022

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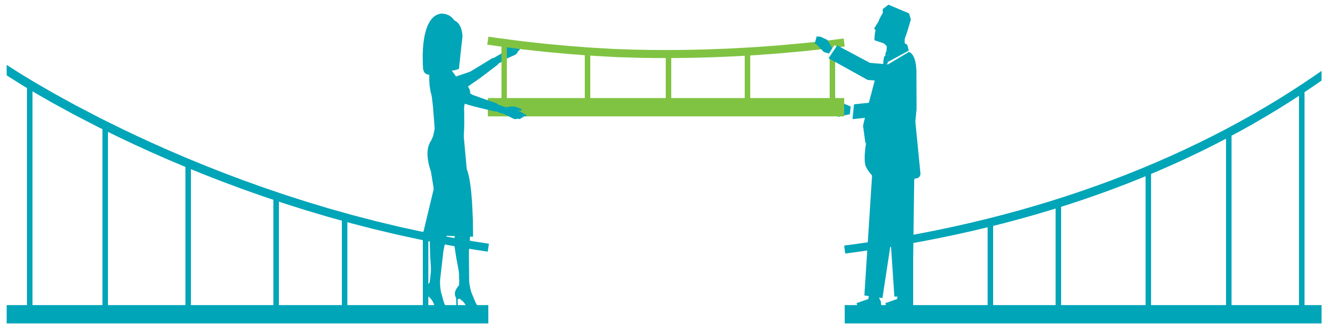


To this end, CFOs should consider several strategies to enhance cross-functional collaboration. These include, for example, setting up a cross-functional FinOps practice to plan for and manage cloud costs; working with the CTO/CIO to identify and remediate areas of systemic excess; and leveraging agile scrum principles for cross-functional teams to better balance cloud spending with code optimisation.

Recognising risk management as more than a compliance issue

While the cloud offers many tangible and intangible benefits, any discussion on the topic would be remiss without an acknowledgement of its attendant risks. From the perspective of CFOs, key considerations include their organisation's ability to implement consistent controls across both cloud and on-premise platforms, as well as quantify cyber risks, such as the cost of a breach or recovery.

The latter, in particular, is emerging as a top-of-mind concern for many regional CFOs. With the exponential increase in cyberattacks across the Asia Pacific region– where there is much heterogeneity in cyber defence maturity levels and therefore, a wider variety of viable targets – CFOs have found themselves participating in an increasing number of conversations at the Board and C-suite levels on the actions that the organisation should take in the event of a cyberattack.

Given the existential nature of these threats, it goes without saying that CFOs no longer perceive cyber risk as a mere compliance issue. But there is also a positive upside that many CFOs are beginning to recognise: when done right, risk management is not only a cost of doing business, but also a significant source of competitive advantage. Indeed, pace-setting companies who are at the forefront of risk management best practices have been empirically proven to not only be more capable at protecting their own organisations from breaches, but also more effective at customer acquisition, talent retention, and a range of different outcomes.

Building bridges with the CTO/CIO

Anecdotally, CFOs have shared that they sometimes hesitate to participate in the cloud conversation as they feel that they lack the requisite tech fluency or necessary technical expertise. But the reality is that CFOs have much value to add to the process, and they can demonstrate this by leveraging their forte in data analysis to create communication bridges between them and their CTO/CIO counterparts.

Examples of bridges that CFOs have built include partnering with the CTO/CIO to:

- Develop a wider set of metrics with which to value investment returns, such as cost-to-serve or customer service requirements;

- Ensure that there is sufficient portability of technical and engineering talent to manage different platforms interchangeably; and

- Execute change management and business process transformation in support of cloud adoption

SEA CFO Perspectives
Part 3: Taking the lead in sustainability

A decade ago, Peter Bakker, President and CEO of the World Business Council for Sustainable Development, stated at the Rio de Janeiro UN Conference on Sustainable Development that "accountants will save the world." While the idea didn't gain much attention at the time, the notion that changing accounting rules is necessary for the business community to make significant behavioural changes is gaining momentum.

ESG migrates into the central finance function

There is now a widespread recognition of the critical role that the accounting profession, CFO, and finance function play in the fight against climate change. The shift towards a quantitative approach to the environmental, social, and governance (ESG) agenda has moved the ownership of climate issues from investor relations, marketing, and corporate social responsibility functions to the central finance function. CFOs and finance functions must take charge of the ESG agenda by utilizing their expertise in data and analysis, along with their ethical core of integrity and trust, to lead the ESG messaging internally and externally.

