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The CFO Program

SEA CFO Agenda 2025

The rise of the Exponential CFO

February 2025

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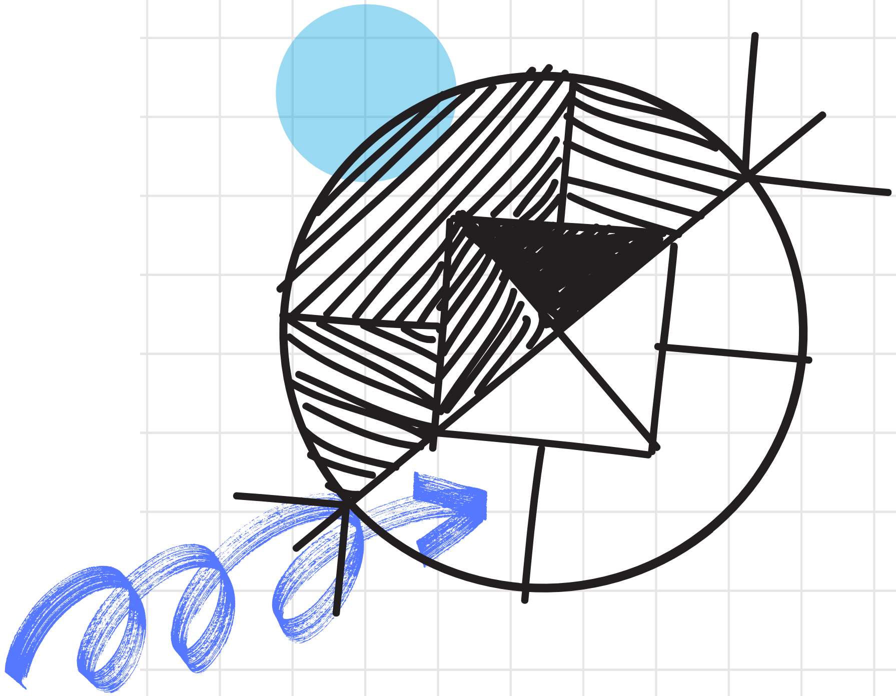
Contents

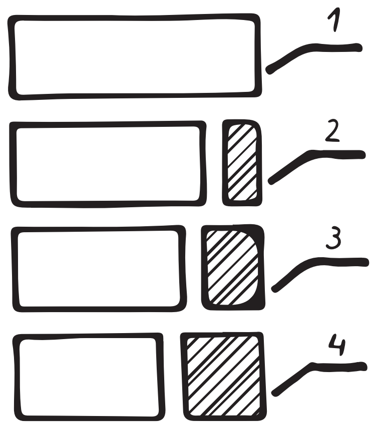


Methodology

Between August and October 2024, Deloitte Southeast Asia (SEA) surveyed 190 CFOs to better understand their challenges and priorities. The survey was conducted across seven geographies within the region – namely, Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

A significant majority, or 62%, of this sample was composed of CFOs from companies with annual revenues of more than US$100 million, with broad coverage across the consumer; energy and resources; financial services; life sciences and health care; manufacturing and industrial products; public sector; and technology, media and telecommunications sectors.

To inform our analysis, we also held a series of one-on-one interviews with 11 SEA CFOs between September and November 2024 to obtain a more granular understanding of the unique nuances and perspectives of SEA CFOs. Their insights have contributed to the development of our point of view presented in this report.



Foreword

The role of the SEA CFO is not only shifting, but also expanding – and at an exponential rate.

Findings from our latest research – comprising a survey conducted with 190 SEA CFOs based in Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam, and a series of one-on-one interviews held with 11 SEA CFOs – have revealed that while many of the objectives and tasks that a SEA CFO performs today may sound similar, the complexity, ambiguity, and sheer scale of the combined demands they face is at a level never seen before.

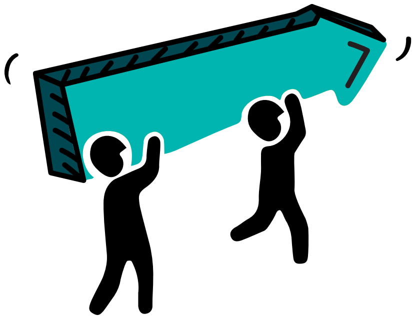
Indeed, beyond the perennial concerns of capital allocation, investments, and mergers and acquisitions (M&A) that they must contend with in their capacity as finance leaders, SEA CFOs are also finding themselves confronted with more fundamental and strategic questions that could have important implications for the long-term viability of their organisations.

These include, but are by no means limited to, the conundrums presented by the advent of artificial intelligence (AI) and other emerging technologies, the adoption of hybrid talent operating models, and the need to embed environmental, social, and governance (ESG) priorities into operating models – all of which SEA CFOs must tackle in their capacity as business leaders.

Overall, we have observed three broad, recurring themes – accelerating value creation; achieving operational excellence; and futureproofing the organisation – that together comprise what we believe to be the cornerstones of the role of an Exponential CFO. In the sections ahead, we will explore each of these themes in turn, and discuss the differing strategies that SEA CFOs are deploying to tackle the challenges that they present.

We hope that you will find this report insightful, and look forward to more conversations with you on how you and your finance teams are navigating the future.

Ho Kok Yong
CFO Program Leader
Deloitte Southeast Asia



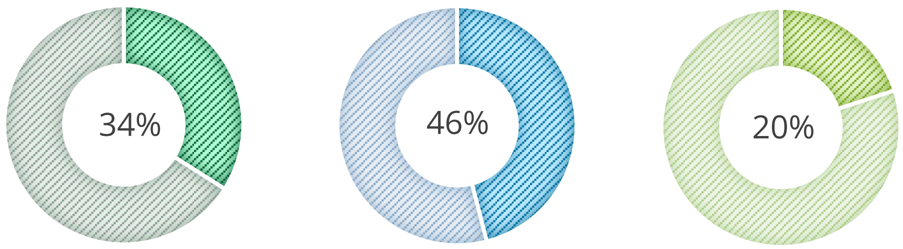
1. Accelerating value creation

Adopting a nuanced approach to growth

By and large, SEA CFOs appeared to have acclimatised and adapted to the new norm of ongoing economic and geopolitical volatilities. Nearly half (46%) of respondents were neutral about the economic outlook, while more than one-third (34%) expressed optimism – a sharp contrast to the picture we observed in last year's survey, where pessimism abounded (see Figure 1).

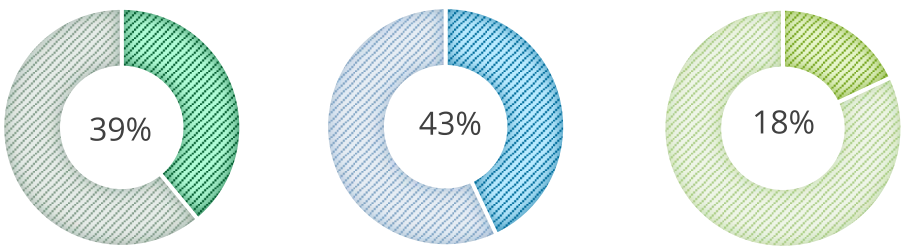
A similar sentiment was also reflected in SEA CFOs' view on their company's financial prospects, with a majority expressing neutrality (43%) and optimism (39%) (see Figure 2).

