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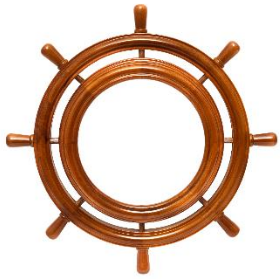


CFO Perspectives
CFO Speaks

Ms. Rashmi Joshi
Director – Finance
Castrol India Limited

1. The volatility in crude oil prices pose a significant challenge in the industry. As a CFO, how do you manage these risks?

We have experienced the price fluctuations in different cycles of oil prices. We are conscious that we cannot control the external environment in which we operate, especially raw material pricing, so we focus on what we can control and manage.

As a CFO, it is important to ensure that:

a) The organization has a process to identify all risks including environment and possible mitigations which are well documented and reviewed from time to time.
b) The risks get addressed while drawing up long-term strategy and annual plans.
c) Mitigating actions are identified and tracked for implementation through a robust reporting process, conversations and interventions.

In line with our strategy, we have focused on personal mobility to improve our mix of products and upgrading our portfolio. We regularly engage with customers and consumers to understand their needs and develop products and services to address the same. Our world class technology has helped in category creation in lubricants market in India.

All the above coupled with our strong brand helps us to maintain our premium position in the market and manage the various challenges which we face, including base oil volatility.

2. Regulations are becoming increasingly challenging. In your view, how does a CFO ensure the organization is compliant with the letter and spirit of the law?

"Long term success and sustainability of a business can be ensured only by promoting a culture of compliance & ethics. A CFO has a key role to play in making sure that principles of ethics and compliance are woven well in the cultural fabric of the organization."

This can be achieved by:

a) Making compliance and ethics a part of financial policies and processes and more importantly,
b) Leading by personal example in terms of living the values which form the basis of an ethical conduct.

In the last two years, the regulation has changed significantly increasing the requirement of controls and compliance. This has led to much more responsibility for the Board, the CFO, the finance teams and indeed all employees. Due to a strong Ethics & Compliance culture, we have been able to implement the regulatory changes successfully.

Due to constantly changing and increasing compliance requirements, it has become more important than ever before for the finance function to provide continuous professional learning to the team members and to invest in capability and talent building within the finance function. Towards this end, we have initiated a Lubricants Study Circle where our finance employees get together and update themselves of matters of professional interest on a regular basis.

3. In the current scenario where 'Climate Change' has become a pivotal issue and countries are coming together to address this concern, what in your view is the role of a CFO with regards to Safety, Health & Environment (SHE) strategy of the firm?

A CFO has an important role to play in contributing to long term sustainability of the business and hence ensuring that the strategy adequately addresses the aspects of Safety, Health and Environment with clear deliverables and adequate resources. This can be done by planning for products and services that are more environment friendly, suggesting changes in the operations in order to make the same safer, influencing policies and practices to promote health and well-being of employees and communities.

Another role the CFO must play is role modelling safe and compliant behaviour in the area of HSSE *(Health, Safety, Security and Environment)* and encouraging the wider team to do the same.

4. Innovation in engine technology is intensifying competition in the automobile sector. In view of this, how do you see the lubricant industry diversifying in next 3 to 5 years?

Technology is indeed changing rapidly in the lubricant and automobile industry. Oil drain intervals are getting longer leading to less lubricant requirement. We have considered these changes in our long-term planning. We believe that despite advancements in technology, the Indian lubricant market will continue to grow because of two important factors. Firstly, with the government's thrust on the infrastructure sector, opportunities will increase in the next few years leading to better freight movement and boosting medium & heavy commercial vehicle (M&HCV) sales. Secondly, personal mobility will also continue to progress with rising middle-class income, generating new avenues for growth.

As the automobile technology keeps changing, lubricant technology will have to keep pace or in fact pre-empt automobile technology, to deliver better performance to address the changing needs of evolving engines and environmental concerns.

5. How do you view the role of a CFO in creating an ethical corporate culture? According to you, what are the ethical practices for a CFO to respond to the challenges in the business environment?

We have a comprehensive Ethics & Compliance (E&C) programme in place. We believe that ***"tone at the top defines the behaviour in an organization."*** In order to build an ethical corporate culture, we abide by our Code of Conduct which is based on five values of Safety, Respect, Courage, Excellence and One team. Respect & Courage are the two values we strongly promote to sustain a culture of ethics and compliance. Respecting laws of the land and one another and giving everyone an opportunity to speak-up without fear of retaliation in an organization is essential. We also have an effective whistle-blower policy in place.

It is important that the leadership lives the values of the organization and sets an example to others who tend to observe and emulate leaders. I firmly believe that people don't do what leaders say, they do what leaders do.

