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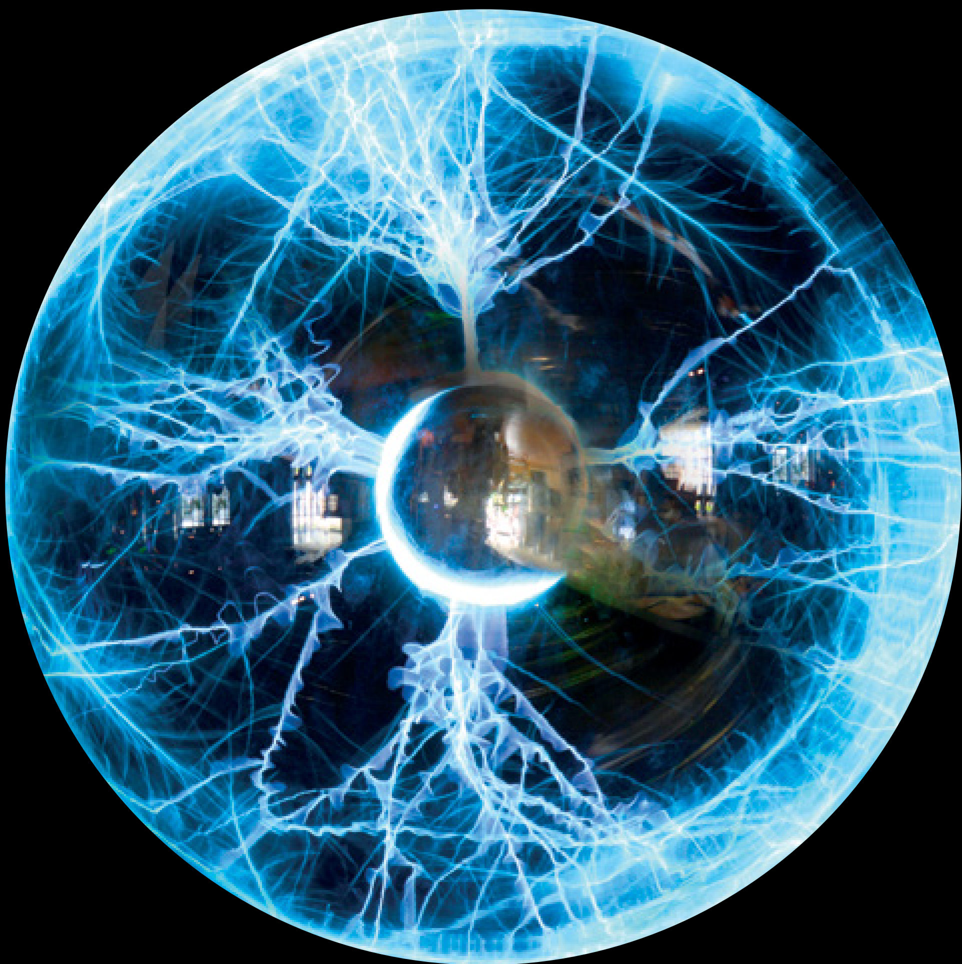
Confederation of Indian Industry



10th CII CFO SUMMIT 2017
10th International Conference
20 February 2017 • The Taj Mahal Palace • Mumbai

The Future CFO

Thriving in Chaos and Driving Change

Contents

Foreword

I have the honour of presenting to you the report on "The Future CFOs: Thriving in chaos and driving change" which offers a ringside view on the dynamics of our fast developing ***rurban*** economy, technology and inclusiveness as the central piece of our growth plank.

The CFOs of today are in exciting times of pathbreaking policy actions both at home and abroad, redefined growth paradigm and mutating business models. While his fiduciary role remains inviolable as ever, the expectations from CFOs have risen high on his ability to be a skillful navigator in tricky currents. The CFO of the future, he needs to possess a deep appreciation of the convergence of business and national interests, weave inclusion and technology to remain relevant and endeavor to create sustainable wealth in businesses. For one, the enchanting world of ICE (Innovation and Adaptability in an era of Climate Change and Experiential Commerce) will redraw the world of business and the CFO will have to be part of this movement or move out!

Rural development is not a convenient mantra but a necessity of the times. MSMEs (Micro, Medium and Small enterprises) in India contribute almost 50% of output and employment. Both are areas of focus for our government as they create wealth, entrepreneurship and a virtuous cycle of progress. So the various efforts like Make in India, Skill India, Stand up India and Digital India will benefit greatly by these sections attaining resources and importance.

VS Parthasarathy
Chairman – CII CFO Summit 2017,
Chairman – CII National Committee for CFO and
Group Chief Financial Officer and Group CIO and President (Group Finance and M&A)
Member of the Group Executive Board
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Technology moves from a nascent, undefined entity to one that is widely accepted and quickly becomes part of routine. The digital mesh surrounds each one of us and there is a continuous evolution of the technology and experiences. Smart machines get smarter, and a new IT reality is evolving with technology architectures and platforms to support the advancement of a digitally connected world. With India on the cusp of a global leadership, inclusiveness and technology will enrich that position with sustainability. Our government has taken great strides in JAM Trinity for inclusiveness and digital platform for governance and has instilled hope for a great leap forward. The report examines these topics through the prism of interviews and points of view and offers refreshing new insights for action.

This report will be released at the decade edition of the CII CFO Summit this year. The Summit itself will explore the topics of inclusiveness and technology and the landmark GST introduction in various sections throughout the day. Government representatives, Bankers and Experts will hold a compelling and interesting kaleidoscope before the audience. Great efforts have been taken to make sessions interactive and meaningful. The report and the Summit together, I hope and wish, will be worthy of the banner of the "decade edition" it bears – rich for thought and action for a long time to come.

The CFO of today is a de facto COO and this evolutionary development is spurred by shareholder scrutiny, governance and regulatory demands. With this background, today's CFO would do well to realize that this means not only reporting on triple bottom lines and drafting integrated reporting. More than being purveyor of reports and drafts and from being a back room operator, the role transforms into enacting, directing, and producing the long-term story of the company he serves. He should build and leave a legacy of sustainable business excellence: in a fast changing, technologically disrupted world of business, that would be the north star guiding his actions. I want to leave with you the words of the 6th American President:

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader"

"You are leaders and this is the moment to lead!"

I commend the report to the readers and the Summit to the attendees. Please feel free to write to me about either of them.

VS Parthasarathy

Foreword

The Chief Financial Officer "CFO" has recently also been termed as the Chief Future Officer or the Chief Frontier Officer. The way definition of CFO has evolved and so has the real role of a CFO. The change itself highlights the growing importance of finance for driving business decisions and preparing the organization for future growth. The CFO of the future would need to navigate these disruptions from multiple angles and have a vision and the ability to drive the organization to deliver value by utilizing the opportunities presented by these disruptions.

"It is not the strongest of the species that survives, nor the most intelligent…it is the one that is the most adaptable to change."

- Charles Darwin

As the waves of change continually hit business in the form of changing regulations, new technologies and the evolving social environment; the role of a CFO has changed from that of an accounting professional to a business strategist. Automation and technology is rapidly advancing to replace human interaction. Analytics has become an integral input to the CFO to understand future trends and help build growth plans for the organization.

Businesses are becoming more integrated and functional roles have overlapping responsibilities. The key for any successful business would lie in the way CXOs interact and consolidate all the information available at an organization level. CFOs having access to information from all aspects of business along with the analytical capabilities become the center point for all decision making. However, to help decision-making, it will be important for a CFO to connect and interact with the multiple stakeholders within and outside the organization to have meaningful conversations and understand different perspectives.

Another aspect which would be critical for the success of the business and finance is the timing of the decision. A CFO needs to build a team which helps the CFO take decisions quickly by providing the right information at the right time. A CFO needs to have forward thinking and the ability to convert business challenges into opportunities by providing meaningful information and analytics to the business teams.

While CFOs are adapting themselves to be strategists and help the CEOs in key business decisions, it is imperative for them to protect the organization from the threats and risks that the new environment is bringing. CFOs need to set the standards and be the role model for the changing requirements and help rest of the organization to adapt to these regulatory and technological changes in a way that the organization's culture and ethical practices are not compromised. Time and again, it has been proven that the businesses built on principles of ethics and compliance have been sustainable in the long-run and have grown large benefiting the entire organization and society.

Through this report, we want to bring out the multiple disruptions which a business faces in the current environment and how a CFO needs to tackle these changes to create value for the business.

We discuss the importance of bringing together the aspects of inclusive growth, technological changes, the impact of one of the most significant regulations in Indian history – GST and how all these factors are challenging CFOs in doing their job well.

We are sure you will find this publication interesting.

Deloitte Team

Driving Change: The Strategic CFO

(A) Are you a strategic CFO?[1]

As the CFO role continues to evolve, it is imperative that finance executives up their game strategically. That doesn't mean simply knowing the latest strategy theory or fad. It means being able to advance the organization's growth or improve its competitive position by identifying the key constraints holding it back, and then using finance to free it from those constraints. Getting there means cultivating a mind-set where CFOs ask the right questions.

The critical questions

01. **How does your company plan to grow: through M&A, organically (i.e., by driving new or existing products to new or existing markets), or both?** The first and most straightforward question involves knowing the current strategy: what combination of these growth choices is the company currently committed to? The CFO's role then is to make sure that capital is available at the right cost for these choices to be profitable, and that the company has processes and decision-making rules for capital allocation to support that growth.

02. **What are the dominant constraints that hold back your company's growth, and how might you overcome them?** The dominant constraints are the issues that prevent a company from reaching its potential. Consider a company with a heavy debt burden that was paying an interest rate more than twice the rates available to its competitors. Here the cost of debt capital was a critical constraint, given that competitors could finance growth through M&A and other strategies much more cheaply. In response, the CFO enabled a sale of a large stake in the company to a strategic investor, raising capital and relaxing the "finance constraint." Other types of constraints include the lack of a needed or key product in the pipeline or simply the mind-set and culture of the company.

    Of course, some constraints are virtually impossible to overcome. For example, regulations in financial services impose new constraints on banks. Other than finding efficient ways to comply, CFOs can do virtually nothing to change the regulatory constraints. Still, determining the dominant constraints is the first step for a CFO to take to relax or overcome them [i].

03. **What is the greatest uncertainty facing your company, and what can you do to resolve or navigate it?** Say the company has potential asbestos liability because the chemical was formerly used in some products, and the uncertainty around that liability is constraining the company's share price and keeping it from making aggressive growth plays. That doesn't sound like something a CFO can fix. But what if CFO was to go to the legal counsel and say, "let's figure out what it would cost to settle this potential litigation, and see, given our current cash flows and the low-rate environment, whether it's worth that price to get rid of that uncertainty." Alternatively, CFOs can ask their finance, planning, and analysis (FP&A) organizations to model the consequences of different outcomes, and then decide if they want to insure against risks arising from the uncertainty. Uncertainty can "freeze" decision-making; CFOs can "unfreeze" those decisions by gathering information to resolve the uncertainty, instituting a structure to navigate the uncertainty while managing risk through insurance, or developing a step-by-step approach to real-option investment as uncertainty is resolved.

04. **What is your greatest area of spend where there is a lot of uncertainty about return?** For example, a CFO of a consumer packaged goods company with a big chunk of spend going to advertising and promotion should ask, "How can I get greater return for my money in advertising and promotion

spend, and how do I make headway on measuring returns from promotions to guide future spending?" Creating clarity and better disciplines on spend are often a source of quick strategic wins.

05. **Are your company's financial and growth goals ambitious enough?** What would we do differently if the company were bigger in order of magnitude? Say the company's goal is to double its revenues, from $2 billion to $4 billion, and it is looking at a variety of projects to achieve that growth, but some entail a lot of risk because of the dollars involved. The CFO might look at this challenge and say, "a $400 million project blowing up is going to do some serious damage to a $2 billion company, but not so much to a $20 billion company. So perhaps the ability to invest in future growth is enhanced by increasing the scale not by two times but by 10 times through a series of rollups or acquisitions." If a CFO brings that option to the CEO and board, in that case a CFO has started a conversation that could be truly game changing for the company. It is easy to get trapped in the present. But thinking substantively beyond existing constraints and limits can sometimes help identify plays that create dramatically new strategic options.

06. **What could disrupt your company, and what can finance do about it?** This is about envisioning a competitor's move such as a merger or a new industry entrant that changes the nature of competition or a new technology that dramatically changes product offerings. Again, CFOs can ask if they themselves could use the likely playbook of a competitor to disrupt the industry and also leverage FP&A capabilities to model out disruptive scenarios and help frame responses.

07. **What would you like your company to stop doing?** Finally, are there underperforming business units or a part of the company that does not generate required returns, or customers who are not profitable? If there isn't a way to scale the business to increase returns, it may be best to dispose of it and free capital and management resources to grow more high-potential businesses. Similarly, choosing not to serve unprofitable customers or to increase prices for them may increase long-run returns.

All of these critical questions help CFOs identify strategic opportunities and cultivate a strategic mind-set. But even the most strategically oriented CFOs cannot succeed as an island. They cannot bring a new product into the fold unless they partner with product development, and they cannot change the promotional spend model unless they are able to work closely with marketing and sales leaders. The above questions empower CFOs as strategic thinkers because the answers can generate pragmatic starting points for a conversation with the CEO and other leaders on ways to improve company performance through finance-driven and other solutions.

(B) Are your conversations strategic?[2]

Increasingly, many CFOs strive to be seen as strategic.[(ii)] But what does that mean in practice—specifically, in the critical conversations needed to move your company forward? For CFOs, who often have a finite tenure, instituting protocol around such strategic conversations can have another benefit: they are often the means to making an impact in a relatively short period of time. There are three types of strategic conversations, depending on where you are in the process of resolving an adaptive challenge.

01. **Building Understanding:** This is basically a diagnostic session. It is called for when the team doesn't know much about a particular issue or has multiple divergent views. Overall, the purpose is to try to get alignment around specific insights and gain shared understanding. Leading practices include posing a clear challenge and defining the end point.

02. **Shaping Choices:** When the issue is well understood but the resolution is not, a shaping choices conversation is needed. In this conversation, participants discuss different options based on their shared understanding of the situation, and evaluate the pros and cons of each. The key practices in this type of strategic conversation are to develop a manageable number of options—say, three to five—and to also treat the status quo as one of them. After all, by putting "do nothing" on the table as a specific option, you can remove its "default" power and treat it as just one of several possible choices.

03. **Making Decisions:** Once there is understanding and the choices are evaluated, it is time to make a decision. Most big decisions are made by leading players "offline" for this reason; it is important to focus the bulk of energy on designing powerful strategic conversations around building understanding and shaping choices.

Elements of effective resolutions

1. Convene the dream team	For a really important adaptive challenge, take a step back and consider who could really make a difference in understanding this challenge – include customers and subject matter specialists who could make a difference.
2. Be clear about decision rights	While adaptive challenges are often vague and cut across many parts of a business, it is important to make it clear before the session who will be responsible for making execution decisions.
3. Give it time	Adaptive challenges need a sustained effort that may take months and involve everything from informal discussions to market experiments; generate momentum and energy during the sessions that will help propel the team towards a solution.
4. Change the box	Instead of thinking outside the box; challenge the participants to think inside different boxes. For example, challenge participants to imagine "what a new entrant might change if you had either unlimited or severely limited resources?"
5. Establish a consensus for execution	Define what is wrong, identify alternative choices to make decision for effective execution and visualize the best case scenario before going in for conversation.
6. Accept the risks	Despite all efforts, there are times when strategic conversations don't work. Still, for CFOs looking to make an impact in a short time frame, strategic conversations are a useful tool. So, it's ideal to go ahead: build understanding, shape the choices, and make decisions. In the process, CFO will create a moment of their impact.

[1]"CFO Insights: Are you a strategic CFO? Seven essential questions" authored by Ajit Kambil - 2013 Deloitte Development LLC
https://www2.deloitte.com/content/dam/Deloitte/fpc/Documents/services/finance/deloitte_etude_cfo-insights-are-you-strategic-cfo_nov-2013.pdf
(i). Eliyahu Goldratt's book, The Goal: A Process of Ongoing Improvement, (North River Press, 1992) first introduced me to the theory constraints, which I have found practical and useful in engaging a broad class of problems.
[2]"CFO Insights: Are your conversations strategic?" authored by Ajit Kambil and Chris Ertel – 2015 Deloitte Development LLC
http://www2.deloitte.com/content/dam/Deloitte/us/Documents/finance/us-cfo-strategic-insights.pdf
(ii). "Are you a strategic CFO?"; CFO Insights, Deloitte CFO Program, Deloitte LLP, September, 2014.