Figure 1: SEA CFOs' view on the overall economic outlook for the next 12 months



Highly optimistic/optimistic | Neutral | Highly pessimistic/pessimistic

Figure 2: SEA CFOs' view on their company's financial prospects for the next 12 months



Highly optimistic/optimistic | Neutral | Highly pessimistic/pessimistic

> With a view to capitalising on an anticipated positive market rebound ahead, we are prioritising revenue generation as our main strategic focus. In line with this, we have made significant investments in technology – including AI – to ensure our future work readiness.
>
> *CFO at a Thailand-based asset management company*

This is despite the fact that concerns surrounding many of the same external risks – such as a global economic slowdown, local or regional economic slowdown, as well as inflation and interest rates – have not abated (Figure 3). Taken together, we have found that these broadly neutral sentiments – punctuated by a significant sliver of cautious optimism – have, in turn, translated into a palpable focus on growth for many SEA CFOs.

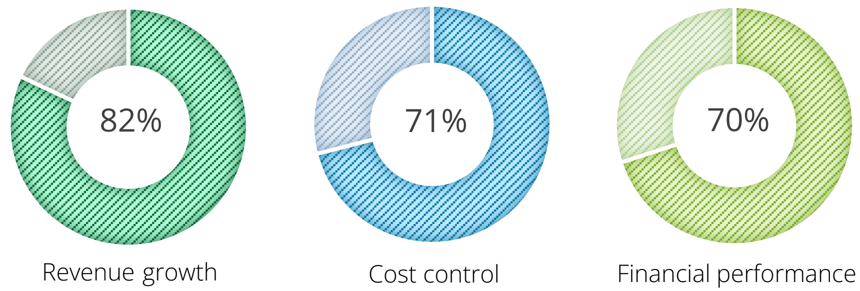
The CFO at an Indonesia-based consumer financing company, for instance, shared with us that they are seeking to capitalise on improving economic conditions to shift away from the highly cautious approaches to growth of the past year, and pursue a more concerted growth strategy by diversifying loan offerings.

Figure 3: Economic slowdowns and interest rates are SEA CFOs' top priority risk areas for the next 12 months

Note: Percentages represent proportion of respondents who ranked the option amongst their top three priorities. Figures do not add up to 100% as respondents were allowed to select more than one option.

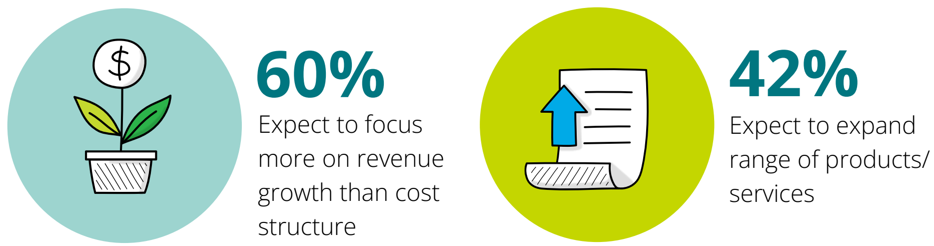
Suffice it to say, growth is now squarely at the top of the SEA CFO's strategic agenda. This observation is also strongly corroborated by our survey findings, which found revenue growth (82%) to be the top area of strategic focus for respondents, followed by cost control (71%) and financial performance (70%) (see Figure 4). Furthermore, a majority or 60% of respondents also expect to focus more on revenue growth than cost structure, and 42% expect to expand their range of products and services (see Figure 5).

Figure 4: Revenue growth is the top strategic focus for SEA CFOs, followed by cost control and financial performance



Note: Percentages represent proportion of respondents who ranked the option amongst their top three priorities. Figures do not add up to 100% as respondents were allowed to select more than one option.

Figure 5: SEA CFOs expect to focus more on revenue growth and expand range of products/services



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

It is worth noting, however, that there are three important nuances. Firstly, SEA CFOs recognise that revenue growth necessarily comes with higher costs in the form of increased overheads. The CFO at a Thailand-based insurance company, for example, explained that in order to grow revenue, they must expand their distribution channels – and this means incurring higher expenses. Consequently, the pursuit of growth must be accompanied by cost control, with an eye on stemming excess cost leakages.

Secondly, different markets may require differing approaches to growth and cost. The CFO at a Singapore-based property developer, for example, shared with us that following a period of elevated inflation and interest rates that had constrained growth, they are now looking to selectively expand their footprint in markets where the sector is on a rapid recovery, while focusing on cost control in markets where recovery is relatively slow.

Finally, while cost control is important, SEA CFOs are focused on cost optimisation, rather than cost-cutting. As the CFO at a Thailand-based asset management company succinctly put it, there is a need to differentiate between 'good' costs and 'bad' costs. While 'bad' costs represent resource waste that should be minimised, if not eliminated, 'good' costs that must be incurred in order for value creation to occur should be managed from an efficiency perspective – for example, by addressing overlapping costs to maximise cost synergies.

> Our strategy emphasises the importance of pursuing cost control alongside revenue growth. Cost control is necessary to ensure operational efficiency, while growth enables us to channel new investments back into the business. It is a very delicate balance, and these dual priorities form the cornerstone of our company's 'where to play' strategies.
>
> *Singapore-based CFO at a global technology company*

To support their organisations in achieving their growth objectives, SEA CFOs are also thinking about how they can better calibrate their capital allocation and financing mechanisms. The CFO at a Singapore-headquartered resources company, for example, is focused on allocating capital to growth projects; however, given the uncertain interest rate environment, they have adopted a more discerning approach to capital deployment that includes raising the required internal rate of return (IRR) used to qualify investments.

Approaches adopted by other SEA CFOs also include leveraging strategic frameworks to manage the trade-offs involved in investment decision-making and adopting a maturity lens to capital allocation across the portfolio (see “SEA CFOs are adopting different strategies to recalibrate capital allocation and financing mechanisms”).

With respect to financing, SEA CFOs are looking at ways in which they can reduce the cost of borrowing, diversify funding sources by moving away from traditional bank debt, and extend the weighted duration of liabilities. In this regard, sustainability-linked loans are an option that some CFOs are considering, as they can help to lower refinancing costs – subject to the caveat that the organisation can meet specific sustainability targets communicated to and agreed upon upfront with banks and syndication partners.

As they pursue these objectives, however, SEA CFOs emphasised the importance of discipline. In the words of the CFO at a Singapore-based offshore and maritime engineering company, “Many of these are basic finance principles. The difference lies in having the discipline to enforce, implement, and drive these objectives. CFOs need to be precise and sharp when negotiating terms with banks, increasing threshold limits, and minimising cross-default clauses – there is no room for complacent attitudes.”