> *"The ESG conversation today is no longer about a simplistic narrative of whether a company is 'doing good'. Rather, the focus is now on demonstrating clear credible evidence of progress with the use of metrics, targets, scenario planning, and data – a mandate that is well within a CFO's core skillset."*
>
> ***Panellist speaker at the SEA CFO Vision Conference 2022***

Role of the CFO and finance function in orchestrating the ESG messaging

Internal stakeholder management
Supporting the board, CEO, and wider C-suite team in understanding the impacts of climate change on their business

The impacts should include not only the risks of doing nothing, but also opportunities of doing the right thing – and how all of these can be translated into real and tangible actions

External stakeholder management
Communicating both financial and non-financial sustainability-related information to investors, customers, suppliers, and other business partners

Financial information includes accounting for climate-related impacts in their cashflow forecasts, valuations, impairment models, and useful lives, while non-financial information includes meaningful disclosures on emissions

Towards a holistic reporting landscape

The current ESG reporting landscape is fragmented, and different standards cause concern for CFOs. CFOs are struggling to decide whether to wait for the IFRS Sustainability Disclosure Standards by the International Sustainability Standards Board (ISSB) or start preparing their disclosures now. However, this uncertainty can be a driving force for regional CFOs in Southeast Asia to remain engaged in the process and shape the global evolution of the IFRS Sustainability Disclosure Standards.

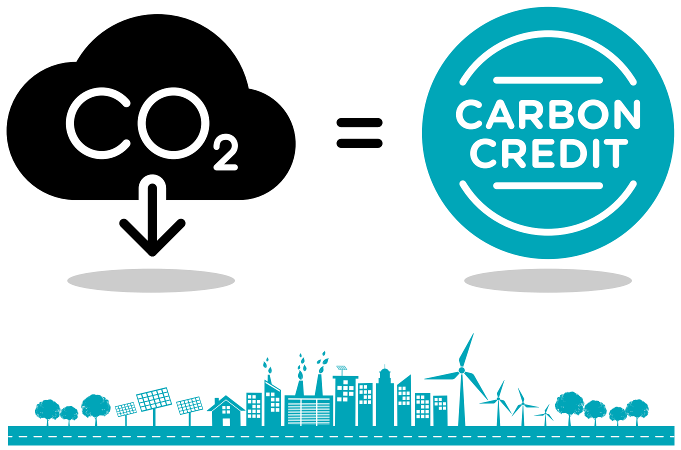
The new standards are likely to complement the conventional IFRS Standards. CFOs should therefore begin engaging with their investors, bankers, and funders on the developments of the new standards, and driving conversations as to how the two standards can collectively provide a more comprehensive and holistic view of a company to its investors.

Focusing on materiality and credibility

With a large part of their ESG role hinging on data analysis and reporting, CFOs face difficulty accessing both financial and non-financial data as these forms of data are typically disconnected from each other in many organisations. To overcome this challenge, CFOs should view it as an opportunity to transform data processes and systems within their organisation. Prioritising materiality – for example, tackling Scope 1 and 2 emissions before tackling Scope 3 emissions – and credibility of ESG information is key, as regulatory requirements for ESG assurance increase globally. The CFO's ESG mandate is a tall order but CFOs must remember that ESG is a collaborative effort, and their success depends on effectively co-opting partners within and outside their organisation.

Why the IFRS Sustainability Disclosure Standards will be a game-changer in ESG reporting

1. The ISSB is under the umbrella of the IFRS Foundation – meaning that the development of the IFRS Sustainability Disclosure Standards will be subject to the same robust, credible due diligence process applied to existing IFRS Standards
2. The IFRS Sustainability Disclosure Standards will not be reinventing the wheel – instead, they will bring together and consolidate best practices from current leading sustainability standards
3. The establishment of the ISSB has been supported by the International Organisation of Securities Commissions (IOSCO) – and its endorsement of the final IFRS Sustainability Disclosure Standards would be a landmark development in the global uptake of sustainable finance practices



A primer on carbon credits

CFOs now face more complex questions regarding carbon credits than just a few years ago. They must determine the fair price of carbon credits, their treatment on balance sheets, and potential trading opportunities. Moreover, they must define what a credible, quality carbon credit is, which is challenging due to the fragmented and non-standardised carbon credit markets. To overcome this challenge, CFOs should collaborate with trusted market leaders and gain a deep understanding of carbon registries. However, CFOs should not rely solely on carbon credits to reduce emissions, as they should be used as a last resort after exhausting other options.

SEA CFO Perspectives
Part 4: Embracing a new era of work

A few years ago, CFOs were already building what they considered to be the finance workforce of the future. Digital technologies were reshaping organisations, teams, and work itself, creating new ways of working, and requiring new skillsets. Finance had begun to free up its talent to do more complex work, leaning in on higher-value activities such as data analysis and partnering with the business to find new avenues of value.

But then CFOs encountered a global pandemic. Quickly, they made pivots to enable their finance teams to close the books, pay the bills, perform scenario planning, and build dynamic forecasts – all in a virtual setting. Yet, just as they began to settle into the new normal, the emergence of social trends – such as the Great Resignation, quiet quitting, and the lifestyle movement protesting overwork known as 'tang ping' – are once again ushering in a new era of work.