Leveraging opportunities beyond urban

Rural India: Untapped opportunity

It is year 2020. The CFO of a leading consumer goods company is on her way to the quarterly board meeting and is stuck in traffic. The July rains have wreaked havoc on the already congested roads, and she is running late. She is, however, completely engrossed in the quarterly financial results – in a surprising new precedent, the revenues from rural areas account for more than 50% of the company's overall revenues!

She remembers a discussion nearly 4 years ago with the company's strategy manager, when the company made a committed choice to invest in rural markets. The task confronting them had seemed mammoth – greater geographical reach, higher channel complexity, and different set of product offerings all demanded a new set of controls and benchmarks. She remembers deliberating if the unique challenges presented by the rural market would lead to significantly higher costs, as she projected the budget and return on investment for the rural market business plan.

Now, all these years later, she heaves a sigh of relief. Initial investments had paid off – the company had continued to scale its operations in rural markets and margins looked healthy. None of this would, of course, have been possible without the more mature and agile financial systems. Advanced data management and better integration of systems had allowed her to provide strategic insights and analysis to different functions within the organization, and enable well-informed decisions.

While this scenario is fictional, rapidly growing rural markets suggest that the scenario is entirely plausible, and that huge rewards are in store for companies that are early movers in addressing this opportunity. Therefore, as rural markets evolve and companies look to increase their total addressable market by entering rural areas, CFOs should be poised to respond to new market and customer demands.

Rural India: a vast untapped opportunity

In recent years, rural India has emerged as a considerable market for industries such as FMCG[1], consumer durables, automotive and chemicals. With a population of over 850 million, it is home to approximately 70% of the Indian customer base and contributes to around 50% of the Indian Gross Domestic Product (GDP) and 17%+ market growth[2]. Projected estimates suggest that rural customers will account for nearly one-third to two-fifths of total consumption by 2025, with a much larger share in categories like food and beverages[3]. Much of this buoyancy is led by segments like ***rurban*** and new emerging 'top of the pyramid' segments. Moreover, the size of the rural affluent is similar to that of urban India, presenting an attractive opportunity for FMCG and other companies.

While agriculture continues to be integral to the rural economy, industrial and services sector have grown over the last couple of decades to become the mainstay of the rural economy. With about 70% of the rural Net Domestic Product (NDP) coming from non-agricultural activities, it has transformed into an industry-focused economy from a predominantly agricultural economy a couple of decades ago (Exhibit 1).

Exhibit 1: Rural NDP - Segmental Split (% Share)[4]

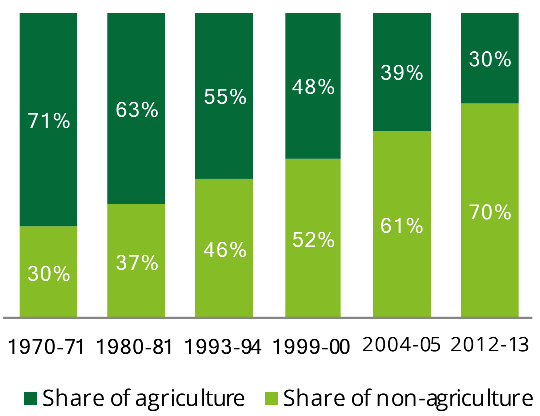


Exhibit 2: Recent Initiatives by Government of India[5]

National rurban mission

Cluster based development and creation of smart villages to complement smart cities

Digital India

Setting up common service centres (CSCs) in villages with internet connectivity

Skill improvement

Plans to train 500 million people by 2022 with help of corporate players and entrepreneurs

Electricity

Target to electrify all un-electrified villages in the country by the end of 2016

Road connectivity

Plan to build 2.23 lakh km roads in rural areas with a proposed spending of INR 27,000 crore

Innovation

Creating a network of technology and incubation centers to promote entrepreneurship and innovation

While there has been tangible progress in access to education, utilities, power, water, toilets and fuel, institutional gaps continue to exist. In particular, there are signifcant gaps in power, bus and rail connectivity, finance, healthcare, sanitation, and entertainment facilities. However, the Government of India has now undertaken various initiatives to improve rural infrastructure (Exhibit 2).

Distinct customer needs and buying behavior

Rural consumption patterns are shifting from basic necessities to discretionary goods such as mobile phones and televisions. Further, with premium products gaining acceptance over entry-level versions and branded products replacing commodities, it would appear that rural consumption patterns are resembling that of urban customers. However, it is imprudent of companies to extend their urban strategy to rural markets instead of developing a rural-centric go-to-market strategy. The fundamental differences in market dynamics requires companies to adopt different approaches while targeting rural customers.

To succeed in this market, companies need to articulate their goals and aspirations for the rural market, define their offerings and target customer segments, and chart out a robust and coherent set of choices. The Strategic Choice Structuring® framework with "Where to Play" and "How to Win" choices achieves this by building and reinforcing activities that create sustainable advantage (Exhibit 3).

Every company evaluating or targeting the rural consumers will have to make these choices and CFOs would play a crucial role in the decision making process. It is imperative for the CFOs to understand the options in front of them and be well-versed with the buying behaviour and needs of the rural consumers.

Define 'Where-to-Play' Choices

Companies need to define their playing field by identifying 'Where-to-Play' choices across multiple domains: customers, products, geographies, and channels.

01. Prioritize geographical clusters: The large and scattered customer base in rural areas poses limitations on sales force reach and

Exhibit 3: Strategic Choice Structuring® Framework

distribution. Successful companies prioritize geographies for targeted expansion and pursue villages which offer high Return on Investment (ROI), rather than adopting a conventional linear expansion plan. To prioritize geographies, companies adopt technologies like Geographic Information Systems. Such companies initially focus on locations with high growth potential and low cost to serve, which then serve as a base from which to expand into other locations. In the initial stages, building reach to "economically significant villages"[6] will significantly help companies in building a strong rural business.

Further, the rural market is not homogenous and there exist unique regional/state-level differences: a regional approach to markets is critical in the context of product and packaging design, sales and distribution, marketing, communication, financing and after-sales servicing.

02. Create relevant product offering: While some companies have been able to develop offerings for rural needs by modifying existing products – different packaging, sizes and price points – others have developed rural-specific products. Novartis, a pharmaceutical company, has created special medicines for the rural customers by offering revamped products, lower price points, and information in vernacular languages on the pack.[7] It is imperative, however, to understand that rural customers are now aspirational and "bottom of the pyramid" SKUs will have limited appeal to increasingly make the customer aware.

03. Identify channels to be deployed: Companies can employ a variety of sales and distribution models to tap into the rural market: direct distribution, hub and spoke, influencers, village entrepreneurs, 'feet on street', and online kiosks (Exhibit 4). While some have employed a conventional distributor-retailer approach in the market, successful companies have established connect with rural customers through a combination of models.

Companies are also increasing reach by employing innovative retail formats. For example, Zuari Agrochemicals has introduced its

Exhibit 4: Types of Sales and Distribution Channels

own chain of agrochemical hubs called Jaikisaan Junction as a one-stop agri shop that provides high-quality agri inputs to farmers[8]. Similarly, Coromandel has ventured into retail business by setting up more than 665 rural retail centers - each retail center has an average area of 1,750 square feet with a catchment area of 30-40 villages and about 5,000 farmer families[9]. Other examples of interesting formats include mobile vans hired by companies like Polar Pharma. These vans travel from village to village for sex education and awareness, and create overall consciousness.

Define 'How-to-Win' Choices

01. Develop a unique value proposition: Most companies make the mistake of offering the same value proposition to both urban and rural customers. However, rural customers have a unique set of needs compared to their urban counterparts. To successfully engage with rural customers, companies need to build a deep understanding of customer preferences, pain points, buying behavior, and desired experiences. Successful companies invest significantly in customer research and analytics to understand rural customers and their latent needs. Such companies, then, offer a compelling value proposition to customers, which goes beyond functional benefits and conveys 'value to customer'.

Companies could also set up loyalty programs, where possible, to track customer touchpoints. In this respect, consumer companies can derive learnings from tractor companies who have significant rural market expertise – tractor dealers maintain extensive records of every customer interaction including "at-home", "in-field" and "in-shop" visits; several are now migrating from print to tablets to track these interactions.[10] Maintaining such records can be a valuable source of information in understanding customer behavior and desired experience.

02. Develop specialized marketing approaches: With limited brands catering to the rural market, companies moving fast can gain a significant first-mover advantage. Hence, rural campaigns should focus on creating demand rather than just winning market share, e.g., Kan Khajura Tesan by Hindustan Unilever

Exhibit 5: Hindustan Unilever Limited – Kan Khajura Tesan (KKT)[11]

HUL's innovative Campaign

Give missed call on 1800 30 000 1-2-3

System (Kan Khajura tesan) calls back

Get free entertainment

Pre-programmed local language content that consists of
- Popular local music
- HUL advertising spots
- Jokes & an RJ to host the show

30 million — People reached

200 million — Ad impressions

Launched in 2013 in Bihar, following by Jharkhand, UP, MP, & Rajasthan

Recently rolled out nationally

Operated on cloud communications platform
- No capital investment; 27 paise cost per contact

Customer data collected at end of call – Age, Gender and Economic Status

Limited (HUL) which reaches consumers in 'media dark' but mobile penetrated areas of India (Exhibit 5).

Cost-effective campaigns could include product demonstrations at societal gatherings or in mandis. Moreover, with near-universal TV penetration (94% - with nearly 80% being C&S[12]/DTH[13] households) and the rise of the 2nd screen (80% penetration of mobile phones), technology has been a game changer.[14] Companies need to move beyond traditional wall paintings and mela-based campaigns to reach the increasingly well-connected customer.

The scale of internet penetration opens up opportunities for companies to increase efficiency of their sales and marketing operations through superior use of technology. HUL has adopted mobile-based ERP[15] technology to scale its 'Shakti Amma' model and realized INR 1,200 – 1,400 Cr of revenues in 2014 (Exhibit 6).

Timing of marketing campaigns also plays a significant role as the purchasing power of the community varies significantly across seasons, with peak purchasing power at the end of the local harvest.

03. **Explore innovative models to increase direct engagement with customers:** An effective marketing campaign requires a company to connect with the community rather than merely employing one-way communication. Given strong familial community bonds in rural markets and importance of word-of-mouth marketing, companies need to set up the right influencer networks - e.g., engagement with Self Help Groups (SHGs), Cluster Level Forums (CLFs) or village entrepreneurs – that can build relationship and trust among customers. At the same time, given challenges with influencer attrition, companies need to ensure customer loyalty to the company through other forms of engagement as well.

Also, emergence of new institutional "top of the pyramid" segments like community institutions (e.g., Gram Panchayat Local Federation), Farmer Producer Organizations (FPOs) and co-operatives present interesting opportunities for agrochemical, tractor, and other companies. These newer segments open up attractive partnership opportunities for companies to drive sales of their products through institutional/ direct-to-customer channels. The industry is already witnessing emergence of such partnerships – for example, Syngenta, in conjunction with Markfed co-operative, educates farmers on the safe use of pesticides.[17] To succeed in a growing market and to unlock the next wave of growth, companies should invest in strengthening business development capabilities to engage directly with these

Exhibit 6: Hindustan Unilever Limited – Shakti Amma[16]

- Initiated in 2000 to extend direct reach to untapped markets
- 70,000 Shakti Ammas and ~50,000 Shaktimaans by 2014
- INR 1,200-1,400 crore in revenue for HUL in 2014; coverage of ~165,000 villages comprising 400,000 households

Train on accounting, marketing, strategies, communication → Shakti Ammas procure HUL products with INR 15-20k investment → Sell products door to door or through petty shops, earning ~10% margin → HUL also appoints men of Shakti Amma family to travel & sell in nearby villages

- Key Enabler: "Shakti Mobile", ERP enabled smartphone to allow Shakti Ammas to take and bill orders, manage inventory, view promotional offers and discounts
- Helped track sales records by Shakti Ammas

new institutional customers. Companies will need to adopt different capabilities to engage with these emerging segments, e.g., direct to customer mode of engagement versus conventional mega distributor.

04. Offer financing options: To cater to the needs of rural customers who have limited credit facilities and cyclical cash flows, companies and channels need to customize their offerings and offer financing support. While distributors of tractor companies like Mahindra and TAFE offer financing options to rural customers, companies like Ashok Leyland run programs like 'Ban Jao Maalik' to help drivers finance and buy vehicles.[18]

This will require companies to develop strategic partnerships with financial institutions and local bodies, develop risk mitigation plans, and manage cash flows in a totally new manner. This may require a fundamental shift in how CFOs manage their balance sheets and cash flows.

05. Develop low-cost models for post-sale services: Post-sales service can be an important touchpoint for companies to collect customer feedback and market intelligence. Also, post-sales services can strengthen a company's rural ties, thereby increasing customer loyalty and retention. However, it is essential to be cost-effective while building a wide post-sales service network. Most companies achieve this through usage of technology or by offering "no-frills" services.

06. Invest in community development: Successful companies have looked beyond short-term profitability and taken initiatives to improve the standard of living of the rural community. This has helped them build trust and commitment among customers. For example, HUL has invested significantly in Project Shakti, an initiative which has created over 45,000 income-generating opportunities for rural impoverished women. This initiative has helped the company significantly increase its rural distribution. Today, more than 40% of its products are consumed by rural customers – an important example of how investing in community development can reap long-term gains.[19]

It is, thus, vital for a company entering rural markets to do more than just mirror its urban strategy. A company should look at rural customers as distinct customers and build a compelling value proposition with new offerings that cater to its distinct needs.

Further as companies react decisively to the growing rural opportunity, it is imperative for CFOs to employ advanced business intelligence systems that empower them to get to the

Exhibit 7: Samriddhi by Mahindra

It is a "one-stop-solution" model which acts as an umbrella interface between the company and the farmer by bringing together a gamut of agriculture related products, services and a knowledge repository under one roof. Mahindra Samriddhi has a long-term plan to reach out to 2 million farmers by 2020 and be a catalyst in farmer prosperity.

heart of business and financial data. As India gears itself towards a future of boundless rural opportunity, it is important for CFOs to emerge as well-informed partners to CEOs and CXOs, and support them in charting a new course.

[1]Fast moving consumer goods
[2]Economic Times, "Small town and rural India – The dawn of new Consumption", April 2015
[3]"How to win in India's rural markets", November 2011
[4]Central Statistical Office (CSO)
[5]Indian Brand Equity Foundation; Deloitte analysis
[6]Villages with 5,000 or more people
[7]"Masters of Rural Markets: Profitably Selling to India's Rural Consumers", 2013
[8]Zuari.in
[9]Coromandel.biz
[10]Deloitte analysis
[11]Kankhajuratesan.com; Deloitte analysis
[12]Cable and satellite
[13]Direct to home
[14]Economic Times, "Small town and rural India – The dawn of new Consumption", April 2015
[15]Enterprise Resource Planning
[16]HUL, "Enhancing livelihoods through Project Shakti"; Indian Management, "Project Shakti: It is all about empowerment", February 2012; Deloitte analysis
[17]DNA India, "Markfed signs MoU with Syngenta", August 2009
[18]Deloitte analysis
[19]HUL, "Enhancing livelihoods through Project Shakti"; Masters of Rural Markets: Profitably Selling to India's Rural Consumers

Evolving CSR Scenario in India

> "Corporate Social Responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is good for our business"
>
> **-Niall Fitzgerald,Former CEO, Unilever**

How has CSR gone mainstream

Deloitte made an analysis of the available CSR data through secondary sources and found that there has been a gradual increase in the amount of CSR spending since the law came into effect. In 2015-16, 920 companies listed on the NSE together have spent about 8,345 crore on CSR activities, an increase of 28% from the preceding year and an increase of 25 companies newly starting reporting their CSR spend.[1] An analysis of CSR spending of Bombay Stock Exchange (BSE) listed 250 companies for 2015-16 suggests an increase in adherence to the documentation guidelines and a substantial increase from 79% in 2014-15 to 92% of actual CSR spend to the prescribed CSR. Contribution to the Prime Ministers Relief Fund has also seen a substantial increase of 418%[2]. PSU spending on CSR climbed 41 per cent from the previous year. On an overall basis, 48 PSUs spent Rs. 2,078 crore in 2014-15. This went up to Rs. 2,936 crore by 47 PSUs in 2015-16.