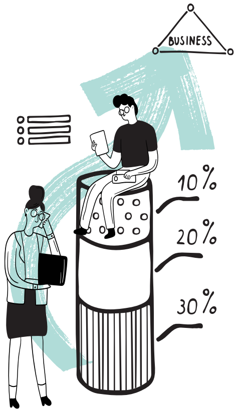
SEA CFOs are adopting different strategies to recalibrate capital allocation and financing mechanisms

Leveraging a strategic framework to manage investment trade-offs

For the CFO at a Singapore-based property developer, a strategic framework comprising three components – Run, Grow, and Transform – is central to how the CEO and board engage with the CFO on decisions concerning capital. More specifically, 'Run' refers to core businesses and business-as-usual operations; 'Grow' refers to expansion to adjacent businesses, competencies, or geographical markets; and 'Transform' refers to innovative or transformative initiatives that require a more fundamental reassessment of strategies.

Adopting a maturity lens to capital allocation across the portfolio

For the Singapore-based CFO at a global technology company, capital allocation is considered through a business maturity lens. Given their diverse portfolio of businesses with varying levels of maturity across the entire lifecycle – from declining, static, to rapid growth – the CFO focuses on strategically allocating capital to drive growth in areas with high upside potential that represent the future of the company and industry, while ensuring that they do not entirely wean off investments in static or declining areas that may still require maintenance and support.



Leveraging M&A for growth and resilience

Across all industries and sectors, SEA CFOs are facing an urgent need to intensify their scrutiny of portfolio holdings and future capital allocation strategies, as they seek to rebalance, look for growth opportunities, and divest assets that no longer fit. To this end, our survey has found that more than half (58%) of respondents assess their portfolio performance at least twice a year (see Figure 6).

Figure 6: More than half of SEA CFOs assess portfolio performance at least twice a year

58%

Assess portfolio performance at least twice a year

Our conversations with SEA CFOs revealed that for many, this process is subsumed into annual budgeting cycles, with board members meeting at a regular cadence for portfolio reviews. But, above all, what was most striking was that two common themes – growth and resilience – dominated nearly all of our conversations with SEA CFOs on portfolio reviews.

The CFO at a Singapore-based offshore and maritime engineering company, for example, shared with us how they focus their evaluation on capabilities and capacities to understand whether they may be lacking assets that their customers require. Additionally, they consider how they can diversify and improve their revenue profile so that it is resilient enough to withstand boom and bust cycles. These two considerations underpin the evaluation criteria that helps them to avoid unnecessary distractions, and this has proven to be especially useful in the current market where they are constantly being confronted by unsolicited M&A approaches.

> There is considerable appetite for M&As in the current market. While M&As in the region used to be driven by hubris and the desire by local companies to establish an overseas presence, there is now a greater focus on return on invested capital (ROIC). Companies are also adopting more targeted approaches, and leveraging highly specific strategies – for example, with the objective of becoming a market leader in a specific target market.
>
> *CFO at a Malaysia-based social security player*

Overall, more than one-quarter (28%) of respondents indicated their organisations had completed at least one M&A transaction in the last 36 months (see Figure 7). Indeed, our conversations with SEA CFOs revealed that a significant proportion have recently completed strategic acquisitions on the back of favourable post-COVID valuations, and are currently focusing on post-merger integration (PMI) activities.

Figure 7: More than one-quarter of SEA CFOs say their organisations have completed at least one M&A transaction in the last 36 months

28%

Completed at least one transaction in the last 36 months

The CFO at a Singapore-based offshore and maritime engineering company, for example, is looking at how they can better integrate people, processes, and systems, as well as consolidate physical and intangible assets, to enable its organisation to surpass the capabilities of its predecessor companies.

Similarly, the CFO at a Thailand-based asset management company, whose organisation recently completed a major M&A deal, is currently focused on consolidating and reducing duplication across the various businesses and identifying common core strengths to enhance the combined organisation's differentiation vis-à-vis competitors. Key activities that the CFO is overseeing include evaluating key distributors to more effectively allocate resources, as well as allocating capital to more promising businesses while discontinuing those with less potential.

> Following a series of recent acquisitions, we are currently in the midst of integration activities aimed at reaping synergies through a reduction in cost duplication and harnessing of shared assets. However, we remain committed to proactively and consistently exploring our options to drive growth, in terms of both vertical and horizontal expansion. Given the nature of our business, we are also looking for ways to monetise the large amount of data that we possess, possibly through M&A.
>
> *CFO at a Thailand-based telecommunications company*

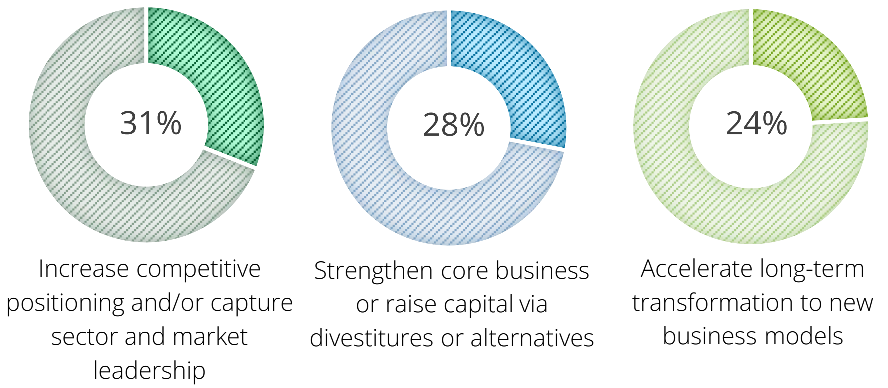
As SEA CFOs look ahead, we observed that an even greater proportion – nearly half (46%) – of respondents expect the average number of deals to increase over the next 36 months (see Figure 8). In terms of their strategies, SEA CFOs also expect to leverage M&A to increase their competitive positioning, strengthen their core business, and accelerate long-term transformation (see Figure 9).

Figure 8: Nearly half of SEA CFOs expect the average number of deals their organisation closes to increase over the next 36 months

46%

Expect the average number of M&A deals that their organisation closes to increase over the next 36 months

Figure 9: Top three strategies include increasing competitive positioning, strengthening core business, and accelerating transformation



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

These findings are in line with the takeaways from our conversations with SEA CFOs, which revealed that many are already leveraging M&A to drive highly specific growth and resilience objectives (see "Perspectives from a serial acquirer in a highly competitive industry").

One example is a Singapore-based property developer, whose CFO is actively seeking acquisitions across various business segments. To replenish their land banks, they also have a specialised deal team looking at overseas M&A, primarily in the form of partnerships and joint ventures due to a lack of familiarity with local markets and regulatory environments.

Notably, even a number of SEA CFOs whose organisations are not typically considered to be serial acquirers are also considering the use of M&A. The CFO at an Indonesia-based consumer financing company, for instance, is in discussions with external consultants regarding the potential acquisition of start-ups with capabilities in digital or FinTech that can be used to complement their portfolio offerings and enhance their competitive positioning in key target segments.