A CFO has an important role to play in setting the tone at the top by personally demonstrating right behaviours. They should also support the Ethics & Compliance agenda by designing and implementing policies and processes that enable compliance without impeding business growth.

We spend significant time in training employees on various aspects of Ethic & Compliance. The finance team supports the E&C agenda by making sure employees are trained according to risk they face while doing their duties. Building and sustaining an ethical culture is an absolute priority for us and we are confident that our people understand the expectations and do their best to live up to them in everything they do.

6. What are your top 3 priorities/ challenges as a CFO?

'Profitable volume growth' is our priority. With volatile crude prices and competition intensifying, it is always challenging to achieve this. Innovation, adapting to new technology and diversification, are the keys to success.

Secondly, rapidly changing technology has increased stake holder expectations on the response time. With multiple mediums of communication and information sharing, risks have increased impelling to re-think on cyber security threats, frauds and creating a dilemma on best possible route to market/ interface with customers. Adapting to the changing technology while remaining compliant and controlled is a challenge.

Last but most significant priority is sustaining the culture of 'compliance & ethics'. The stringent corporate governance requirements of the Companies Act 2013 and SEBI regulations now add much more responsibility for controls, compliance and corporate governance for the Board and the CFO.

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.

Expert Views

Future of Finance – In a Digital World

"We live in fast changing times. The three mega-trends of connectedness through digitization, the imperative for sustainable business models and a changing global economic order are converging to create a new world."
– Harish Manwani, Chairman, Hindustan Unilever Limited

"What is underway is perhaps the most substantial change in the manufacturing firm since the 2nd Industrial revolution, more than a century ago."
Michael E Porter, Harvard Business Review

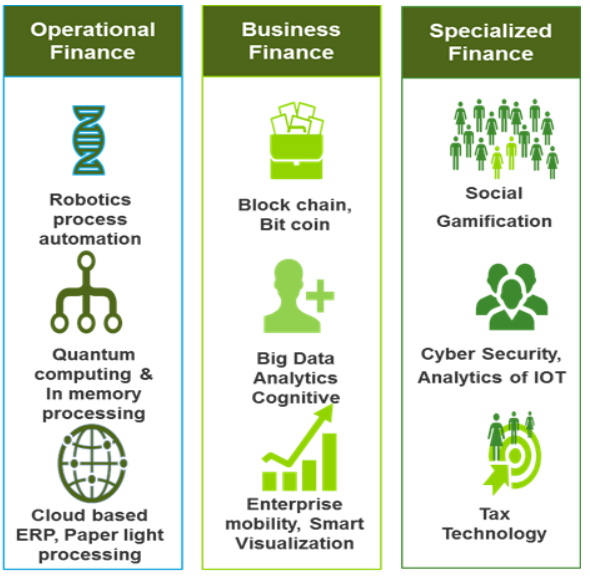
Business is at a continuous disruption today, whether by means of new emerging business models or diminishing boundaries between old models or new technology innovations. The digital revolution is shaping up consumer expectations, employee behavior, and business operations making digital evolution an imperative for a profitable business growth. A recent Deloitte framework on 'Digital Maturity Index' indicates that the stock market ascribe a premium to the digital dexterity of an organization, as is reflected over the movement of share prices over a period of time, as the building blocks of a digital enterprise are put in place. It is time that the finance community wakes up to this inescapable future and leverage the benefits of this new normal ecosystem.

What does it mean for the CFO and the finance function?

Finance function is truly at the epicentre of a digital upheaval. Traditional finance roles are getting disrupted to ensure alignment to the digital organization and the virtual ecosystem. After reviewing global trends, innovations and leading practices in finance we have developed our perspective on the future of finance, which we believe will be underpinned by five key themes:

1. **Most finance processes are likely to be run in a "factory" model –** inter-connected, automated and in a model that will leverage the best of robotics automation with cost optimized delivery locations.
2. **Information will be available real time and will be almost ubiquitous –** with cyber security emerging as the uncompromised frontier of risk.
3. **Predictive analytics –** from internal and external sources, based on structured and unstructured data, will be the norm and not the exception. The availability of cognitive skills to synthesize information, will differentiate the leading finance organizations.
4. **Finance talent** – will come from non-traditional sources with Gen Y/Z leadership and novel value systems.
5. **Finance leaders will don the roles of Tsars of cash, risk and economics –** with the CFO playing the role of a Chief Performance Officer.