In 2014-15, out of 1,181 companies listed on the BSE, 97% compliance were compliant in terms of formation of board-level CSR committee, 94% had a CSR policy in the public domain and 87% companies were actually spending on CSR and although 52% spent below 2%, 83% had provided reasons for the non-compliance[3]. In 2015-16, a total of 1,197 out of 1,520 companies (78.75%) listed on NSE had a CSR committee in place. Besides, 331 companies had appointed more than three members.[4]

States receiving maximum CSR support in 2015-16 were Andhra Pradesh and Telangana that jointly received funds of Rs 630 crore, followed by Maharashtra (Rs 529.50 crore), Gujarat (Rs 494 crore), Rajasthan (Rs 467 crore) and Tamil Nadu (Rs 414 crore).[5]

Most companies preferred the route of setting up their own foundations and built in-house capabilities to launch and monitor flagship programs for their parent companies. Setting up of these foundations manned with qualified professionals from development and allied sectors has also meant that the operations have moved away from being a core human resource department centered focus. Most companies have been inclined to support long term flagship projects that are directly listed under section 135, schedule VII of the Companies Act. This is a paradigm shift from one-time grants and donations being the norm of the day. The Public sector companies have also been able to streamline processes of implementation partner selection and project selection as they are now more inclined to follow stringent screening criteria and are not overtly influenced by pressure factors.

How it impacts businesses

Building brand image: CSR supplements regular marketing in brand image building. There have been numerous examples of this addendum in companies such as Reliance and TATA who have been practicing CSR since long and have successfully ridden the brand wave over difficult times. People easily recall and relate social action and override brand tarnishing incidents. In more recent times, a successful example of rebuilding of brand image through CSR is Nestle. In the aftermath of Maggi failing food safety norms, along with regulating manufacturing, Nestle partnered with the Project Nanhi Kalli that works toward the empowerment of the girl child through education initiatives positioning itself and its products as socially responsible.[6]

Responsible Brand positioning of NESTLE products

- Packs of Maggi will say "2 minutes for education" instead of "2 minute noodles."
- KitKat has changed the visual accompanied by the line "No break from education".
- Nescafe's tagline "It all starts with a Nescafe" moves to "It all starts with education" on the special packs.

Brand awareness/Marketing: Certain strategic CSR campaigns have helped in marketing their own products. P&G has linked its CSR program directly with the sales of their product and leveraged the good giving nature of their consumers for the social good. P&G did a study of its consumers and found that they are most inclined to donate towards education. Founded on P&G's purpose and this knowledge, Shiksha was launched in 2005 to enable consumers to contribute towards the cause of education of under-privileged children through simple brand choices.[7]

Community buy-in: Large manufacturing companies looking to set up their plants in and around habituated areas usually face a lot of challenges in land purchase, labour sourcing and objections from the inhabitants. Following the model of TATA in Jamshedpur most companies now conduct needs assessment surveys to understand the issues of the community in the region and try and build a symbiotic relationship with the community so that there are less challenges for the company and opportunities of improvement for the community conditions. These companies can then initiate social development activities to resolve the existent issues in the region that secures their buy-in into the region. These companies can also set up or upgrade existent skill training institutes to source local human resources.

Strategic CSR: Reliance Industries Limited has focused on 4 large thematic areas of work through its Reliance foundation. These include community health and outreach mobile health services, education for all, sustainable agriculture focus and promotion of rural sports. All the areas of focus that have been selected by the company closely align to the strategic business interests or investments. Similarly there are also many other companies that are looking at aligning their CSR focus to their core business sectors making the same more relatable, mutually beneficial, contributing to the brand image and identity and adding more shared value.[8]

How have companies gone ahead of business agenda and created socio economic impact:

The analysis of CSR spends in the year 2015-16 reveals that Education (INR 2,042 Cr) and Healthcare (INR 1,638 Cr) of the underprivileged sections of society have received maximum investments. Most of these investments are not directed toward direct business gain but are contributions toward the upliftment of the weaker sections of society. In the past this was done with a philanthropy angle but because of the rules governing CSR, companies are looking at sustainable projects, partnering with credible implementation partners, planning and monitoring projects in detail and measuring socio-economic impact. One of the foremost in maintaining such a CSR portfolio is Axis Bank through its Axis Bank Foundation (ABF). ABF runs sustainable livelihood, education and highway trauma projects along with promotion of savings and banking through the microfinance and SHG model. Beneficiaries under the ABF sustainable livelihood projects have seen considerable increase in livelihood options and income elevating them from the poverty line. ABF has a quarterly monitoring mechanism and a yearly review of the projects it or its partners undertake to see if it is on the right track. ABF is also quick to adopt best practices from among its own or third party projects, tailored on the basis of the relevance to its intended beneficiaries and planned targets.[9]

Key trends shaping the future of CSR

In the two years ensuing the law coming into effect, the CSR scenario in India has seen a rapid change in methodology, delivery and amount of investment. The following are the key trends observed that will shape the future of CSR in India:

- Moving from one time philanthropic commitments to long-term programmatic funding
- Increasing trend of convergence and creation of issue networks
- Focus on measuring and reporting social and economic impact –Adopting scientific methods of measuring change
- Willingness of cross learning - Adopting and adapting best practices while balancing relevance

It may be too early to say that there is evidence of significant social impact created by the CSR spend considering that the quantum of CSR spend is miniscule as compared to social sector spending in the country. However, owing to its programmatic disbursement method and timely monitoring, this spend has the potential of creating a catalytic effect of filling viability gaps, instilling better controls, accountability and effective management.

[1]Accessed on 25.10.2016 http://economictimes.indiatimes.com/news/company/corporate-trends/nse-listed-companies-csr-spend-swells-28-per-cent-to-rs-8345 crore in-2015-16/articleshow/55028653.cms
[2]Accessed on 25.10.2016 http://economictimes.indiatimes.com/news/company/corporate-trends/substantial-rise-in-csr-spending-compared-to-previous-year articleshow/54511651.cms
[3]CII report "A billion dollar story of CSR spends in FY15"
[4]Accessed on 25.10.2016 http://economictimes.indiatimes.com/news/company/corporate-trends/nse-listed-companies-csr-spend-swells-28-per-cent-to-rs-8345 crore in-2015-16/articleshow/55028653.cms
[5]Accessed on 25.10.2016 http://economictimes.indiatimes.com/news/company/corporate-trends/nse-listed-companies-csr-spend-swells-28-per-cent-to-rs-8345 crore in-2015-16/articleshow/55028653.cms
[6]Accessed on 25.10.2016 http://www.campaignindia.in/article/nestle-pledges-brand-lines-for-nanhi-kali-says-it-all-starts-with-education/429971
[7] Accessed on 25.10.2016 https://www.pg.com/en_IN/sustainability/social_responsibility/social-responsibility-programs-in-india.shtml
[8] Accessed on 25.10.2016 http://www.reliancefoundation.org/
[9] Accessed on 25.10.2016 http://www.axisbankfoundation.org/

Digital revolution: Time to re-think

Finance and fiction – the twain shall meet someday

Imagine a day in Paris 2025. Imagine the CFO of Daydreams is rushing back to her office at 10 pm in an autonomous vehicle. She has a task to attend and her team is already on the job. Two global Op Cos are coming dangerously close to breaching their Bitcoin denominated liquidity limits. The auto analysis function was putting this down to the recent social media chatter around a product failure in Colombia. She has to act fast and act now.

10.25 – The CFO pulls up a real time query on the visualization of the trading and balance sheet positions. External data on market movements and competitor response is also pulled in seamlessly and Artificial Intelligence reports throw up various scenarios. Decision trees come up on the virtual projector shared across Istanbul, Toronto, and London on how she could divert contingency funding until the noise settles down. Finance teams go through scenario testing and each scenario is quantified live during the conversation, using Big Data simulations.

10.55 – Finance teams collaborate with the various global teams to create appropriate scenarios on the central corporate document collaboration area before uploading the proposed solution for the Board's decision screens for approval. The night is still young for the street party at the 'Champs-Élysées'!

As much as this seems like a lift from a work of fiction, the world of finance is getting ready at an exponential momentum towards a future of unbelievable digital dexterity. The forces of technology are upending the traditional ways to closing books, paying vendors, and planning for tax exposures, in an increasingly cyber-insecure world.

"Technology is replacing manual interventions, the processes and tools including finance need to unwind transactional control and work as enablers for business growth. The investments and returns are to be looked from a different lens now. The pool of investments and returns need to be collectively evaluated rather than matching of standalone investments."

-Mr. Rajesh Gopinathan, CFO, Tata Consultancy Services Ltd.

(Source: Deloitte CFO Perspective, June 2016)
https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-june-2016-noexp.pdf

In our view, six discernable trends will define the future of finance:

1. Processes will be run as utilities – automated and inter connected run as Finance factories
2. Information will be ubiquitous and real time; cyber security will emerge as the largest frontier of risk
3. Predictive analytics from structured and unstructured sources will be the norm and not exception
4. Finance talent will come from non traditional sources with Gen Y-Z leadership and novel value systems
5. Finance leaders will don roles of Tsar of Cash, Risk and Economics – CFO being the Chief Performance Officer
6. Crypto currency transactions will test the stewardship role of finance

Innovations in technology in the last 50 years have enabled the finance function to evolve from hindsight to insight. Whereas it took 30 years for the technology of the twentieth century to capture and distribute data, a shift in half that time has empowered people to leverage that data through performance tracking, mobile devices and robotic process automation. Smart CFOs are currently investing heavily in fully robotized and automated transactional processes and controls, which is a stepping stone to enabling the next big shift: cognitive computing, where systems not only present data but truly process that data and generate actionable information. Refined datasets will empower the CFO to focus on making the decisions that maximize business and customer impact. And it is this technological enablement that will allow the balance in the roles of the CFO to evolve.

Big data, analyzed through sophisticated visualization tools, will enable the CFO as a Catalyst to make real-time decisions and execute on the financial objectives. Amplified intelligence leveraging internal and external data will strengthen the role of the Strategist. But if you are not already preparing to make the shift, you may already have fallen behind: it will not take another 15 years for the disruption to happen - this change is coming in the next 5 years.

There are four main levers that will influence, expand, and disrupt the power of Finance in future.

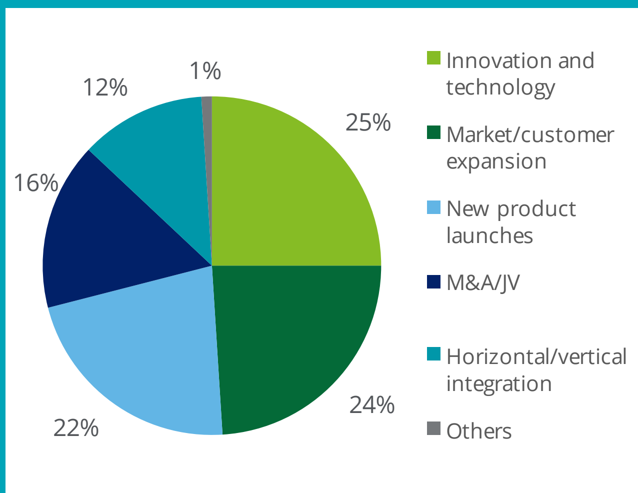
Enabling technologies – bolt-on applications that provide additional functionalities to support the process execution (e.g. E-invoicing, Robotics) – can dramatically expand factory capabilities.

Autonomic platforms operating in interoperable environments provide reconciliation capabilities using (un)structured data from internal and external sources (e.g., social media).

Monitoring tools analyze processes continually to provide insight in how processes are executed as well as the outcome of those processes (e.g., real-time process analytics), can yield dramatic insight into the business and alert against cyber threats.

Data collected from an evolved eco- system with deep cognitive skills, market trends and disrupters, and the expanding availability of external data (e.g., Internet of Things), can become powerful allies to a Finance function equipped to handle them.

Results as per the latest Deloitte CFO Survey showed that CFOs are more focused towards technology and innovation, as it has become imperative to innovate in today's markets. The last few years have seen the emergence of big data analytics and a move to cloud-based infrastructure bringing in more certainty and flexibility in businesses. Accordingly, the survey reveals that 25% of the CFOs believed that future investment trends will be governed by innovation & technology. We believe these results showcase the changing economic landscape where investment in technology is no longer a choice but a necessity. Companies have to invest in all kinds of technologies to grow the business, identify trends, create efficiency, and bring their businesses closer to the end consumer.



(Source: Deloitte India CFO Survey 2016
http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-survey-2016-noexp.pdf)

Today, the role of the CFO is under greater scrutiny, internally and externally, and faces never ending pressure to cut costs, grow revenue, and ensure control. Economic uncertainty, increased regulatory requirements, financial restatements and increased investor scrutiny have been forcing a continuous evolution of the role of finance from an "operator" to a "strategist".

The forces of digital disruption in the world around us is making this transition even more complex – as the rules of game are changing with the changing business landscape. It is imperative for the finance function to wake up to this tectonic shift in the expectations and get future ready for an ever evolving future.

CFO-CIO Partnership[1]

With technology playing a larger role in driving company value and competitive advantage, it is more important than ever that CFOs collaborate closely and effectively with CIOs. The CFO-CIO relationship is very critical in current situation. Despite the challenges, CFOs and CIOs can improve their ability to align IT investment with strategic growth plans and business performance if they strengthen their partnership.

How to achieve mutual understanding

CFOs can forge better mutual understanding by looking at the many commonalities that exist across the two roles. In many organizations, the CIO mandate is similar to that of the CFOs—to ensure that the current business operations are running efficiently and effectively while helping shape the strategy for future growth and stability.

To understand these commonalities, CFOs can identify how the CIOs can collaborate within the "Four Faces" framework associated with the CFO's primary roles:

Catalyst: What investments is IT making or identifying as critical for future scaling of the business?

Strategist: How is technology supporting the organization's growth strategy?
Operator: Is IT delivering timely and accurate data that supports the delivery of predictable outcomes and insights on revenues, costs, market share, profits, and earnings?
Steward: How is IT managing security risks and protecting core assets? Is there appropriate governance for technology investments?

Use Business Chemistry to improve communication

It is often said that a major challenge to effective communication between CFOs and CIOs is that one speaks the language of finance, the other of technology. Moreover, CFOs and CIOs tend to have different personalities. The result: differing communications styles and perspectives that could prevent understanding and create roadblocks to productive collaboration.

Understanding one's own behaviors and communication patterns as well as that of the executive you're working with can be enormously helpful in fostering collaboration.

"The CIO & CFO partnership was a desirable in the past....it is an absolute essential for value creation in the present and future. Those who do not embrace it, will perish!"

- VS Parthasarathy, Chairman – CII CFO Summit 2017 and Group CFO, Mahindra & Mahindra Ltd.

Collaborate to deliver value

While mutual understanding and strong communication form the basis for effective CFO-CIO collaboration, another element is to connect IT initiatives to shareholder value.
An effective approach is for CFOs and CIO to collaborate on IT investment strategies that drive shareholder value through revenue growth, operating margin, asset efficiency, and the expectations the market has about future growth. This approach can enable both executives to look at shareholder value and to show the IT systems they want to invest in can create tangible shareholder value. For example, the CIO can demonstrate that investing in middleware can create flexibility to integrate future acquisitions, which aligns to boosting revenue growth.

CFOs can also help CIOs articulate how IT impacts specific, key business processes. When discussing the sales process, for example, CFOs can help evangelize how the investment in IT will improve the information content of the process. Or, in the case of a compliance process, CFOs could work with their CIOs to identify how IT investment would impact the accuracy and timeliness of data in that process.

The importance of getting the CFO/CIO relationship right cannot be overemphasized. It requires focus on three specific areas—mutual understanding, communication, and collaboration—among others to create an overall framework for analyzing current and future IT capabilities. Steps taken in these areas can help enhance collaboration between CFOs and CIOs, as well as strengthen the future vision of IT value.

[1]"CFO Insights : Three ways to strengthen the CFO-CIO partnership authored by Ajit Kambil and Khalid Kark" 2016 Deloitte Development LLC
https://www2.deloitte.com/us/en/pages/finance/articles/cfo-insights-cfo-cio-partnership.html

Hidden costs of a Cyberattack[2]

There are many ways a cyberattack can affect—and cost—an organization, and the impacts will vary depending on the nature and severity of the event. Common perceptions, however, are mostly shaped by what companies are required to report publicly—primarily theft of personally identifiable information, payment data, and personal health information. Discussions tend to focus on costs related to customer notification, credit monitoring, and the possibility of legal judgments or regulatory penalties.