Perspectives from a serial acquirer in a highly competitive industry

For the Singapore-based CFO at a global technology company, sustaining their position as a successful serial acquirer in a highly competitive industry is a demanding mandate that has no room for complacency. Accordingly, they assess their portfolio performance quarterly, and engage in a series of strategic planning and ongoing evaluations to ensure that they are constantly aware of and up to date with new developments, industry trends, and competitor movements. To help them interpret market shifts and identify emerging opportunities, they rely on the expertise and insights of their research and development (R&D) teams, global business units, and salespeople, who act as their ears on the ground.

Given that gaining and maintaining market share is crucial for the organisation's ongoing success, the CFO actively seeks out potential deal opportunities not only within their industry, but also in adjacent or complementary sectors. These new frontiers help the organisation to expand its market presence, particularly in high-growth areas, as well as enhance its overall portfolio and competitive edge.

When a potential target has been identified, effort is made to engage with them on a discussion of potential synergies. Key considerations in this regard include, but are not limited to:

- Affordability (whether the acquisition can be funded solely through cash or if additional capital-raising is required);
- Long-term viability (whether the acquisition is likely to pay off within a 10-year period);
- Acquisition economics (whether the acquisition makes financial sense, based on a thorough analysis leveraging lessons learnt from past successes and failures); and
- Cost and financial impacts (whether headcount integration and cultural alignment will bring significant financial impacts).

THE SEA CFO'S TO-DO LIST

Moving towards an 'always on' portfolio review mindset

Thriving in today's highly dynamic and volatile conditions requires companies to develop two key capabilities: resilience, through which they secure their foundations; and transformative growth, with which they are able to reinvent their businesses to drive market leadership and ultimately create long-term shareholder value. Central to developing these capabilities is the adoption of a more active portfolio review mindset, where assets are regularly assessed for their fit, cost, and contribution to the organisation's overall strategy.

The fact that a majority of respondents in our survey are already reviewing their portfolios at least twice a year is encouraging. However, in order to be truly agile and able to course correct, SEA CFOs need to take the lead in helping their organisations move towards an 'always on' mindset when it comes to portfolio review. This means dedicating resources and engaging the board to ensuring that assets are aligned with the overall strategic direction, and, where they are not, being willing and able to move quickly to divest or engage with partners who can create value.

Such a challenging endeavour would require structured thinking, as well as senior-level buy-in and commitment. To help SEA CFOs frame their approach, we propose that they consider the following initial roadmap towards active portfolio management:

1. **Strategic alignment and competitive positioning:** Analyse key forces that could influence the portfolio, including technological advances, market shifts, regulatory changes, and economic conditions, and connect that analysis with the overarching strategy to chart the current and future competitive positioning and identify capability gaps;

2. **Financial and operational controls:** Identify financial and operational levers to maximise returns and achieve wider goals, such as those relating to ESG;

3. **Scenario planning:** Develop multiple plausible future scenarios based on the intersection of critical uncertainties;

4. **Optionality and risk adjustment:** Develop strategic options ranging from 'no-regret' moves that are beneficial in all scenarios to more speculative 'big bets' that could pay off in specific scenarios, and establish a dynamic strategy capable of evolving as new information becomes available or as specific scenarios and/or risks begin to materialise.

2. Achieving operational excellence

Investing in automation

Overall, SEA CFOs expect digital technologies and automation to play a bigger role in their organisation's operations. Our survey results revealed that more than half (59%) of respondents expect to embed more automation or digital technologies into operations (Figure 10), and more than one-third (34%) of respondents expect to increase their digital investments in the year ahead (Figure 11).

Figure 10: More than half of SEA CFOs expect to embed more automation or digital technologies into operations

59%

Will embed more automation/digital technologies into operations

Figure 11: More than one-third of SEA CFOs expect to increase their digital investments

34%

Expect to increase investments in digital transformation and/or emerging technologies

This finding tracks closely with the observations gleaned from our conversations with SEA CFOs. Across the board, we found that most SEA CFOs are investing in some form of digitisation to automate operations, with some even allocating capital specifically for AI implementation.

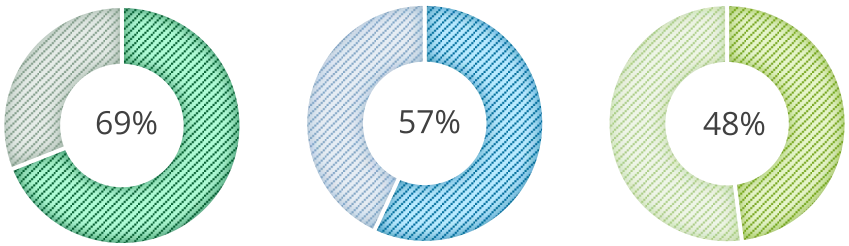
When it comes to automation, our focus is primarily on enhancing productivity and efficiency. Some of the immediate low-hanging fruit that we are pursuing include streamlining the process of transferring data between different file types for reporting aggregation, as well as leveraging AI to enhance existing robotic process automation (RPA) solutions in our accounts payable and accounts receivable processes.

CFO at a Singapore-based offshore and maritime engineering company

Notably, a significant proportion of SEA CFOs we spoke to also shared that their organisations have established dedicated teams – typically in the form of centres of excellence (CoEs), transformation teams, or committees – to oversee the experimentation of AI use cases.

Examples of such use cases include the automation of internal controls to better monitor internal transactions, as well as AI applications to improve customer interactions. Within the finance function specifically, respondents also cited use cases for AI in the automation of routine and transactional processes (69%), planning, forecasting, and analysis (57%), and accounting, reporting, and reconciliations (48%) (see Figure 12).

Figure 12: SEA CFOs consider the most promising use cases of AI to be in automated routine/transactional processes; planning, forecasting, and analysis; and accounting, reporting, and reconciliations



Automated routine/ transactional processes

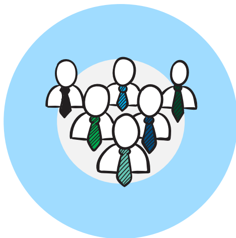
Planning, forecasting, and analysis

Accounting, reporting, and reconciliations

Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

By and large, however, we have observed in our conversations with SEA CFOs that these are primarily low-risk applications that aim to enhance productivity by partially automating manual tasks previously performed entirely by humans and freeing up talent to focus on more value-added activities – a finding that is also consistent with our survey results (see Figure 13).