Taken together, these developments are culminating in the need for CFOs to reimagine the fundamentals: the work that finance does, the workforce they need, and the workplace that finance talent want and need. Ultimately, this is an opportune moment for CFOs to not only reshape their finance function, but also evolve their own leadership styles.

Building a future-ready finance workforce

To support the demands of a business operating in an environment with ever-increasing volatility and complexity, CFOs recognise that a future-ready finance workforce needs to be one that is analytical, adaptive, agile, and anticipatory. In other words, finance needs to be equipped with the capabilities to look at data beyond the numbers to inspire, influence, and inform stakeholders.

Central to this equation is the extensive use of technology. A future-ready finance workforce is likely to operate much more centrally, enabled by specific technology capabilities residing within finance rather than IT. Yet, technology alone is not the most important thing on the CFO's plate. For all the new benefits and capabilities that technology brings, it is still the talent who will define the outcome.

Cognisant of this, CFOs across the board are seeking to strike the right balance between generalised accounting skills and specialised technological skills in their workforce. To this end, many of them are fundamentally re-examining their future finance operating models, taking into consideration anticipated future business needs as they define and identify critical talent gaps within their function.

Increasing management effectiveness in digital settings

Given that remote work has become the norm in many industries, CFOs are considering their digital presence in a much more purposeful and deliberate manner. Several strategies that CFOs have found to be effective in enhancing their communication in digital settings include:

- Developing a better understanding of the various virtual tools – including their respective capabilities and limitations – and leveraging them to create meaningful experiences
- Considering the different objectives and communication styles of a multi-generational workforce, and flexing communication styles by adapting messaging and delivery for different audiences
- Connecting all messaging to the organisation's overall purpose – be it in the form of business goals, or environmental and social impact
- Making a concerted effort to engage every participant, bearing in mind that the best ideas sometimes come from the quietest team members

Looking ahead, closing these gaps will likely require CFOs to deploy a combination of strategies. Whilst much depends on the exact mix of finance talent that their organisation will require, CFOs are likely to find that they will need to bring in new talent that are not typically found in finance – particularly in the domains of data gathering, analysis, and modelling.

Concurrently, CFOs will also need to double down on upskilling their existing workforce, with the objective of ensuring that they possess sufficient broad-based knowledge in foundational technologies, such as budgeting, forecasting, reporting, cloud solutions, data analytics, and visualisation. These skills will, in turn, help to set the stage for further upskilling in advanced technologies, as the finance function becomes more adept at leveraging foundational technologies for transactional tasks.

Evolving leadership styles

Aside from reconfiguring the skillsets for their workforce, CFOs are aware that they too must evolve their leadership styles. Given the rise of social movements protesting burnout and overwork, CFOs acknowledged that it is incumbent on them as leaders to both humanise work and demonstrate greater personal empathy.

Indeed, in stark contrast to conventional knowledge that leaders should lead from the front, CFOs are finding that their role is now less about giving directions, and more about aligning incentives and priorities between a variety of different stakeholders. As one CFO explained, a modern leader may sometimes need to "listen more and speak less". This, however, should not be taken to mean adopting a more passive stance; rather, it is about re-examining how they strike the balance between influence and control.

Overall, CFOs also believe that a more broad-based mindset or cultural shift is required in finance functions. They noted, in particular, the need for them to empower and motivate their finance talent to think more strategically. Depending on the specific context, this may necessitate offloading team members, encouraging them to participate in cross-functional projects, or helping them to better connect their day-to-day activities with the overarching business strategy.

> *"When operating in a complex and constantly evolving environment, it is important that CFOs adopt an open mindset and consider a wide range of differing opinions. This is because the real skill of a CFO lies not in possessing answers to all the problems; rather, it is in their ability to stay on the problem, work it together with the team, and empower team members who are experts in their own right to do what they do best".*
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> ***Panellist speaker at the SEA CFO Vision Conference 2022***

Notes:

Contact us

SEA CFO Program leadership team

Southeast Asia & Singapore
Timothy Ho
kwho@deloitte.com
+65 6232 7467

Indonesia
Elisabeth Imelda
eimelda@deloitte.com
+62 21 5081 8601

Malaysia
Yee Wing Peng
wpyee@deloitte.com
+60 3 7610 8800

Ho Sai Weng
swho@deloitte.com
+60 3 7610 7329

Philippines
Melissa Delgado
medelgado@deloitte.com
+63 2 8 581 9019

Thailand
Somkrit Krishnamra
somkrishnamra@deloitte.com
+66 2034 0134

Vietnam
Thinh Pham
thpham@deloitte.com
+84 28 710 14020

About the SEA CFO Program

Leading with Confidence
CFOs are increasingly challenged to lead the organisation to adapt strategically to market changes we face today. Deloitte's SEA CFO Program brings bold, relevant offerings with forward thinking insights for every stage of a CFO's career to help them drive business impact and lead with confidence into tomorrow.

To learn more on our program offerings, please visit our website or email us at cfoprogramsea@deloitte.com