Rarely brought into full view, however, are cases of intellectual property (IP) theft, espionage, data destruction, attacks on core operations, or attempts to disable critical infrastructure. Beneath the surface, these attacks can have a much more significant impact on organizations and lead to additional costs that are both more difficult to quantify and often hidden from public view.

CFOs should be aware of the following seven hidden costs:

01. Insurance premium increases. Insurance premium increases are the additional costs an insured entity might incur to purchase or renew cyber risk insurance policies following a cyber incident. The factors that influence future costs may include: a willingness and depth of information provided by the policyholder upon review of the incident; the policyholder's plans to improve incident handling or other aspects of its security program; anticipated litigation; and assumptions concerning the company's level of cybersecurity "maturity."

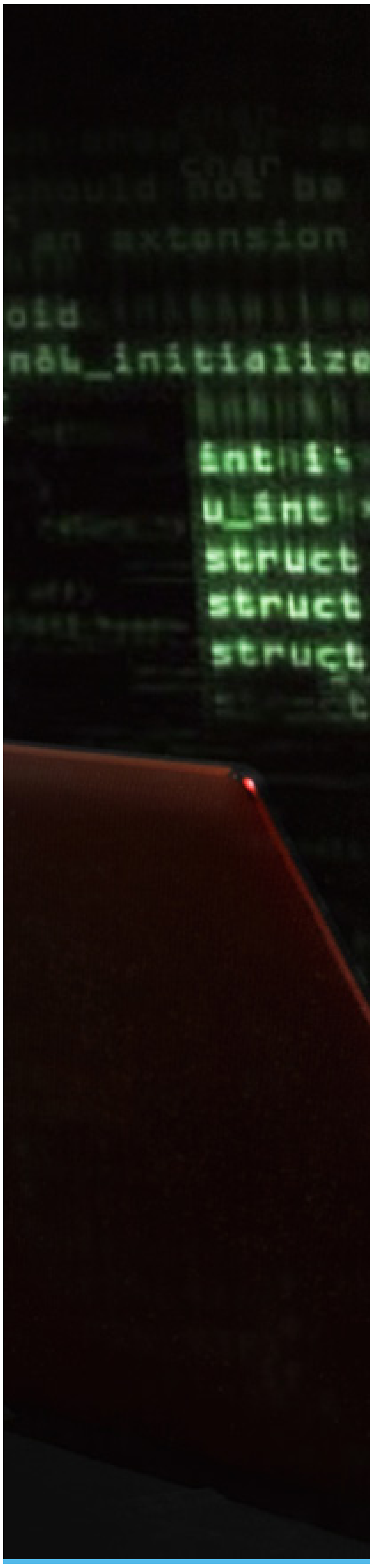
02. Increased cost to raise debt. Increased cost to raise debt occurs when, as a result of a drop in credit rating, the victim organization faces higher interest rates for borrowed capital, either when raising debt or when renegotiating existing debt. Organizations appear to be perceived as higher-risk borrowers during the months following a cyber incident.

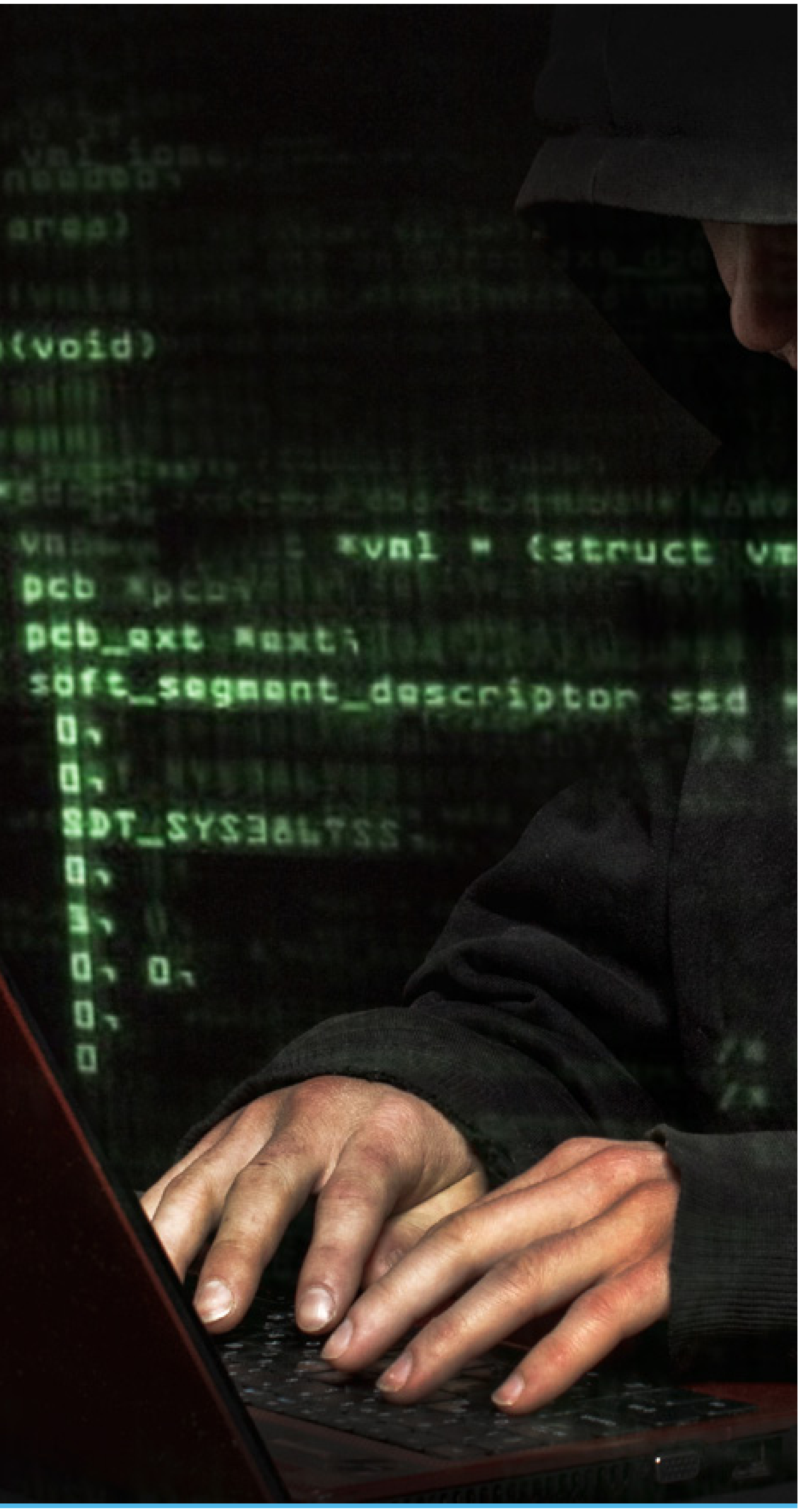
03. Operational disruption or destruction. Impact of operational disruption or destruction is a highly variable cost category that includes losses tied to manipulation or alteration of normal business operations and costs associated with rebuilding operational capabilities. This could include the need to repair equipment and facilities, build temporary infrastructure, divert resources from one part of the business to another, or increase current resources to support alternative business operations to replace the function of systems that have been temporarily shut down. It could also include losses associated with the inability to deliver goods or services. The nature of operational disruption—and therefore the appropriate method of calculating its impact—is very specific to each situation and requires direct knowledge of distinct information components.

04. Lost value of customer relationships. During an initial period immediately following a breach, it can be hard to track and quantify how many customers are lost. Economists and marketing teams approach this challenge by attaching a "value" to each customer or member to quantify how much the business must invest to acquire that customer or member. They then look at the likely revenue that this one customer or member will generate for the business over time. These numbers can then be evaluated per industry and particular organization to estimate how much investment is needed to attract and acquire new customers.

05. Value of lost contract revenue. Value of lost contract revenue includes revenue and ultimate income loss, as well as lost future opportunity associated with contracts that are terminated as a result of a cyber incident.

06. Devaluation of trade name. Devaluation of trade name is an intangible cost category referring to the loss in value of the names, marks, or symbols an organization uses to distinguish its products and services. A brand name is associated with the name of a specific company or a specific product,





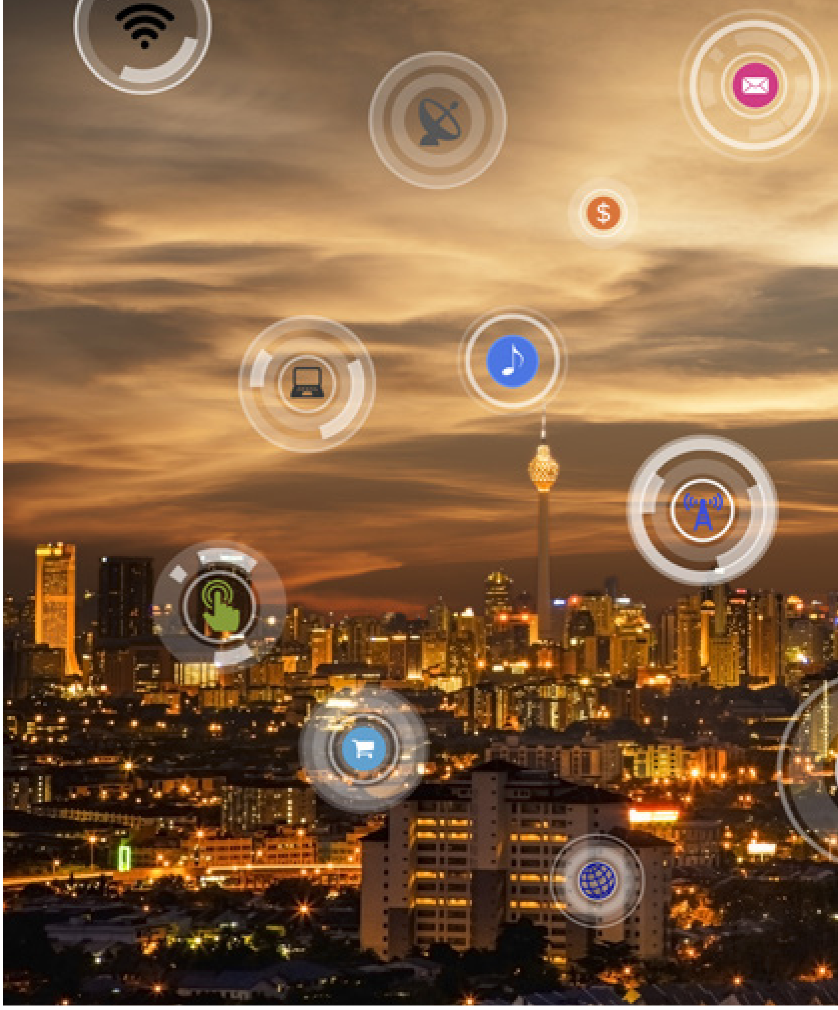
whereas a trade name relates to an organization as a whole. To determine the financial impact of a cyber incident on the value of a company's trade name, the likely value of the trade name both before and after the cyber incident has to be assessed.

07. Loss of intellectual property. Loss of IP is an intangible cost associated with loss of exclusive control over trade secrets, copyrights, investment plans, and other proprietary and confidential information that can lead to loss of competitive advantage, loss of revenue, and lasting and potentially irreparable economic damage to the company. Types of IP include, but are not limited to, patents, designs, copyrights, trademarks, and trade secrets. Unlike other types of IP, trade secrets are protected indefinitely until publicly disclosed. Similar to the value of a trade name, the value of IP is estimated by approximating how much another party would pay to license that IP

For all the attention major breaches receive, business leaders, including CFOs, rarely see what occurs behind the walls of an organization struggling to recover from an attack—until it happens to them. Moreover, while cyber incidents may begin as a technology issue, they typically extend well beyond the technology domain and hit at the very heart of business value and performance.

To understand the less obvious impacts of a cyberattack requires a multidisciplinary approach that integrates deep knowledge of cyber incidents with business context, valuation techniques, and financial quantification. But with better visibility into a broader range of the potential business impacts—including the seven outlined here—leaders can transform the way they manage cyber risk and improve their ability to recover when a cyberattack occurs.

[2] "CFO Insights : Seven Hidden costs of a cyberattack" authored by Ajit Kambil, Hector Calzada, John Gelinne, J. Donald Fancher and Emily Mossburg" 2016 Deloitte Development LLC
https://www2.deloitte.com/content/dam/Deloitte/us/Documents/finance/us-cfo-insights-seven-hidden-costs-cyberattacks-final.pdf



Internet of Things (IoT)[3]

Over the last 20 years, the Internet has been nothing short of transformative. And judging by the numbers, the Internet of Things (IoT)—a suite of technologies and processes that allows data to be tracked, analyzed, shared, and acted upon through ubiquitous connectivity—may have the same impact in half that time. Consider the following:

- Estimates are that there will be 25 billion embedded devices and intelligent systems by 2020.[i]
- Some 44 trillion GBs of data will be emitted from those devices [ii]
- On a global basis, the IoT will enable some 4.4 billion people to be connected.[iii]
- Overall, the global IoT market is expected to reach $4.3 trillion by 2024[iv]

How did this happen?
In short, the IoT evolution has been driven by a variety of developments across technology platforms. Consider the falling costs of computing power and data storage as well as the emergence of the cloud and advances in analytics, and you can see how sensors can now be placed on almost any device. Marry that with bandwidth, ubiquity, and mobility, and you have all of the ingredients of an ecosystem with endless commercial applications.

Moreover, the speed with which this ecosystem has evolved has allowed scalability and a rapidly rising interest in harnessing the power of the IoT. The result is that almost every company, regardless of sector, needs to think about the potential applications of the IoT—from cost avoidance to supply-chain efficiency to fundamental disruptions of business models. And for C-suite executives, and CFOs in particular, understanding the IoT and developing a point of view regarding its potential ramifications is essential.

Broad applications, endless opportunities
The potential of the IoT is certainly not lost on the C-suite. CXOs are exploring or adapting the IoT either ad hoc or in a disciplined, strategic effort.(v) Moreover, those efforts are creating opportunities in unexpected ways, including Internet-connected wearable fitness monitors, pill bottles that know when you've opened them, manufacturing and retail supply-chain efficiencies, and even tennis racquets that offer information to improve your stroke.

Some of the industry examples:

Healthcare industry: Driven by data- and information-sharing, the potential exists to move from a diagnosis and treatment environment toward a prescriptive monitoring of personal wellness. There are a number of IoT-enabled devices (stationary, wearables, implantable) available to monitor diabetes, heart conditions, and other ailments; the devices monitor clinical data (for example, blood glucose or heart rate), adherence data (for example, taking medications as prescribed), and consumer health data (for example, physical activity). Feedback to patients can help them engage and make better health and wellness decisions in real time, decreasing the need for costly doctor visits, tests, and hospitalizations and reducing the rate of progression of their disease.

In manufacturing, sensors are tracking complex global supply chains in terms of effectiveness and efficiency. The data is even allowing some manufacturers to convert their

primary revenue stream from the actual sale of products to so-called outcome-based services. One of the better known examples is GE, which is extracting data from sensors placed on its aircraft engines and used to optimize performance, utilization, and maintenance. After an initial set-up cost, customers pay for time used rather than equipment or service moving from a large fixed cost to a variable cost aligned with usage (charging for "power by the hour").

Retailers are seeing the benefits of the IoT in proximity marketing. They are piloting beacon technology, whereby customers entering stores can be detected and pitched relevant offers to enhance their in-store experience and increase their purchases. While that may seem an invasion of privacy to some, but the overall system can track an individual's traffic within the store. Then a company can examine heat maps of customer traffic over different time periods (24-, 48-, 96-hours) to figure out whether their staging and floor flows are working or not.

What all these examples highlight is that, in the IoT, it is the information that creates value. To model that information flow and understand exactly how it creates value there are the five stages of the "Information Value Loop" associated with the IoT. The technology of the IoT allows the creation, communication, aggregation, analysis, and use of information from real-world objects by real-world objects. Therefore, the value created by the IoT is governed by the flow of information through a system. The Value Loop models this information flow, providing a framework for companies to view their current and potential IoT use. As companies seek to realize the benefits and overcome the challenges raised by the evolution of the IoT, the loop can prove a valuable tool in defining a company's place in its ecosystem and how it can capture at least its fair share of value. In short, the Value Loop can help companies understand where to play and how to win.