Figure 13: About half of SEA CFOs expect to leverage automation and digital technologies to free people to use talents for higher-value activities



54%

Will leverage automation/digital technologies to free people to use talents for higher-value activities

44%

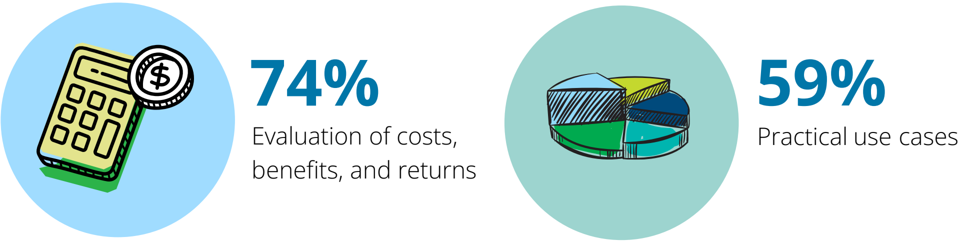
Will deploy digital technologies to automate certain jobs previously performed by humans

Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

Nevertheless, it must be noted that most organisations are only in the early stages of their AI journey – a point that was repeatedly emphasised by nearly every SEA CFO we spoke to. The CFO at a Thailand-based asset management company, for example, shared with us that based on their experience experimenting with generative AI applications, they believe that there are significant gaps between the expected outcomes and realities of such use cases that will need to be bridged in order for AI to become truly embedded into operations.

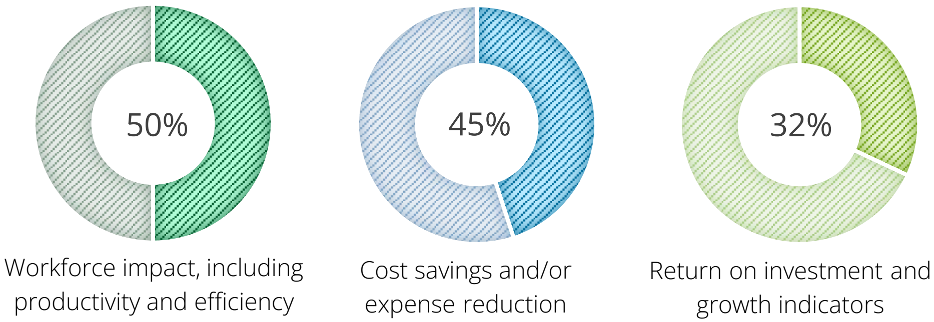
Even more importantly, SEA CFOs also shared with us their struggles in rationalising investments for AI – a finding that was also uncovered in our survey (see Figure 14). In terms of the value that they are looking to measure, respondents cited workforce impact (50%), cost savings (45%), and return on investment (32%) as their top three metrics (see Figure 15).

Figure 14: Cost-benefit evaluation and practical use cases needed to help SEA CFOs make investment decisions related to the use of AI and/or other emerging technologies



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

Figure 15: Workforce impact, cost savings, and return on investment are top three measurements of value cited by SEA CFOs for investments in AI and/or emerging technologies

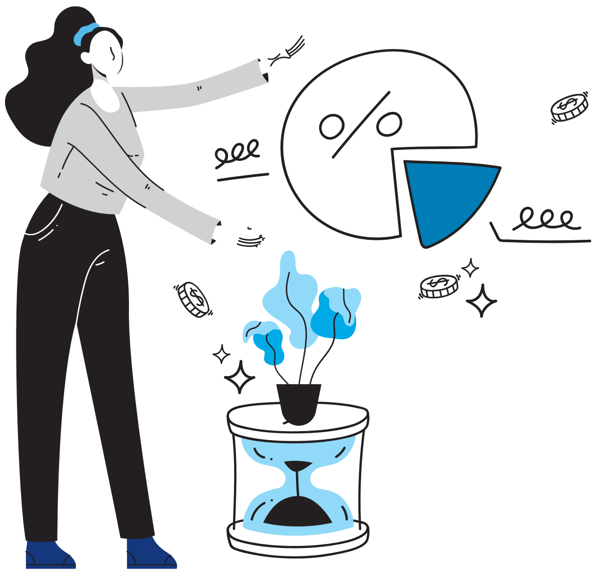


Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

> We have allocated a dedicated budget for AI implementation and developed a rigorous process to ensure that our investments in AI make sense for the business. Before committing to any investment, we conduct analyses to determine its likelihood of success, its potential benefits, and how it can help drive efficiency across the different functions. While we have several teams experimenting with AI use cases across our operations, commercial, and finance functions, it is still early days, and it remains to be seen how successful these initiatives will be.
>
> *CFO at a Singapore-headquartered resources company*

The CFO at a Malaysia-based social security player, for example, shared that while they saw significant cost savings from their previous implementation of RPA applications, it has been challenging for them to quantify similar benefits from AI adoption.

Echoing a similar sentiment, the CFO at an Indonesia-based consumer financing company also explained that as they have yet to identify compelling use cases for AI that would justify the investment, they have opted to continue relying on existing machine learning (ML)-powered processes that are sufficient to support their existing business needs in areas such as credit analysis.



Automation as an opportunity to evolve the role of the CFO

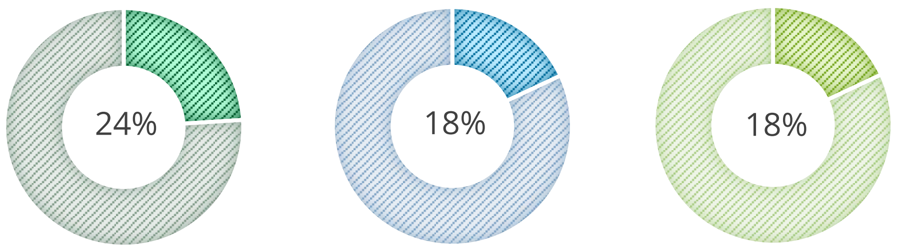
While the focus of most conversations on automation is often on talent and workforce impacts, one interesting insight by the CFO at a Malaysia-based property group was that CFOs should also consider how automation can be leveraged to evolve their own roles, mindsets, and ways of working.

Specifically, given that most CFOs tend to be more focused on operational delivery and execution, rather than strategy and planning, CFOs should think about the ways in which they can best make use of the time freed up from performing manual tasks – not least by capitalising on this opportunity to pivot towards more strategic decision-making roles.

Rethinking talent operating models

In terms of talent operating models, our survey found that nearly a quarter (24%) of respondents expect to increase the use of internal shared services and/or CoEs, and nearly one in five (18%) expect to increase the outsourcing of their operations. Notably, however, nearly one in five (18%) also expect to increase the use of external resource integration or augmentation models in more strategic and mission-critical areas of their operations (see Figure 16).

Figure 16: A significant proportion of SEA CFOs expect to increase the use of internal shared services and outsourcing, as well as external resource integration or augmentation models



Will increase the use of internal shared services centres and/or COEs

Will increase the outsourcing of their operations

Will increase the use of external resource integration/augmentation models in strategic and mission-critical areas of their operations

Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

Based on our conversations with SEA CFOs, we have found a significant number of them are reassessing their talent models to strike the right balance between internal and external talent for their organisations. In this regard, we have observed that they are adopting a number of different hybrid approaches (see "SEA CFOs are leveraging a range of hybrid talent operating models to meet varied skill needs").