The twin forces of huge advancement in the power of computing, coupled with endless innovations in exponential technology are upending the traditional roles and expectations in finance function. The diagram below tries to identify the digital disruptions that are impacting the world of finance:



The intersection of exponential technologies and the evolving role of finance as a "strategist" and "catalyst" is building up the force for finance to change. And sooner the need for this change is recognized by the finance functions, easier will it be to embrace the upcoming momentum. Here are some of our thoughts on what finance could do to be ready for this change:

A. Set up "Finance Factories"

Finance operations or "Transactional Finance" is seen more as a service and should be managed centrally. The financial close process in itself is undergoing a rapid pace of change as organizations simplify their operational routines and unclog their patchwork of financial systems. A factory set up would lead to:

- A highly standardized, simplified, workflow-enabled business processes.
- Automated controls, intelligent process monitoring and analytics watch over performance.
- Lower TCO (Total Cost of Ownership) for finance systems as ERPs and financial systems move on cloud.
- Lower cost per financial transaction driven by mobile payments, management by exception through "virtual close", etc.
- Application of robotics to drive process standardization, predictability and significantly lower cost.
- Policy and procedure updates can be managed centrally, disseminated instantly via cloud-based applications.

B. Invest in "Data" capital

The convergence of machines, internet and technological innovations has resulted in creation of a new capital "Data" which is no longer just an information flowing through our wires. The power of data was always valued, but was limited by its unavailability. Even when the data was available, the cost of maintaining the data was too high. The influx of technology innovations has made access of data available in abundance at a reasonable cost. Data if used appropriately, protects and maximizes revenue, profit, and cash flow by supporting the right risk management, right business planning, right corporate strategies, and the right leadership development.

C. Embed "Analytics" as a core of the finance delivery

Analytics is a multi-dimensional discipline that extensively uses a mix of mathematics, statistics, descriptive techniques and predictive models to gain valuable knowledge from data. The insights from data are used to recommend action or to guide decision making rooted in business context and aligned to business strategy. Following examples highlights the value generated by Analytics in various sub functions:

- Analytics can be used to improve forecasting effectiveness by identifying bias and refining drivers being employed.
- Employing what-if analysis based on the drivers will significantly enhance the decision making agility and allow finance to play an enhanced role as a business partner.
- Visual analytics approach can take existing capabilities to another level by unlocking complex insights that are lost in traditional reporting and focusing on biggest business issues.
- Risk analytics can help in establishing a baseline for measuring risk across the organization and offer executives clarity in identifying, viewing, understanding, and managing risk.
- Tax analytics uses granular enterprise data as the foundation for tax decisions. The objective is to enable deeper fact-based taxation related decision making processes to gain insights.

D. Mitigate new frontier – "Cyber Risk"

On June 8, 2016 the Singapore government announced that public servants in Singapore will be blocked from accessing the internet on work computers from May next year. The announcement was made as an effort to guard against cyber-attacks and create a "more secure working environment".
– Source: BBC News

Irrespective of the source (physical loss/ data breaches/ vulnerability of aging hardware relying on outdated operating systems), cyber risk is a complex and an ever changing threat that is all encompassing.

The CFOs are getting more involved as the advocate for strategic initiation and implementation of their organizations' cybersecurity measures — this migration is due to their unique position of internal and external visibility with their organizations. As such, CFOs plays a crucial role in optimizing the risk strategy for the organization by:

- Assessing risks and investments relative to cyber security.
- Align cybersecurity strategy to business strategy.
- Get buy-in from management and board to invest in strategy.

E. Embrace the new workforce

Sweeping global forces are reshaping the workplace, the workforce and the work itself. The core competency for finance professionals is changing to a blend of technical and functional competencies. The future trends requires an overhauling of the organization design and people development framework to cater to the Gen Y or the millennials, some notable ones being:

- Shift from traditional, functional models to interconnected and flexible teams.
- Continuous learning opportunities to cater to individual schedules and capabilities
- Job rotation the norm and vital to leadership development.
- Soft skills matter more than ever – consulting, negotiation, influencing, data interpretation.
- Engagement "How people feel" is gaining more importance.

Conclusion

Finance is truly at the epicentre of an upheaval. Our interactions with global finance organizations make us believe that most of us are "sleepwalking" into this future of inevitability, with much of the time still being spent on data extraction and modelling, leaving precious little time to decision support and catalytic change management. As the forces of digitization and democratization invade and shape up our personal lives, it is hardly unexpected for the corporate world not to stay in step. Finance has a unique opportunity to seize this moment and embrace the vision of a digital future. And that change has to start from the top – else the top may change in no time!

About Deloitte's CFO Program

The CFO Program brings together a multidisciplinary team of Deloitte leaders and subject matter specialists to help CFOs stay ahead in the face of growing challenges and demands. The Program harnesses our organization's broad capabilities to deliver forward thinking and fresh insights for every stage of a CFO's career – helping CFOs manage the complexities of their roles, tackle their company's most compelling challenges, and adapt to strategic shifts in the market.

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