Unleashing the Analytics of Things

The phrase "Internet of Things" (IoT) suggests that the most important attribute of distributed sensors is connectedness. While it's undeniably useful to connect inanimate objects and sensors to the Internet, that's only a first step in doing something useful with those connected devices. "The Analytics of Things" (AoT) are just as important, if not more so.

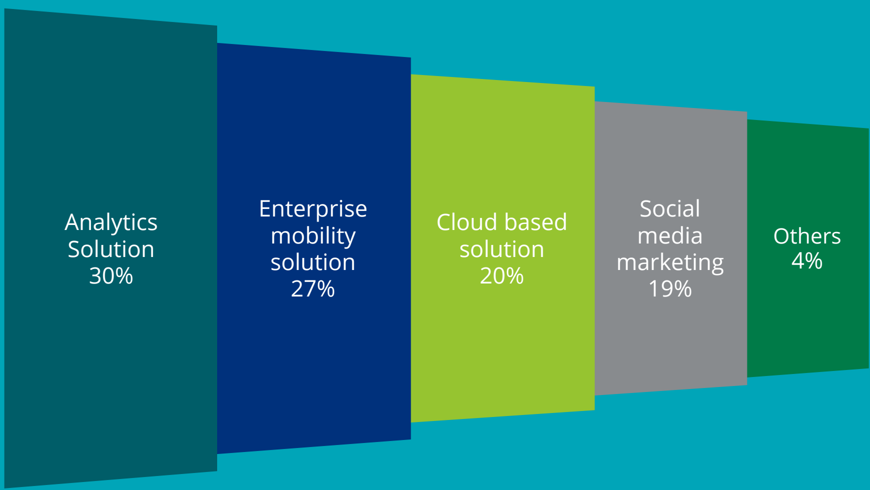
The AoT term points out that IoT devices generate a lot of data, and that data must be analyzed to be useful. It also suggests that analytics are necessary to make connected devices smart. Connection, on the other hand, isn't required for intelligent action.

Take, for example, a "smart" thermostat. These thermostats sense not only room temperature, but also whether people are in a room, patterns of activity, and so forth. In order to make sense of such data and take action on it, smart thermostats have embedded analytics that help them decide when to turn themselves up or down. So they're smart enough—without being connected—to save energy with little or no user involvement.

Smart thermostats can also be connected to the Internet through Wi-Fi, and there are potential benefits. Remote monitoring and control is one. You can turn up your thermostat during a trip home from work, or check remotely to make sure your pipes won't freeze.

This is useful for controlling remote devices, but connection also yields more data and more potential for analytics. The primary virtue of connected analytics is that you can aggregate data from multiple devices and make comparisons across time and users that can lead to better decisions.

The coming year could likely see numerous technological changes in company processes and procedures. In our survey, use of analytical solutions topped the minds of CFOs. The insights that analytics provide to enterprise on customers, suppliers and other key stakeholders drive the strategic decision making. It helps make business processes smart and more streamlined. Technological changes like cloud computing, analytics, social media marketing also enable mobility of resources and help enterprise provide complete suite of services to the customer. These technological changes have defined a new way of doing business by removing intuition based decisions, moving closer to stakeholders and driving maximum efficiency in business operations.



(Source: Deloitte India CFO Survey 2016, http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-survey-2016-noexp.pdf)

What other types of AoT are there?

- Understanding patterns and reasons for variation – developing statistical models that explain variation;
- Anomaly detection – identifying situations outside of identified boundary conditions, such as a temperature that is too high or an image depicting someone in an area that should be uninhabited
- Predictive asset maintenance – using sensor data to detect potential problems in machinery before they occur;
- Optimization – using sensor data and analysis to optimize a process, as when a lumber mill optimizes the automated cutting of a log;
- Prescription – employing sensor and other types of data to tell front-line workers what to do, as when weather and soil sensing is used for “prescriptive planting” by farmers;
- Situational awareness – piecing together seemingly disconnected events and putting together an explanation, as when a series of oil-temperature readings in a car, combined with dropping fuel efficiency, may indicate that an oil change is necessary.

This partial list of AoT possibilities begins to suggest their elements in common. One is that they are often a precursor to informed action. Comparative usage statistics, for example, might motivate an energy consumer to cut back usage; predictive asset maintenance suggests the best time to service machinery. Another common element is the integrated display of information—pulling together and compared.

Considerations for CFOs

For their part, many finance chiefs are well positioned to make significant strategic contributions by gaining a working knowledge of the IoT. In fact, the possibilities offered by the IoT give CFOs a platform to truly be an “architect” of an associated strategy. Given both the financial ramifications inherent in adopting the IoT as well as the CFO’s broad reach across the organization, finance chiefs are positioned to champion IoT by jointly working to shape strategy choices and applying a financial lens that maximizes the value of the chosen strategy.

Financial lens should also be applied to the following questions:

- **Who is involved in developing the strategy?** Typically, the larger the transformation and the larger the amount of investment, the broader the number of constituencies required to execute, finalize, champion, and deliver. While the CFO may play an "architect" role, he or she has to identify the players vital to execution of an IoT strategy—IT, tax, business-unit leaders, finance, COO, CEO, and so on—and decide whether the solution needs ownership, sponsorship, or just the support of each.
- **What business value drivers influence IoT decision-making?** There are several drivers behind the push for expanding IoT. Whether your strategy is focused on operational efficiency, product improvement, or increased revenues, as CFO, you will have to make the trade-off decisions necessary to ensure adequate funding for success.
- **Should the focus be on improvements in financial or operating metrics?** There is no doubt that IoT can have an impact on financial metrics (e.g., increase in revenues, decrease in cost/expenses, reduction/improvement in asset utilization) and operating metrics (for example, improvements in facilities/asset life cycle, product life cycle, customer life cycle). Improvements gained through IoT are not mutually exclusive, however, and both metrics should be considered and targeted. For example, by tracking the location of equipment, such as portable vitals monitors, a hospital can find the equipment and provide care to patients more quickly, improving key operating metrics. However, they can also get a more accurate picture of the utilization rate for that equipment, allowing hospitals to rent or buy only the monitors needed, improving financial metrics as well.
- **Have you considered the tax implications of IoT?** In any business-model transformation, tax considerations should be taken into account. If you are creating services, for example, those are going to be taxed differently than product sales. Therefore, knowing and understanding how your revenue streams will be taxed is an important part of your strategic design so that you can collect and remit applicable transaction-based taxes and plan for income tax requirements. Those design decisions also need to consider required documentation and support for audits and reviews by regulatory authorities around the world.
- **How do you measure ROI?** Embarking on an IoT strategy represents an IT investment—in sensors, networks, standards, and augmented intelligence. Measuring the ROI on those investments, however, will depend on the problem being solved. For example, if the problem is customer retention and the issue identified is service responsiveness or product outages, maybe the IoT solution is assessed by reduction in the response time, pre-identification of product failures, or ultimately customer turnover—or all of the above.

In the end, however, the biggest question is, "When do we start?" When it comes to the IoT, there is a risk to doing nothing. Ignoring the rapidly evolving developments of the IoT may put you at risk of being disrupted by a nimble organization that is thinking broadly about how all of these technologies come to market, impact customer behavior, and redefine how value is defined and created. A solid understanding of the promise and the power of the IoT—as well as the acceptance that it can fundamentally change your business model—will allow you to capitalize on this next phase of the evolving data world.

[1] "CFO Insights : Internet of things" authored by Ajit Kambil, Elina Ianchulev, Michael Raynor and Paul Sallomi- 2016 Deloitte Development LLC
https://www2.deloitte.com/us/en/pages/finance/articles/cfo-insights-promise-power-internet-of-things.html
(i) " Gartner Says 4.9 Billion Connected "Things" Will Be in Use in 2015," Gartner, November 2014.
(ii) "Expanding digital universe: transformative opportunities," EMC Digital Universe Study, April 2014.
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(iv) "The global IoT market opportunity will reach USD4.3 trillion by 2024," Machina Research, April 2015.
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GST: Set for launch

CFO Speaks

Mr. Sugata Sircar, CFO and Country Finance Partner, Greater India, Schneider Electric India

With GST not being too far away, industry is gearing towards its implementation and has a better understanding now. While we are mapping our current processes, no one is fully prepared as the tax rates are still unknown. Thus, it is work in progress for most of us! However, once GST is implemented, it would bring benefits for the Indian economy, new opportunities for the businesses, and will certainly have a few challenges to address.

Benefits

- GST would be positive for the Indian economy. Though the first year may not see significant contribution to the GDP as businesses spend resources on implementation of the structure and workout more efficient commercial systems, it will have a positive impact in future.
- It will bring better transparency. Simple tax structure and better processes will be a relief for businesses.
- GST will impact supply chain, releasing value where tax without credit is stuck as cost in the current scenario; this will enable negotiations (buyer and seller). While all the value may not be passed on to the consumers, competitive sectors will see significant value pass through.

Challenges

- System and IT – ERP implementation will be a significant challenge as time is limited and ERP companies can only release the first patches after the law is determined. Thereafter, industry will have to customize as per their requirement, implement the new systems, test it and train people.
- Transition challenge – In addition to systems, tax on inventory with channel partners is a significant issue to be resolved.
- Government preparedness – While the government seems to be confident on its readiness of systems and back-end processes, training of GST personnel will only be evident once GST is rolled out.

Supply chain

Businesses need to re-assess their supply chain model based on the need in each region of the country; the need for having warehouses in a state for tax reasons will no longer be there. The process for modelling the optimal supply chain set up is in progress. I expect supply chain structures to change significantly over the next 2 years, facilitated by GST and by infrastructure improvement.

Our business

We have 6 business areas and 28 plants in India, with various kinds of transactions. The most important impact of GST on our business would be:

01. On sales side, today some of our buyers can't avail credit so we give them special discount; these have to be re-assessed.
02. CST (Central Sales Tax) would no longer be a cost.
03. We shall be able to take credit of SAD and CVD on imports, which is currently a cost.
04. We will re-assess our delivery centers across the nation to have an optimal model.
05. Lastly, IT implementation has to be done which is being carried out in a phased manner with the support of our strong in-house IT team.

Further, in order to acquaint our finance teams to the new supply chain logistics and IT changes, we are doing in-house training sessions to build their competiveness and engaging with business leaders to gauge the commercial impact of this transition.

Opportunity

The businesses need to revalidate their models based on pricing, cost optimization, and structuring both sales and purchase side of the supply chain. Since each of the business has a different set of activities, aligning to optimum model would be the key to drive value out of the business. Import or localize, contract manufacture or sell and buy back, sell directly or through a channel; all these structures are being validated in the context of GST.

Moreover, it is also imperative to reassess our pricing strategy to stay competitive in the market place.

To conclude, I would say "GST will be a game changer for business in India. It shall bring significant value over time. Certain procedural anomalies and transition challenges must be addressed by the government for a smooth working of the model."

GST: A major indirect tax reform

The introduction of GST in India is now a reality, with the Government stepping on the speed button to bring in GST live with effect from July 2017. A thorough preparedness of the organization before the actual implementation of GST is the need of the hour. GST proposes to replace the complex indirect tax laws prevalent and rooted in the Indian tax system since decades and brings in a whiff of fresh air for corporates. It is however a challenge for most organizations to restructure the existing business processes considering the multiple stakeholders in an organization. Under this new regime, central excise, service tax, central sales tax, value-added tax, entry tax, octroi and various other cesses levied by centre and state are all to be subsumed under GST. GST being a major indirect tax reform affects not only the tax function of the organization but also the normal business functioning of an organization.

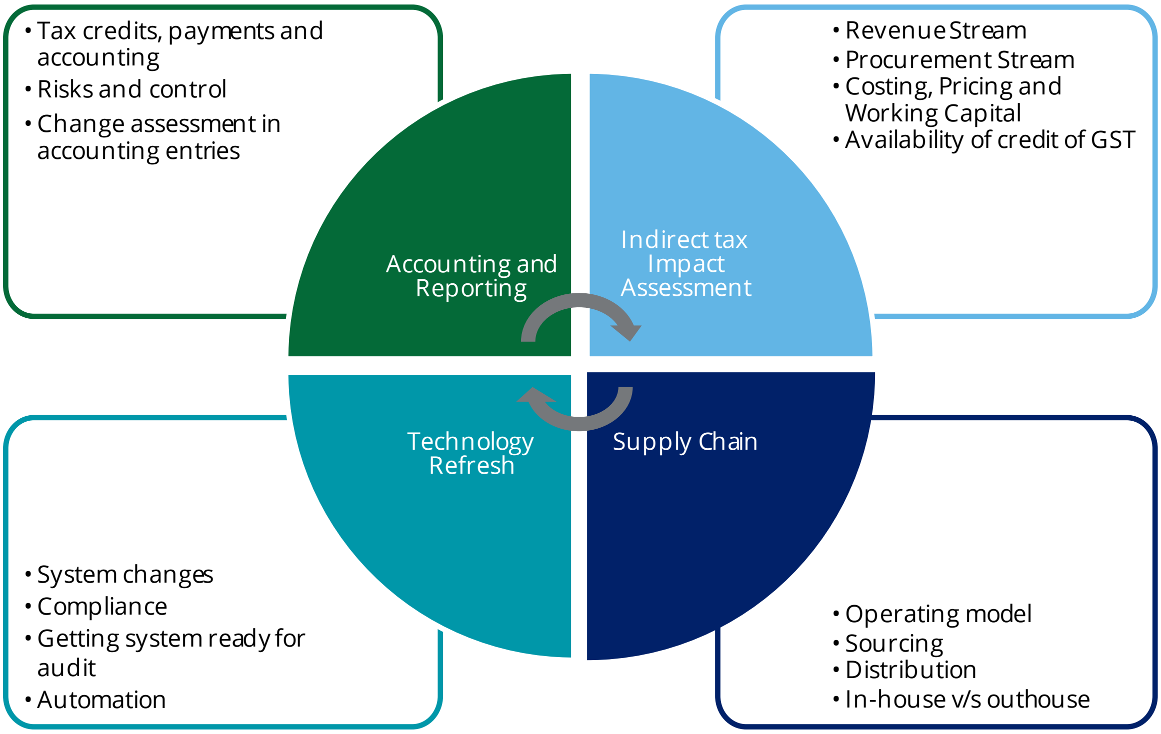
GST is expected to affect every part of business including cash flow, capital budgeting, pricing of products and services, financial reporting, tax accounting, compliance processes, supply chain, procurements, contracts and the technology framework currently enabling this ecosystem. In addition, there will be significant training needs for personnel to understand and operate effectively under this new regime.

The transition to GST will have to be managed in a phased manner and will require proactive and timely planning. Companies will have to start by understanding key areas of impact to their business model and prepare different scenarios for the design and application of GST. Implementation of changes will have to be managed through robust program management across various company stakeholders in the entire value chain.

Currently service sector contributes 55-60% of India's GDP, whereas manufacturing sector contributes 18-20%. However, tax collected is only 2% of GDP for the services sector, whereas manufacturing sector accounts for 7-8%. This is a dichotomy and GST will certainly bring in significant tax reforms with uniformity, compliance structure and increased penetration.

-Manas Datta, Group CFO, Wockhardt Limited

(Source: https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-sep-2016-noexp.pdf)



Business Transformation

Although the introduction of GST is a tax reform, it would lead to a complete business transformation for the reason that it will have an impact on all aspects of business.

The key areas of business impacted by GST introduction include

- Indirect tax impact assessment — the strategic and operational impact of GST on revenue and procurement streams, costing and pricing of products and services, working capital and cash flows, and transitional provisions for carry forward of existing credits
- Supply chain — operating model and network redesign across sourcing and distribution, contracting and process changes
- Accounting and reporting — tax credits, payments, changes in accounting entries (including revised charter of accounts in compliance with Indian Accounting Standards), and a risks and control framework
- Technology refresh — ERP / SAP and other system changes, GST reporting changes, system ready for audit and potential automation of GST compliance

Businesses that are well prepared will be able to add value to the organization by reducing disruption and maintaining and improving relationships with suppliers and customers alike. Each action will require early planning and timely execution to leverage this advantage, including managing budgets, resourcing, and the overall success of the project.

However, these critical activities will clearly require significant investment by companies while they continue to focus on running their existing business operations, making this task hugely challenging. In recent months, we have seen that some Indian companies have woken up to this daunting task and are getting prepared. We are now seeing serious engagement at the C-suite level, with many companies discussing GST at the board level, identifying GST steering committees and making them accountable for executing this transformation.