For the CFO at an Indonesia-based consumer financing company, for example, this has meant outsourcing collections and administration functions, while establishing in-house capabilities for core business functions such as marketing and digital.

Looking ahead, we expect our talent operating model to continue evolving rapidly, as there are a significant number of tasks within the organisation that are highly repetitive and therefore ripe for automation. In terms of our approach, we are currently working to envision the ideal workforce for our desired future state, which will in turn enable us to identify the relevant talent gaps requiring action.

CFO at a Thailand-based asset management company

In contrast, for the CFO at a Singapore-based offshore and maritime engineering company, the main concern is not the quantity or availability of talent, but quality; as a result, they prefer to rely on in-house talent for senior roles, while leveraging outsourcing and offshoring models for more junior roles.

One common concern amongst SEA CFOs who are looking to recalibrate their talent models, however, lies in managing the trade-offs between the greater ownership and accountability of in-house teams and the higher levels of efficiency in outsourcing. For the CFO at a Thailand-based asset management company, the answer to this conundrum lies in establishing internal CoEs.

To this end, the CFO is planning to pool their accounting resources into regional CoEs to reduce cost duplication, while exploring alternative talent sourcing models, such as gig workers, for seasonal tasks that do not require full-time employees. In several strategic and mission-critical areas of their operations, such as technology and tax, they are also partnering with external specialists to leverage their domain expertise.

Fundamentally, the bottomline is that SEA CFOs recognise the need to adopt a mix of different approaches and continually assess them for fit. The CFO at a Thailand-based communication service provider, for instance, has had to rethink their existing outsourcing policy of hiring external talent on an 'as-needed' basis.

This is because in practice, outsourcing is conducted for continuous, always-on tasks, rather than project-based tasks as was initially intended – which suggests the need to evaluate whether these roles should instead be moved in-house. To inform this decision, this CFO intends to define a set of specific capabilities for each task, and assess if there is a need for the organisation to maintain the necessary on-premise infrastructure and equipment to support these roles.

Our talent needs are constantly evolving, and this has necessitated the adoption of hybrid talent operating models. For example, in instances where our local teams may lack the bandwidth or specific know-how and a rapid response is required, we utilise what we call 'labour augmentation' by hiring consultants to support us on projects with quick turnarounds and high agility.

Singapore-based CFO at a global technology company

SEA CFOs are leveraging a range of hybrid talent operating models to meet varied skill needs

A hybrid operating model for digital talent comprising internal outsourcing, external vendors, hiring, and upskilling

The CFO at a Singapore-headquartered resources company shared with us that their organisation has established an internal outsourcing model to support its IT, cybersecurity, and other ongoing digitisation activities. For transformative technology implementation and AI automation initiatives, however, they engage external consultants and vendors to help them develop an understanding of industry-leading best practices and assess the options available to them so as to better inform decision-making. Concurrently, they are actively hiring for specialised roles such as data scientists, while also investing in the upskilling of their workforce to equip them with digital capabilities.

A combination of shared service centres and CoEs to optimise costs while benefiting from transformation and efficiencies

According to the Singapore-based CFO at a global technology company, the rapid pace of technology advancement – particularly in areas such as AI – keeps them constantly on their toes. While their organisation already possesses a wealth of data and digital expertise, they are continually on the lookout for new capabilities. For example, they are currently recruiting data scientists in several locations across the globe to establish CoEs, with a view to transforming how they manage data to deliver complex insights in near real-time to support decision-making at the C-suite level. For back-office functions, the use of shared services centres also enables them to optimise costs while benefiting from efficiencies.

THE SEA CFO'S TO-DO LIST

'Flipping the script' on the build versus buy decision

SEA CFOs in nearly every industry are confronted with decisions on whether to outsource key processes and functions. Under a traditional outsourcing model, organisations looked to services providers to help them reduce costs in non-mission-critical areas of the business. Typically narrow in scope, these projects tended to focus on solving discrete and transactional business problems in finance, HR, manufacturing, and other domains.

Increasingly, however, there is a growing recognition that such traditional outsourcing models may no longer be adequate. Indeed, we have observed in recent years the evolution towards the next generation of managed services – which we term 'Operate' services – where a third party manages core business functions and their associated technologies to support organisations in adapting to today's complex combination of new technologies, talent shortages, and rapidly evolving regulatory requirements.

Based on the fundamental premise that business outcomes, not cost efficiencies alone, are what matter, these models provide organisations with access to hard-to-source domain and industry talent, and enable them to embed leading-edge technology and transformation know-how into their core, ongoing mission-critical processes while benefitting from the ability to scale capacity as and when needed. Examples of Operate services in the finance function include finance-as-a-service for specialised areas such as accounting and tax; strategic finance augmentation to provide finance resources in areas such as transformation or specialised accounting to accommodate demand fluctuations and close skills gaps; finance technology management to meet ongoing technology needs; and finance analytics-as-a-service to deliver ongoing analysis and insights.

Ultimately, the bottomline for SEA CFOs is that now is the time to think bigger and consider how managed services can be applied to aspects of the business that are so critical to success that they cannot be executed any less than brilliantly. We call this thought process 'flipping the script' on the build versus buy decision. To get started on identifying Operate use cases, we propose that SEA CFOs consider the following questions:

- Is the business process considered mission-critical?
- Is the relevant technology or environment rapidly evolving?
- Is there a scarcity of talent or vast upskilling required?

If the answer to any of these questions is 'yes', then an Operate conversation may be in order.

3. Futureproofing the organisation

Advancing a trustworthy AI agenda

In line with aforementioned expectations for digital technologies and automation to play a bigger role in their organisation's strategy, we have observed that SEA CFOs are thinking about how they can advance a trustworthy AI agenda. To this end, our research has uncovered three interesting findings.

Firstly, respondents cited talent resources and capabilities (74%), as well as data and technology resources (67%) as the top barriers that their organisations face in AI adoption. This is no surprise: findings from last year's survey had revealed that the importance of talent has not only not been diminished, but has in fact increased, in the context of AI and automation, and that SEA CFOs had considered the lack of clean, consistent, and consolidated data to be one of the key impediments to the uptake of AI and analytics.

What is perhaps notable in this year's findings, however, is that about half of respondents also expressed concerns regarding cost of investment (51%), as well as risk and governance issues (45%). A significant proportion – more than one-quarter (27%) – were also concerned about privacy and security issues (see Figure 17).

These findings are in line with a separate Deloitte study on trustworthy AI, which found that security vulnerabilities, including cyber or hacking risks were most commonly cited as top concerns associated with the risk of using AI by senior leaders in SEA, followed by issues pertaining to privacy, such as confidential or personal data breaches[1].