Supply Chain Management and Business Procurements
Under the present value-added tax system, businesses opt for multiple warehouses in different states to mitigate the tax incidence of Central Sales Tax (CST). In the new GST structure, Integrated GST on interstate supply of goods would have to be given due consideration strategizing the distribution chain and warehousing.

A uniform tax rate across the country may warrant strategic warehouse reengineering in the wake of revised supply and supplier chains. Such warehouse reengineering can remove an extra level of warehousing in the supply chain resulting in cost benefits.

Finance and Working Capital Management
With the proposed high GST revenue neutral rate (RNR) cash flows will have to be optimised to provide for the changing indirect tax rates. In addition to the changing rates GST will have a direct transactional impact affecting the cost of the product and cash flow.

The working capital will have to be reworked. Furthermore, to optimise working capital, re-budgeting for working capital loans and bank cash credit limits will have to be commissioned.

IT Preparedness by Government

- **Project SAKSHAM**
  'The cabinet approved the project 'SAKSHAM', which is said to be the new indirect tax network (systems integration) of the CBEC. The Cabinet Committee on Economic Affairs (CCEA) chaired by Prime Minister Narendra Modi cleared INR 2,256 crore IT project Saksham of the Central Board of Excise and Customs, which will help in the implementation of the GST and integrate CBEC's system with the GSTN by the GST roll out deadline i.e. July 2017.

  The highlights of the Project 'SAKSHAM' are:
  – Expansion of the Indian Customs Single Window Interface for Facilitating Trade (SWIFT)
  – Implementation of Goods and Services Tax (GST)
  – Ease of Doing Business of Central Board of Excise and Customs and taking important initiatives under Digital India

- **GSTN (Goods and Service Tax Network)**
  The next few months are expected to be eventful months for GSTN (Goods and Service Tax Network). GSTN is expected to deliver common and shared IT infrastructure for implementation of GST which will be used by nearly 80 lakh active assessees of excise, customs tax, service tax, and value-added tax.

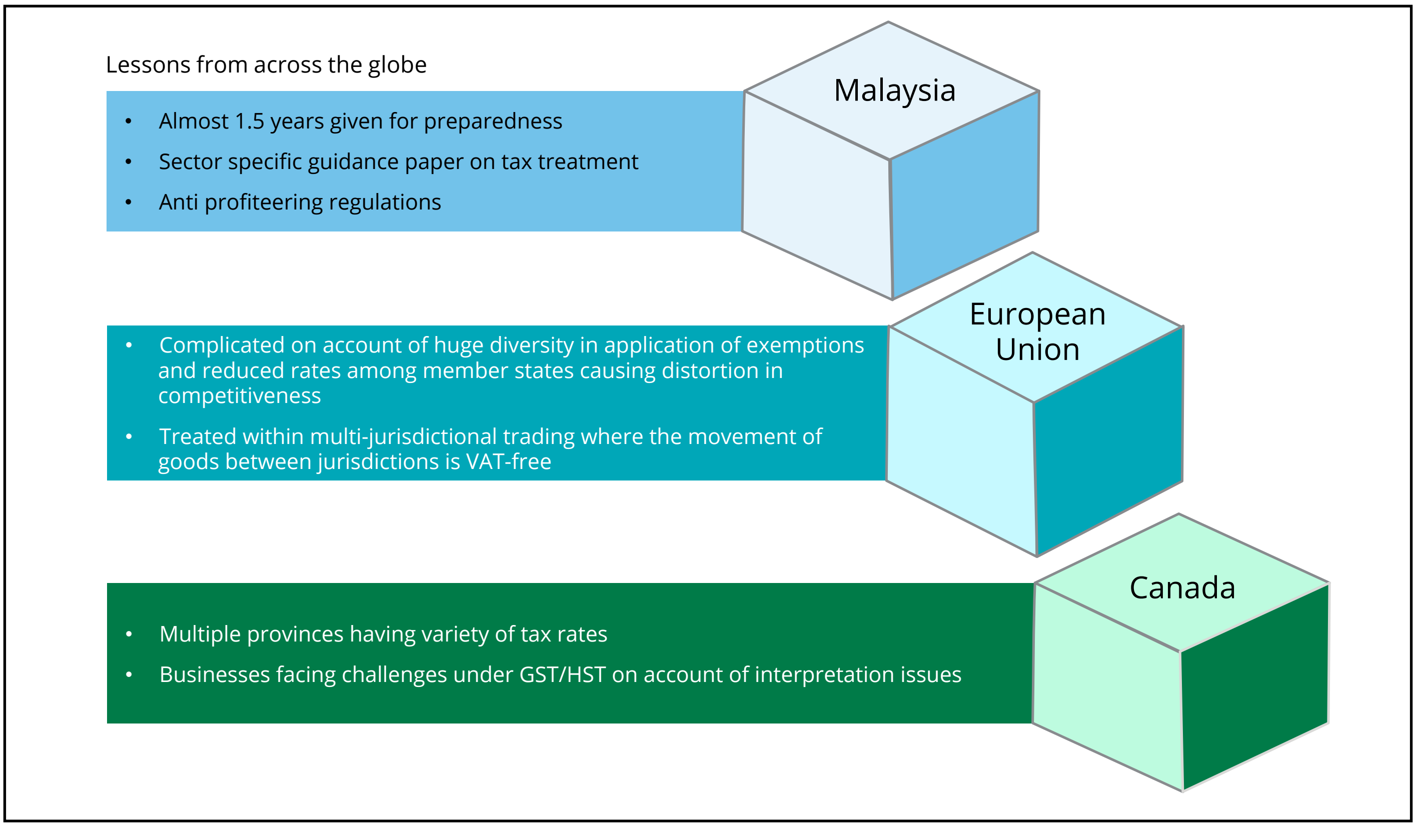
Lessons learned from:

- **Malaysia GST**
  Malaysia introduced a new GST on 1 April 2015. One lesson from the Malaysian experience is that complete awareness and proactive preparation will be of paramount importance in handling this huge tax reform effectively.

  Malaysian GST is a fairly simple tax, with a single rate, and taxpayers had a great deal of advance notice of the law and rules. However, the reality for many businesses was that the rollout was far from seamless because of a lack of awareness and preparedness; the new tax led to business disruption, operational issues and delayed compliance for many

  The need for preparation may be even greater in India than in Malaysia. The Indian GST will be unique and far more complex than the Malaysian tax, with a dual GST regime and levy of GST on inter-state supplies of goods and services, including intracompany stock transfers.

- **European Union**
  European Economic Community adopted VAT throughout Europe, replacing cascading multi-stage turnover tax, owing to the ease with which it handled cross-border transactions and facilitated development of a common market.
  – Supply of all goods and services in the course of business by a taxable person within EU is subject to VAT at a standard rate not lower than 15%, unless specifically exempt.
  – Activities and supplies in public interest, such as medical care, services linked to welfare and social security work by public entities or charitable organizations, certain education and cultural services; specific financial and insurance services; certain supplies of land and buildings; export of goods, intra-EU supplies etc. are exempt from VAT.



- **Canada**
  In Canada, GST is applicable on supply of most goods and services including real property and intangible personal property and is governed by Excise Tax Act. Canada has a federal government (like in India) and a federal GST was introduced in 1991 replacing the existing federal sales tax imposed on manufacturers and certain licensed wholesalers at a general rate of 13.5%.

  However, all provinces continued with the provincial retail sales tax ('PST') thereby having two levels of levy. The harmonized sales tax (HST) is imposed in provinces that have harmonized their provincial sales tax with the GST (New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario, Prince Edward Island) and is a combination of a federal component and a provincial component (i.e., 5 percent to 8 percent) applicable generally on same base of property and services as the GST.

  In the remaining provinces, GST is imposed on taxable goods and services along with provincial sales tax or a retail sales tax. The three territories (Northwest Territories, Nunavut and Yukon and Province of Alberta charge GST at the rate of 5%.

  - Exports and supplies of goods and services relating to basic needs of individuals such as drugs and biologicals, medical and assistive devices, basic groceries, agriculture and fishing, transportation and travel etc. are taxed at the rate of 0% (zero-rated).
  - Supplies of goods and services supporting public needs such as certain real property, healthcare, educational, child and personal care, legal aid, public sector bodies, financial services, ferry/road/bridge tolls etc. are exempted from GST/HST.

Role of CFOs in GST is a key

GST implementation is a complex change management exercise for the Indian economy and building the consensus on the finer details is a time-consuming exercise. CFOs as a part of the management have the burden of financial responsibility of the organization and play a leadership role in connecting tax within finance and integrating with the rest of the business functions. Effective tax management of any organization is one of the key responsibility of the CFOs where the CFO's needs to ensure timely compliance of the organization with the law and regulation. GST being a major tax transformation for an organization requires a directional approach from the CFO in its early stage of impact assessment and implementation to ensure that all the business verticals and the organization as a whole is well-integrated with GST

CFOs know that an organization's reputation forms part of its intangible assets, which include brand, human capital, and goodwill. As such, reputation is valued as part of the organization's market capitalization and differences in reputation are an important reason why organizations that apparently should be worth similar amounts can differ so widely in valuation. While a detailed technical understanding of tax is not a realistic expectation from the CFOs, but there are certain strategic decisions that are expected from CFOs which shall have an impact on the effective tax policy of the organization during the pre and post GST implementation period.

A CFO is expected to have an appreciation of GST's value proposition that could be to reduce cash taxes, to reduce and manage risk, or to serve as an operationally effective compliance cost center. Effective tax planning requires finance/ tax function of an organization to engage the business appropriately, and the business to educate the finance/ tax function about their strategic priorities. CFOs can function as an effective interface between the finance/ tax function of the organization and the rest of the business.

While effective planning in the current environment is more challenging than usual since the scope of potential reform increases the risk and opportunities, a useful approach is to consider the impact of GST over three distinct time periods i.e., the pre-reform period, the transition period and the post-reform period and in four affected areas i.e., the business's tax liabilities and planning, its owners, its employees, and its products and services.

To ensure a smooth implementation of GST, a CFO's role would be to ensure the following during pre-reform period, transition period and post-reform period:

- Assess the benefits or burdens of the current tax system that drive tax planning or business decisions and then determine the potential impact of alternatives

> As an industry, we also need to do our planning correctly basis the legislation. Going forward, we may not need to have warehouses for commercial considerations and will keep them only when needed. GST will be a reform leading towards modification of supply chain and the way we do business. We also need to gear-up our IT systems and business processes.
>
> **-Rajiv Batra, CFO,**
> **Cummins group of companies**
>
> **(Source: https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-sep-2016-noexp.pdf)**

- Deployment of efficient and talented tax resources for handling the GST impact assessment and implementation project for the organization. The CFOs need to ensure that a good internal tax team with the organization's business knowledge is set for smooth implementation of GST.
- Formation of steering committees for finance department, procurement department, supply chain management, legal department and IT department.
- Making a transition roadmap and hiring the tax consultants and IT consultants to assist on implementation of GST.
- Leveraging on the technology used by the finance function by making much needed changes in the processes based on the draft GST law. Further, the CFOs need to understand if tax is fully utilizing the functionality within the existing technology platform.
- Review of potential impact of GST on products and service offerings, marketing plans and distribution pattern
- Special attention to planning opportunities during the Transition period. During the transition to GST, CFOs can focus on securing benefits under the current policies that will become unavailable post-reform and taking advantage of opportunities presented by the transition, including identifying competitors/ other industry players and their strategy for implementing GST.
- Effective trainings and workshops for employees engaged in implementation of GST to ensure smooth migration
- Preparing of SOPs during the implementation stage to ensure documentation of process flows and effective functioning during the post-implementation period.
- CFOs would be expected to tackle new set of challenges when plans are put into place once GST goes live. The planned processes and IT systems may require modifications to accommodate the new reporting requirements resulting from rules and regulations which shall evolve from time to time.

Accordingly, CFOs are required to play a pivotal role in GST impact study, implementation and post-implementation to ascertain the impact on pricing, costing, margin decisions, supply chain management and other similar areas. An impact analysis would be essential to ascertain the estimated quantitative impact of proposed GST based on the draft law. One of the key impact areas to be focused is the impact on profitability of the organization. Pricing of products and services needs to be strategized to ensure there is no negative impact on the profitability of the organization due to GST

A smooth implementation shall be the one which shall enable the organization to abide by GST law from day one and to overcome any potential non-compliance. GST is a complex reform process and hopefully when India moves to GST, it will transition well. The tax is different for different countries as it depends on an individual country's economic, political structure and scenario.

In the meantime, the finance function of the organization is required to keep an eagle eye on the pace of this transition. The introduction of GST necessitates a relook at the current business model by finance professionals, especially to CFOs. GST having its far reaching impact on the business forces the organizations to renegotiate terms with their customers/ vendors in order to align safeguard any negative impacts on each component of their business. GST will impact finance, IT and each aspect of business compelling redesigning of the organization's business model and how the business is conducted. The stakeholders in supply chain need to be in a win-win situation with the entire organization for successful implementation of GST.

The CFOs have always managed to ride their way through rough seas fairly well in most complex change management programmes. This one, while on a national scale, is clearly not out of scope with the major challenge on the time constraint and preparedness of industry especially when the Government is all set to implement GST with effect from July 2017.

CFO: Overcoming challenges

Risk and regulatory challenges

At the outset of Deloitte India's recently published 'India CFO Survey 2016', we understand that regulatory and risk-related issues (as stated in Figure 1) continue to be the teething challenges that CFOs regularly try to address and overcome so as to minimize any adverse impact on the financial performance of their organization. CFOs remain increasingly concerned on the impact on the regulatory reforms put forth on various aspects surrounding their business – with 2015-16 having introduced reforms around taxation, accounting, risk and controls among others. As a result, CFOs maintain that strengthening their approach towards maintaining compliance and strengthening internal controls will remain important near term priorities for them.

Figure 1: Regulatory, risk and control perspectives of CFOs from Deloitte India's India CFO Survey 2016

23% of CFOs consider industry regulation/legislation as a key industry challenge over the next 3 years.

62% of CFOs have accepted that compliance to changing regulatory environment will remain an important near term priority for them.

22% of CFOs maintain that the difficulties in maintaining compliance is an impediment to the business environment

63% of CFOs are comfortable that their internal control framework is robust enough to not be susceptible to frauds.

57% of CFOs expect that that matters relating to tax laws and the impending GST reform to have the biggest potential impact on operations.

65% of CFOs however maintain that strengthening and streamlining internal controls will continue to remain an important near term priority for them.

Internal Financial Controls

FY 15-16 saw CFOs of listed and unlisted companies in India deeply focused on maintaining adequate documentation and establishing a robust effective internal control framework around their finance and accounting activities due to the inclusion of statutory auditors to express an independent opinion on the adequacy and operating effectiveness of controls related to financial reporting activities – so as to ensure alignment of the results of the self-evaluation carried out by the organization's board and management on the adequacy and effectiveness of internal financial controls maintained within the organization's finance function.

With FY 16-17 looming closer, a key challenge for CFOs is around the ability of the finance function to ensure the continuance and maintenance of capturing risks and controls during changing strategic objectives and operational activities carried out within the organization – so that the required documentation and self-evaluations are carried around the laid-down processes, controls established and current activities carried out within the finance organization.

Approach to overcome such challenges
A structured and well-defined procedure for identifying risks, documenting their impact on financial reporting and likelihood of their occurrence, and maintaining control/s to mitigate or monitor the risks can help overcome such challenges. Key questions to ask before updating their risk and control documentations along with maintaining an effective internal financial control framework include the following:

- How are the new business activities being looked upon from a financial reporting perspective?
- What will be its contribution to the overall financial performance of the organization?
- Have there been any changes to our finance activities? If yes, have they been documented and updated in our process manuals and risk & control documentations?
- Do we have a well-defined procedure that has been established within the finance function to document the activities within the procedure manuals?
- What are the kind of risks that emanate from the procedures? Is this a known risk that affects other finance activities or not?
- Do we have established controls that can mitigate these risks? Has this been documented? How effectively have they been performing over the last year?
- Have our controls gone through an independent assessment around the operating effectiveness? Have the results been improving from the previous evaluation carried out in the previous year? How often have we evaluated their effectiveness?
- Are there any opportunities to improve our controls further? Can we further automate some of our manual controls? Can we move some of our detective controls to preventive controls – if not, do we have any early warning mechanism that can support these detective controls?
- Has there been a change in our personnel within the finance function – either by individual or by their responsibilities? If yes, have we updated the control and activity owners in our documentations?

Figure 2: The building blocks of an IFC/ ICFR framework that remain a challenge for CFOs to update and align with changing business activities

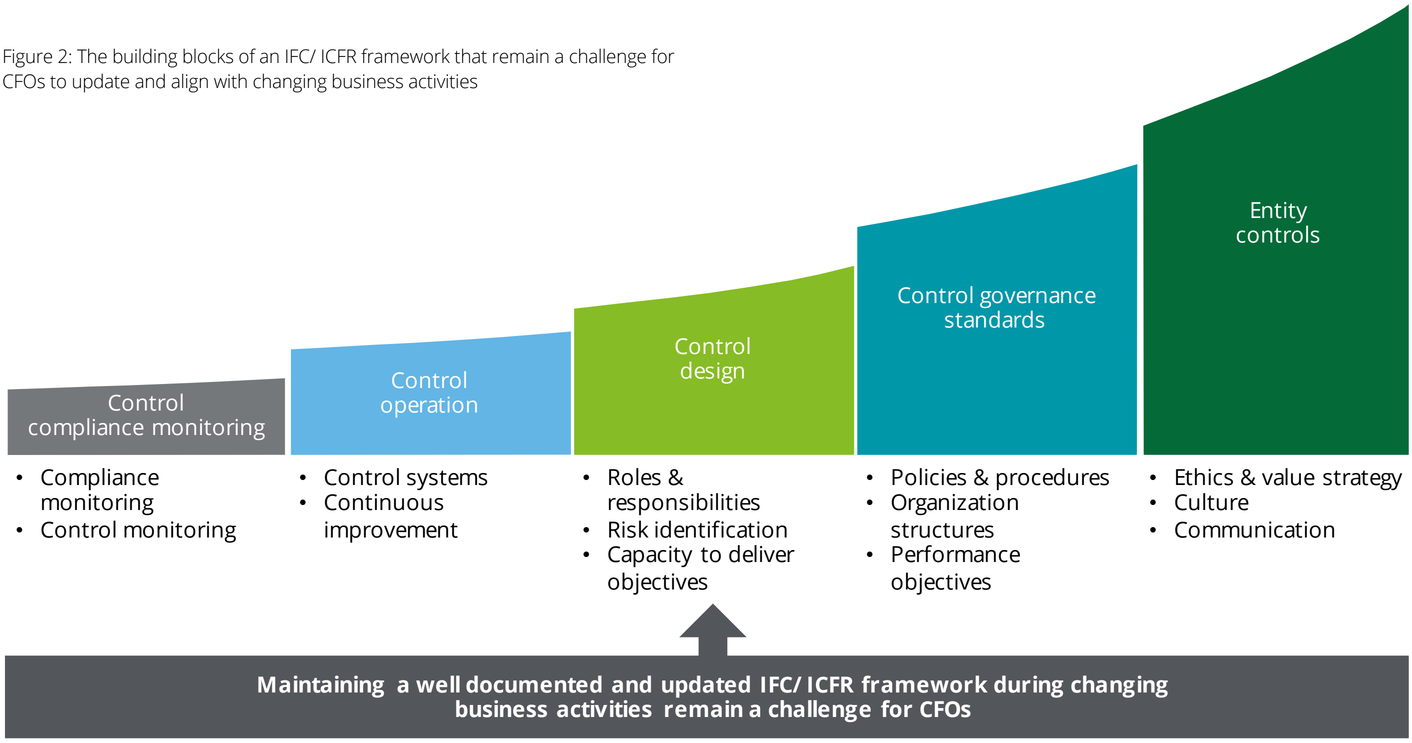


Figure 3: Typical challenges and questions faced by CFOs during Ind AS adoption

Organization and people

- How will compensation arrangements based on Indian GAAP financial results be impacted and how should the company best educate people about the change to Ind AS?
- How should the company train its employees and educate investors, business partners and analysts about Ind AS and its impacts?
- What are the impacts on other functional areas (e.g., treasury, HR, investor communications, legal)?

Governance and control

- What is an appropriate governance model for monitoring Ind AS application?
- How will the internal control structure be impacted?
- Will additional work be required for internal financial controls reporting?

Policy and process

- How should company best develop and implement a new set of accounting policies that requires significantly more judgment than Indian GAAP and facilitates consistent application?
- Can a company leverage its finance operating model to gain efficiency and effectiveness in financial reporting?
- How will projections, forecasts and budgets and the people that rely on them be impacted?
- What are the impacts to the legal contracts, revenue arrangements, contingent consideration arrangements, bonus plans, debt covenants, and other financing arrangements that have metrics based on reported numbers?

Information technology

- Can the financial systems of the company and its subsidiaries accommodate Ind AS accounting and reporting requirements? Do they capture the correct data attributes necessary under Ind AS?
- Can the systems handle multi-ledger reporting? During the transition years, both Indian GAAP and Ind AS financial statements will be required

Tax

- What will be the impact of differences between Ind AS and Income Computation and Disclosure Standards (notified by the Central Board of Direct Taxes) on deferred taxes?
- Will any of the tax planning structures be impacted? What will be the impact on the effective tax rate?
- When a foreign subsidiary adopts Ind AS, will the value of the net assets fall below capitalisation requirements for that country?
- How are the dividend requirements affected at the subsidiary level?

Ind AS Adoption

With the Ministry of Corporate Affairs (MCA) bringing in the Companies (Indian Accounting Standards) Rules, 2015 into force, organizations are required to adopt the new accounting standards given the criteria for mandatory adoption based on the criteria put forth in the rules. Once the Ind AS are required to be complied with, they will apply to both standalone financial statements and consolidated financial statements.

Ind AS adoption may have a significant impact on the organization's business as well as the finance function and CFOs face various challenges and questions around adoption as stated in the diagram below:

Approach to overcome such challenges

The earlier a CFO plans for the Ind AS conversion, the more prepared the organization would be to address the challenges and reap benefits such as strengthening controls and formulating the policies and procedures. CFOs may consider the following practices to address the key points of focus in their roadmap to conversion:

Points of focus	Suggested approach
Short lead time and expected escalation of costs around conversion	Planning well and ensuring awareness and training session to infuse awareness of the new accounting standards.
On the transition date, objective should be to adopt Ind AS without any disruptions and therefore achieve "business as usual"	Integrated approach – may use a PMO to drive the approach; frequent communication with statutory auditors and stakeholders and alignment with other strategic and transformation projects.
Potential bias to find" existing "Indian GAAP" answers within the Ind AS framework	Focus on the Ind AS standards as a whole including the basis for conclusions contained in IFRS for how the conclusions were drawn.
Scoping and developing a roadmap is an important step in the process but much of the effort and complexity results from the "Convert" and "Sustain" activities	Move from theory to practical application of Ind AS standards to company-specific transactions as soon as possible. Identify significant transactions from prior years which required significant accounting analysis and re-analyze the entire transaction under Ind AS.
Financial statement presentation and disclosure issues should not be underestimated	Include in plans a strategy for re-mapping accounts to specific financial statement line items once the Ind AS compliant financial statement format is finalized. Internal management reporting changes shouldn't be overlooked.
Personnel outside finance should be integrated in the conversion process	Establish a formal communication plan to keep key people outside finance (legal, tax, IT, investor relations) updated regarding key deadlines and deliverables.

Using data to address regulatory and risk challenges

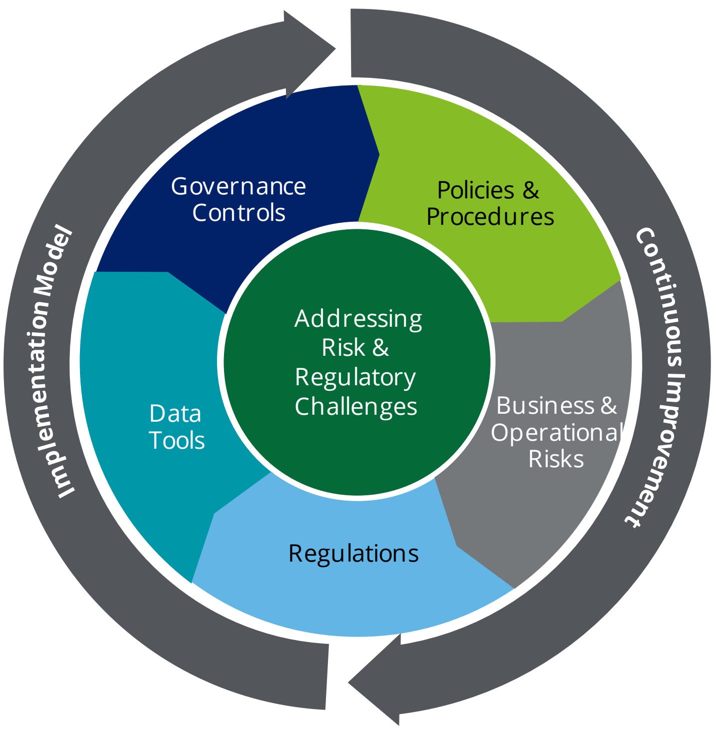
Given the complexities around the implementation of regulatory reforms and addressing various types of risks affecting the organization on a daily basis, organizations today seek to use data residing within their systems to analyze issues, identify patterns of breaks and divergence, evaluate methods to further automate risk and regulatory reporting activities to ensure accuracy and timeliness from a compliance perspective. The above diagram focuses on a typical framework that CFOs can consider to use data tools to solve their risk and regulatory challenges.

The key drivers of the framework are the establishment of an **Implementation Model** and driving the approach through **Continuous Improvement.**

Implementation Model includes implementation patterns, methods, and engagement models based on the following:

- Regulations – to ensure adherence with global regulations required for overall organizational compliance
- Data Tools – solutions and systems that provides mechanism to store, review and enforce policies and controls as well as trace information back to the source to ensure accuracy of data
- Governance Control – to identify the most important activities to be performed, identify dependencies,

Figure 4: Framework to leverage data to address risk and regulatory challenges faced by CFOs



measure progress towards achieving the organizational objectives and determine how well the governance and its processes are performing

Continuous Improvement establishes measures to review adherence to policies and controls by leveraging past experiences to ensure improvement into future releases – this is based on:

- Policies and Procedures - guidelines & principles for development and maintenance of the organization's standards, strategy and activities that drive the strategy.
- Business and Operational Risks – to identify areas that may cause disruptions and adversities with their impact and likelihood of occurrence.

"The three key industry challenges which I foresee are regulations, technology and analytics:

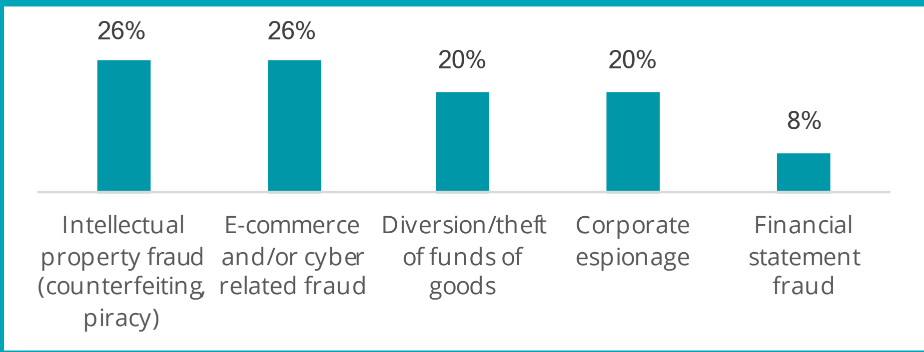
1. Regulations are becoming more complex and do cause disruptions in the operation process. These changes add to the significant cost of operations as well. Being on top of all regulatory and other changes that can affect your business is a key element. For that it is important that the CFO has a deep knowledge about the business and the perspective to know the impact of the changes.
2. Secondly, optimal use of technology is critical. Technology is changing rapidly and one needs to balance cost with the benefits for the firm. At the same time, we also need to ensure that the technology being adopted has strong security measures in place. At the end of the day, we deal with money and thus, it becomes imperative for us to be secure.
3. Analytics has become core part of any business. It becomes really important to analyse data in such a way that it gives focused and comprehensive results at the same time. This ability to leverage the tools to best possible and analyse data to pin-point a certain trend, will keep one a step-ahead in the industry."

- Mr. Jaimin Bhatt, President & Group CFO, Kotak Mahindra Bank Ltd.

(Source: Deloitte CFO Perspective, August 2016: http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-aug-2016-noexp.pdf)

Unmasking insider threats[1]

In our experience, incidents of fraud are rising. The contributors to fraud could be many, ranging from the lack of an efficient internal control/ compliance system, diminishing ethical values, inadequate due diligence on employees/ third party associates, unrealistic targets/ goals linked to monetary compensations; to name a few. However, only 37% CFOs feel that their company is susceptible to fraud from third party elements. This could be for varying reasons such as companies relying only on internal controls to mitigate the risk from third parties. These controls may or may not detect red flags regularly, leading to complacency on the part of the management.



(Source: Deloitte India CFO Survey 2016, http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-survey-2016-noexp.pdf)

As workplaces become more complex and insider threats become more difficult to detect, a program to mitigate those threats, which include fraud, espionage, workplace violence, information technology (IT) sabotage, intellectual property, and research-and-development theft, can bolster deterrence by providing an early-detection and response mechanism. The goal of insider-threat mitigation is to detect anomalies as early as possible and investigate leads before assets, data, or personnel are compromised. Staying in front of an insider's exploitative tactics, however, requires quick responses, real-time data feeds, and the analysis of behavioral indicators.

- **Define potential insider threats:** An insider can be an employee, contractor, or vendor who commits a malicious, complacent, or ignorant act using their trusted and verified access. Defining potential insider threats for the organization is a critical first step to formulating a program, and will inform the size, structure, scope, and phasing plan for the program, aligned to business risk priorities.
- **Define the organization's risk appetite:** Define the critical assets that must be protected—whether they are facilities, source code, or customer information—and the organization's tolerance for loss or damage in those areas. Identify key threats and vulnerabilities in the business and in the way business is conducted.
- **Leverage a broad set of stakeholders:** Consider establishing a cross-disciplinary insider-threat working group that can serve as change agents and ensure the proper level of buy-in across departments and stakeholders. The working group should assist in addressing common concerns (for example, privacy and legal) and support the development of messaging to executives, managers, and the broader employee population.

- **Take a people-centric approach**: The insider-threat challenge is not a purely technical one, but a people-centric problem that requires a broad and people-centric solution. It should include critical business processes, such as segregation of duties for critical functions, technical and nontechnical controls, organizational change- management components, and security training programs.
- **Trust but verify:** Establish routine and random reviews of privileged functions, which are commonly done to identify insider threats across a broad spectrum of areas in a variety of industries. Organizations should trust their workforce, but balance that trust with verification to avoid the creation of unfettered access and single points of failure.
- **Connect the dots:** By correlating precursors or potential risk indicators captured in virtual and non-virtual arenas, organizations can gain insights into micro and macro trends regarding the high-risk behaviors exhibited across the organization. Using an advanced analytics platform that correlates outputs from a variety of tools can be helpful, and the output can, in turn, be used to identify insider-threat leads for investigative purposes. Analytics can also shed new light on processes and policies that are either missing or could be improved upon.
- **Stay a step ahead:** Insiders' methods, tactics, and attempts to cover their tracks will constantly evolve, which means that the insider-threat program and the precursors that it analyzes should continually evolve as well. A feedback mechanism that includes an analysis of ongoing and historical cases and investigations can help organizations adapt their insider-threat programs to address new threats.
- **Set behavioral expectations:** Define the behavioral expectations of the workforce through clear and consistently enforced policies that define acceptable behavior and communicate consequences for violating policies. Policy areas might include social media, reporting incidents, and bring-your-own-device, for example.
- **Provide customized training:** Customize training based on the physical and network access levels, privilege rights, and job responsibilities. Train the workforce to the specific insider-threat risks, challenges, and responsibilities for each position.

[1]"CFO Insights: Unmasking insider threats" authored by Ajit Kambil, Adnan Amjad and Michael Gelles – 2015 Deloitte Development LLC
http://www2.deloitte.com/content/dam/Deloitte/us/Documents/finance/us-cfo-unmasking-insider-threats.pdf

Being an advantaged acquirer[2]

Merger waves happen when deal volumes increase dramatically, crest, and then fall. In short, companies start making capital investments they were not doing in prior periods. The first such period began in the 1920s and ended with the Great Depression. Subsequent waves happened in the 1960s and in each decade since the 1980s.