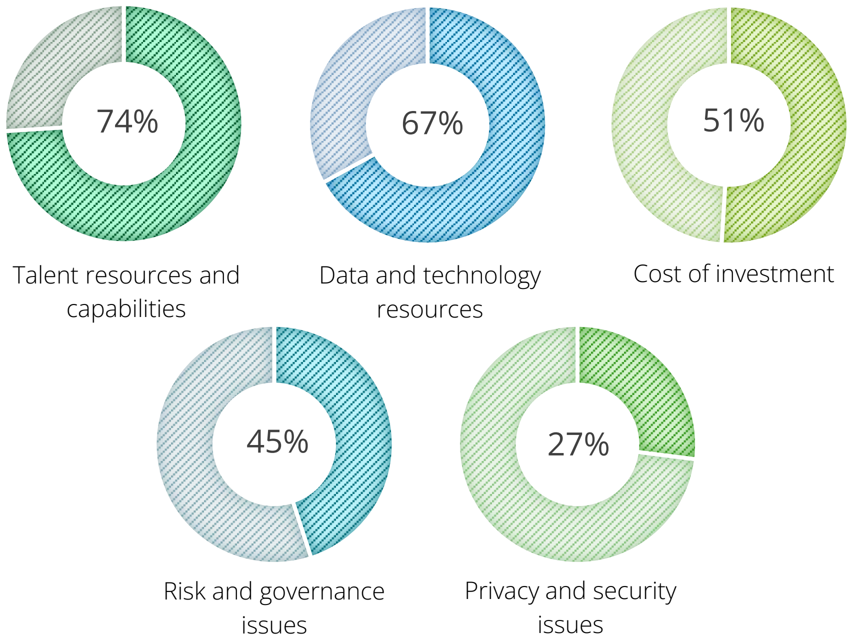
Indeed, observations from conversations we held with SEA CFOs revealed that a number of them are encountering such AI-related risks in real time as they experiment and roll out the technology.

1 "AI at a crossroads: Building trust as the path to scale". Deloitte Asia Pacific. 2024.

> Certain segments of our business are fairly advanced in terms of data, but the challenge lies in the diversity of IT systems across the entire organisation. Integrating the data from these various systems is the first critical step to analytics and AI, and there needs to be a conscious effort to implement more sophisticated data systems.
>
> *CFO at a Singapore-based property developer*

Recognising that these risks could arise from the AI solutions themselves, or the vast amount of data used by the solutions, the CFO at a Thailand-based communication service provider has put in place a rigorous governance process to test AI outputs to minimise the risks associated with IT development. For this CFO, AI governance risks are not merely security vulnerabilities or threats, but can also have real impacts on efficiency; for example, if a system is fundamentally flawed, significant rework may be needed in terms of the coding or technical development.

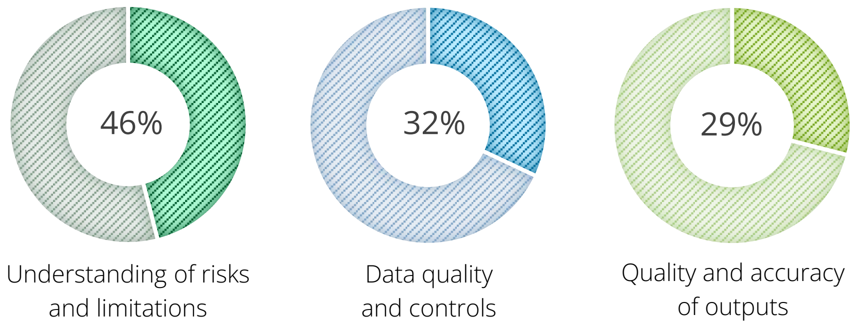
Figure 17: Talent resources and capabilities, as well as data and technology resources, are the top barriers SEA CFOs say their organisations face in AI adoption



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

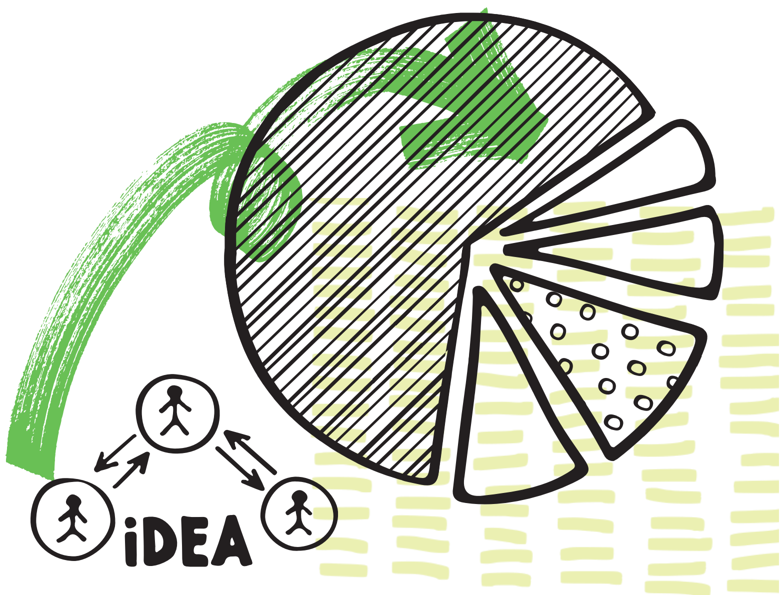
Secondly, our findings suggest that the growing awareness of risks associated with AI adoption amongst SEA CFOs have significant impacts on their AI-related investment decision-making. Based on the survey findings, we found that nearly half (46%) of respondents believe that an understanding of risks and limitations would help them make investment decisions related to the use of AI and/or other emerging technologies (see Figure 18).

Figure 18: Nearly half of SEA CFOs believe that an understanding of risks and limitations would help them make investment decisions related to the use of AI and/or other emerging technologies



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

Explaining their approach to AI-related decision-making, the Singapore-based CFO at a global technology company shared with us that they have in place a clear hierarchy of approvals. For example, managers on the ground have the autonomy to approve and initiate pilot projects below a certain predefined threshold, while larger investments may require a more thorough due diligence process with multiple levels of approvals. The preference, however, is to start small with pilots, and scale successes. Such an approach helps to mitigate risks and avoid the misallocation of capital to investments that may not yield the desired outcomes.

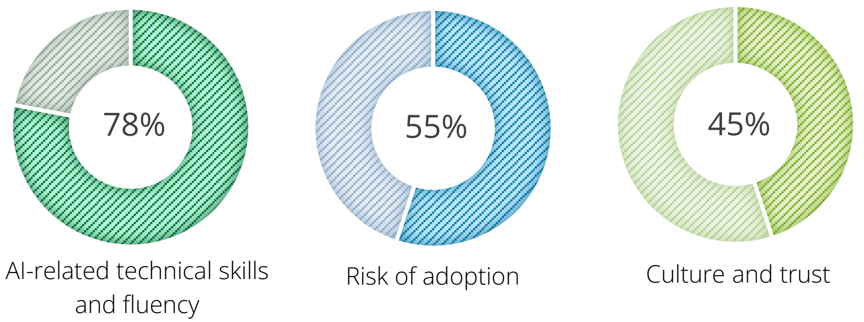


> While I would like to say that we are advanced in terms of AI adoption, the reality is that AI is evolving at the speed of light. What we know today can become obsolete tomorrow, and what we discover tomorrow might become obsolete by next week. No one can confidently claim to know what the future holds in such a rapidly changing landscape. To maintain our competitive edge, we must constantly upgrade, innovate, and explore the latest technologies and tools.
>
> *Singapore-based CFO at a global technology company*

Thirdly, talent is regarded by SEA CFOs to be a key component of trustworthy AI. Within the finance function specifically, SEA CFOs regarded talent and trust-related factors – AI-related technical skills and fluency (78%); risk of adoption (55%); and culture and trust (45%) – to be their top concerns related to the use of AI (see Figure 19).