It is well documented that a large percentage of M&A transactions do not deliver the value promised at the time of the deal.[i] Those that avoid this fate—particularly during merger waves—tend to be those that have a disciplined process that allows them to find good opportunities and avoid poor ones, thereby maintaining a competitive edge and delivering shareholder value. The tenets of that process typically include the following:

01. Self-assessment. It's important to first assess, as CFO and the C-suite, the strengths, weaknesses, and opportunities for growth, both in revenue and value. That can include deciding which customer segments and associated geographies one wants to serve, how one wants to do so in ways that competitors cannot easily replicate, and then understanding the capabilities and market access that will be required to achieve those goals. Essentially, it's developing a strategy that outlines how an organization is going to complement its strengths and backfill its weaknesses.

02. Identified priority pathways. Advantaged acquirers who have done such a careful assessment know what their priorities are for M&A. In other words, they know if M&A is going to make up 10% of their growth or 20% or more. As part of the process, they likely have also identified their priority pathways at the business-unit level that address the new product or solutions they will bring to market at prices that will add value for customers. After all, corporate-level growth expectations can be de-averaged to business-unit level and used to highlight gaps and prioritize the role of M&A across those units.

"A successful CFO is the one who aligns his own vision with the vision of the organisation. A CFO needs to work with the multiple stakeholders and bring alignment to the goals of each team by influencing, managing and helping them deliver. A CFO should be able to identify the business risks and help teams develop risk mitigating strategies. The adaptability to the changing environment and experiential learnings one brings to sustain the momentum and to add value at each step are other key things for a CFO."

- Mr. Ramesh Swaminathan, CFO & ED, Lupin Ltd.

(Source: Deloitte CFO Perspective, April 2016: http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-april-2016-noexp.pdf)

03. Competitor signaling. It's very important to also look at the strategic intent of competitors. There's often a lot to learn from examining the deals that competitors have done over the last several years, in terms of geographies, capabilities, size, and customer segments. Their past behavior will often determine which targets may be next on their priority lists. And armed with that information, an organization can often determine if a deal does or does not make sense.

04. Strategic screening. Once the universe of opportunities is identified, advantaged acquirers strategically screen them. While M&A strategy helps develop prioritized pathways for growth, target screening filters the deal universe in those pathways to help generate portfolios of priority candidates. Those filters may include everything from size, geography, and customer segments to technology and management talent. Management may debate what those strategic priorities are along those pathways. But the filters are actually important strategic choices that can help senior management and the board understand why a particular priority target was identified in the first place.

05. Disciplined execution. Finally, there are typically two sides to executing a deal—transaction execution and integration. With the transaction, there are the identification, pricing, and prioritization that need to get done. But equally important is the ability to integrate. As an advantaged acquirer, a CFO should consider what potential culture clashes, labor disputes, and distribution gaps might exist with a particular deal and factor them in the screening process. It can be nearly impossible to analyze synergy potential or conduct a sensible high-resolution valuation without evaluating such integration risks. With the risks identified, though, one can often differentiate opportunities by integration issues and determine if one has the right resources and talent to integrate effectively.

Bringing discipline and patience

In our experience, advantaged acquirers use this dynamic process to develop a watch list of opportunities that is continually refreshed—and tend to close a small fraction of the deals on that list. As long-term successful acquirers, CFOs talk to and negotiate with companies regularly, but pulls the trigger only when the deals fit their overall strategy at appropriate valuations. These CFOs typically bring both discipline and patience to the process.

Specifically, as stewards, CFOs determine if the deal fits that strategy. And they often do so by sticking to their defined rationale and not becoming so enamored that they do something that could harm the company. Moreover, they help bring discipline to the process by bringing together the right people in finance, strategic planning, and human resources to make sure the acquired assets are integrated properly. Finally, they wield patience by having alternatives in case anything goes awry.

Along the way, these CFOs are often guided by several common questions:

- Are we looking at the right deals?
- Have we measured the potential impact on ourselves—and our competitors?
- Do we have the appropriate integration capabilities?
- What can we walk away from?

The M&A space has a number of issues that need to be addressed by the government to create a more favourable environment for firms and individuals to operate in.

28% Complex/multiple regulatory approvals

25% Governance Structures

22% Unrealistic valuations

16% Geopolitical issues

07% Lack of financing

02% Others

(Source: Deloitte India CFO Survey 2016, http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-survey-2016-noexp.pdf)

[2]"CFO Insights: What it takes to be an advantaged acquirer" authored by Ajit Kambil, Steve Joiner and Mark Sirower – 2016 Deloitte Development LLC http://www2.deloitte.com/content/dam/Deloitte/us/Documents/finance/us-cfo-be-an-advantaged-acquirer.pdf

[(i)]"Integration report 2015:Putting the pieces together;" Deloitte LLP, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/mergers-acqisitions/us-ma-integration-report-030415.PDF

Diagnosing your team – and curing its ills[3]

"In my view, talent, managing change and striking a balance between tactical and strategic priorities are the three key challenges on a CFO's mind. Managing talent entails recruitment, training and retention of the right people, because the growth and success of your people lead to the growth of the organization. Business models, technologies, customer behaviours, etc. are constantly evolving and a CFO's role is to find solutions amidst all these changes, so one needs to be agile. Finally, managing tactical and strategic issues is a **'balancing act'.** A CFO has to distance himself from the tactical issues sometimes and focus on strategic issues to bring in balance."

- Mr. Niraj Parekh, CFO India Subcontinent, Citi

(Source: Deloitte CFO Perspective, May 2016: http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-april-2016-noexp.pdf)

A CFO is critically dependent on the leadership team to successfully execute the vision. And executives often have a fuzzy definition of what a team means to them. For some, it's like a relay team—with high-end runners who deliver the best possible performance in their leg and cleanly hand off the baton to the next participant. Others want a team that is more like a basketball team—where people play their positions but also mutually adjust to changing situations on the court. Sometimes the team must operate in both ways: a relay team for structured situations, and a basketball team for unstructured ones.

Building on the work of Richard Beckhard, a founder of the field of organization development, and the more recent work of Alex (Sandy) Pentland at the Massachusetts Institute of Technology (MIT), the framework lays out six key areas in which to assess a team: brand, shared goals, clear roles and responsibilities, clear processes, interpersonal relationships, and the communication dimensions of energy, engagement, and exploration (see figure 5). For those familiar with the literature, we have added brand and communications to augment the Goals, Roles, Process, and Interpersonal Relations (GRPI) model credited to Richard Beckhard.[i]

Brand:
The team's brand is a snapshot of how its members interact with the external environment and how it is shaped by that environment. As a new or sitting CFO, the team's brand becomes his/ her brand. So it is important to assess how the team is perceived by their clients and peer executives. Is it viewed as a well-functioning organization that delivers quality work on time? Is it perceived as a group whose members are mutually supportive? Or is it perceived as one where people pass the buck?

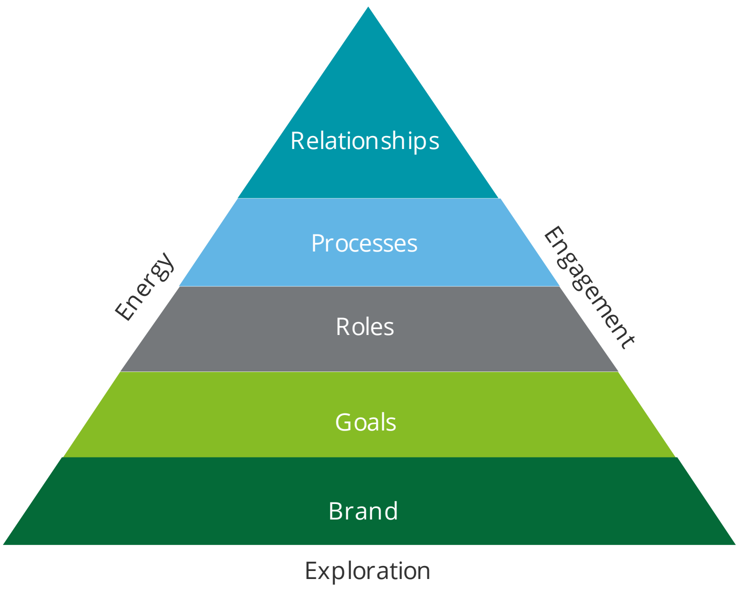
A CFO should ask the team's clients and stakeholders to rate their team on several chosen attributes can go a long way in assessing the organization's brand. One approach is to adapt the basic question underlying the Net Promoter Score.[ii] For example, request the clients to score the team from 1 (absolutely not) to 7 (absolutely yes) on the question, "How likely is it that you will recommend finance to your colleagues in our company?" Depending on the score, one can delve deeper to understand where the organization meets client expectations or where it falls short. If it falls short, is the score driven by a particular area of the organization or leadership team, or is it driven by an individual?

Assessing the team's brand helps clarify how the team's environment is likely to shape its performance in the future. If it's found that team's brand is not good, then the issues discussed next—goals, roles, and responsibilities, processes, and interpersonal relationships—may be the underlying reasons.

Goals:
Every team needs to have a set of shared goals. It is critical to understand of the team members have a clear set of shared goals or a common purpose that they can articulate and are working toward? Are these shared goals also CFO's/ organization's goals? Are team members committed to the goals?

One could ask their leadership team members just two questions to help in testing the extent of goal alignment:

Figure 5. An extended GRPI model for team development



Source: Deloitte analysis
Graphic: Deloitte University Press, DUPress.com

- What is the shared purpose or goal of this team?
- Do you believe the team is aligned to these goals?

The greater the variation in responses across the leadership team, the less likely it is that the team has clear shared goals.

Clarity of roles and responsibilities:
In high-performing teams, each team member has a strong grasp of his or her roles and responsibilities in achieving the shared purpose. Responses to the following diagnostic statements can help assess clarity of roles and responsibilities:

- I clearly know my role and responsibilities in helping my organization (for example, finance) accomplish its goals (strongly agree to strongly disagree).
- My peers know their roles and responsibilities in accomplishing our collective goals (strongly agree to strongly disagree).

Team processes:
Processes can include rules for communication, problem solving, conflict resolution, and decision-making among team members. As CFO—and particularly as an incoming finance chief — CFO can assess processes by observing teams in action. Two useful questions that could be asked from the team members are:

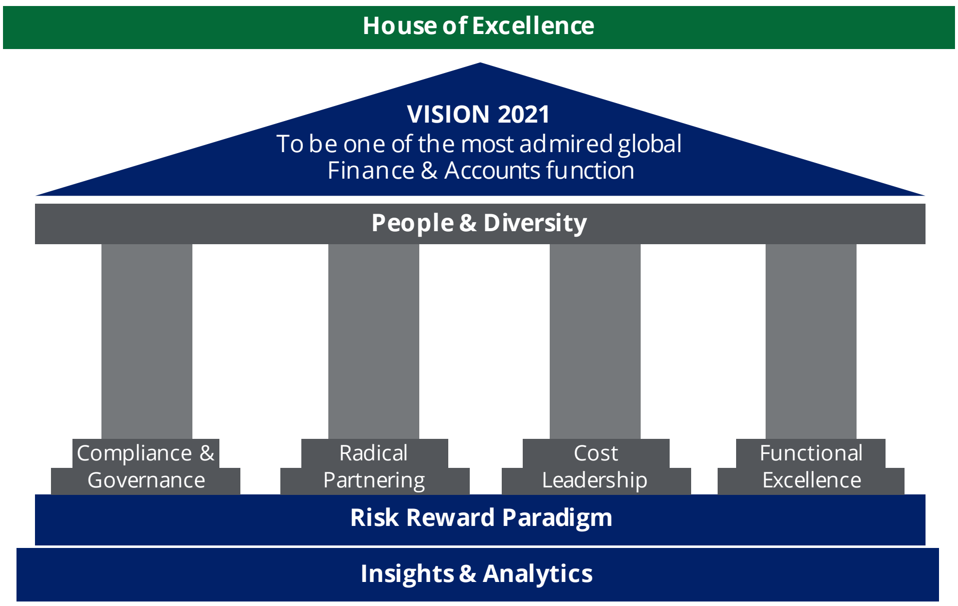
- Our team has clear processes for solving routine problems and issues (strongly agree to strongly disagree).
- Our team is effective in creating new processes to handle ambiguous problems (strongly agree to strongly disagree).

Interpersonal relationships:
How do team members interact with one another? Are they tolerant of diverse viewpoints and mutually supportive? Can they handle conflict and resolve it among themselves? Do they have a foundation of mutual trust? Again, in addition to direct observations, responses to the statements below can help diagnose the state of interpersonal relationships:

- There is a high level of trust across the leadership team (strongly agree to strongly disagree).
- I perceive that team members generally have a strong foundation of mutual respect (strongly agree to strongly disagree).
- I am not aware of interpersonal conflicts in my group (strongly agree to strongly disagree).

Communications – energy, engagement, and exploration:
Pentland of MIT undertook a series of studies on teams and their performance on different tasks. He found that communication within and outside the team was the single biggest predictor of team performance.[iii]

"M&M's Finance & Account has reimagined its role and committed to build a HoE (House of Excellence) with a slogan "Counsel without Fear and Assist without Restraint"



F&A House of Excellence

- VS Parthasarathy, Chairman – CII CFO Summit 2017 and Group CFO, Mahindra & Mahindra Ltd.

The three critical dimensions of communication are energy, engagement, and exploration. Energy is the number of communication exchanges among team members. Engagement is the distribution of communications across team members (for instance, engagement would be low if most team members are quiet and only a few team members interact, even if it is with high energy). Exploration is the extent to which team members communicate outside the team to gather information to solve problems or share solutions—in effect, it is the energy outside of the team.

Three questions to explore the team's communication patterns are:

- I observe a high frequency of communications within the team across formal, informal, and back-channel meetings and exchanges (strongly agree to strongly disagree).
- I observe a broad group of team members actively interacting and communicating with one another (strongly agree to strongly disagree).
- I observe my team members actively communicating with non-team members to seek out solutions or inform others about team progress, challenges, and solutions (strongly agree to strongly disagree).

A CFO oversees a leadership group that may or may not function as a team. As a new or sitting finance leader, CFO will need to decide if he/ she wants a team committed to a shared purpose and a brand going forward. If so, the six areas of brand, goals, role clarity, processes, interpersonal relationships, and communications can provide a practical starting point for team assessment, and help focus the attention on the issues that must be addressed to develop a higher-performing team.

As a CFO, in such a competitive market and a highly regulated corporate environment the toughest challenge lies in balancing the role of a 'business partner' and that of a 'controller' or 'conscious keeper'. The two roles seemingly have conflicting objectives many times. A mature organization understands that compliant operations eventually lead to sustainable and successful business operations.

The success of the CFO lies in how they are able to create and sustain a culture of compliance throughout the organization by engaging the leadership team and stakeholders at all levels of the organization. The support of the Board and CEO are of paramount importance while doing this. As the compliance culture spreads deeper and wider, the chances of conflict between business growth and compliance become lesser. Having said this, there will always be situations that demand balancing of controllership and business partnering role and a CFO with adequate experience and judgment will be able to make the right choices.

- Ms. Rashmi Joshi, Director – Finance, Castrol India Ltd.

(Source: Deloitte CFO Perspective, July 2016: http://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-cfo-perspectives-july-2016-noexp.pdf)

[3]. "CFO Insights: Diagnosing your team — and curing its ills" authored by Ajit Kambil – 2015 Deloitte Development LLC https://www2.deloitte.com/content/dam/Deloitte/tr/Documents/finance-transformation/cfo-insights-diagnosing-team-curing-ills.pdf
[i]Richard Beckhard, "Optimizing team building efforts," Journal of Contemporary Business (1972), Volume 1, Issue 3, pp 23-27.
[ii]Frederick F. Reicheld, "The one number you need to grow," Harvard Business Review, December 2003.
[iii]Alex (Sandy) Pentland: "The new science of building teams," Harvard Business Review, April 2012.

About CII

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 8000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 240 national and regional sectoral industry bodies.

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Acknowledgements

Porus Doctor

Rinki Goel

Sundeep Vachhani

MS Mani

Soumen Mukerji

Muzammil Patel

Amit Sarkar

Vishwanathan Rajendran

Rahul Murthi

Mustafa Dalal

Varun Parmar

Rohit Nair

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