Overall, about half (45%) of SEA CFOs also expect to invest in upskilling and/or reskilling to support talent across their organisations in adopting automation and digital technologies (see Figure 20).

Figure 19: Technical skills, risk of adoption, as well as culture and trust are top concerns for SEA CFOs with regard to the use of AI in the finance function



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

Figure 20: Nearly half of SEA CFOs expect to invest in upskilling and/or reskilling to support talent in adopting automation and digital technologies

45%

Will invest in upskilling and/or reskilling to support talent in adopting automation/digital technologies

These findings allude to a broad recognition amongst SEA CFOs that human judgement and action (or reaction) are critical to the successful adoption of trustworthy AI (see "Fewer than two-thirds of organisations in SEA believe their employees have the capabilities to use AI responsibly").

Ultimately, employees – whether they are designing, deploying, or using the AI solutions – possess valuable, first-hand insights on the accompanying functionalities and potential risks. Developing the skills and capabilities of employees to not only use these AI tools productively, but also identify, assess, and manage their attendant risks should therefore be the focus going forward in terms of AI fluency efforts.

Fewer than two-thirds of organisations in SEA believe their employees have the capabilities to use AI responsibly

Given that the rapid pace of AI adoption is driven by employees, who often outpace their leaders – a previous Deloitte study on Generation AI found that more than 70% of young employees and students in SEA have already adopted the use of generative AI[2]– it must be emphasised that employees have a crucial role to play in ensuring trustworthy AI.

Yet, according to another Deloitte study, fewer than two-thirds of senior leaders across SEA – and in the case of Singapore, only half (50%) – believe that employees in their organisations have the required level of skills and capabilities to use AI solutions responsibly. To close the AI skills gap, more than three-quarters of senior leaders in SEA are investing in employee upskilling. The only exception is Singapore, where the AI skills gap was found to be the widest and nearly seven in 10 organisations have needed to close the gap through hiring, possibly due to the market's demand for highly specialised and technical roles[3].

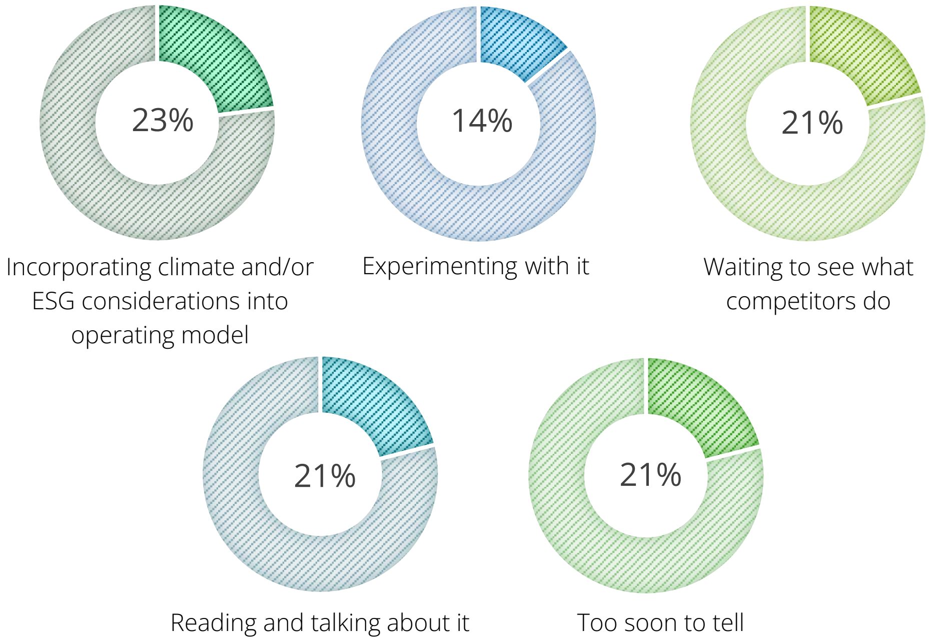
2 "Generative AI in Asia Pacific: Young employees lead as employers play catch-up". Deloitte Asia Pacific. 2024.
3 "AI at a crossroads: Building trust as the path to scale". Deloitte Asia Pacific. 2024.

Embedding ESG into the operating model

In our conversations with SEA CFOs, we have observed a broad recognition of the growing importance and urgency of ESG priorities; indeed, the idea that ESG is becoming embedded into 'organisational DNA' was a recurring theme in many of our discussions. The reason for this is clear – in the words of the Singapore-based CFO at a global technology company, while sustainability may have been an optional 'good to have' in the last few years, it has since become a non-negotiable requirement.

Despite widespread acknowledgement of ESG as an area of priority for SEA CFOs, our findings reveal that less than one-quarter (23%) of respondents are incorporating climate and/or ESG considerations into their operating models, with the overwhelming majority currently only in exploratory or experimentation phases (see Figure 21).

Figure 21: Less than one-quarter of SEA CFOs have incorporated climate and/or ESG considerations into their operating models

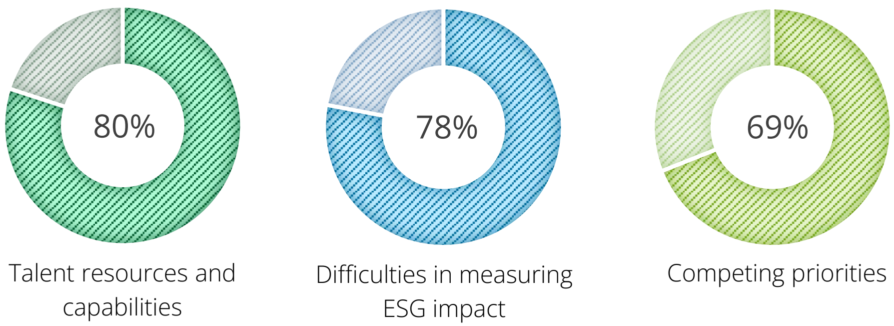


> The regulatory environment has played an important role in our ESG progress, but ESG is fundamentally integral to our corporate DNA and culture. Similarly, while we have won a number of sustainability awards in recent years, our goal is not to chase accolades, but to approach ESG pragmatically.
>
> *CFO at a Singapore-based property developer*

Possible reasons for this include barriers cited by respondents such as talent resources and capabilities (80%), difficulty measuring ESG impact (78%), and competing priorities (69%) (see Figure 22). While talent constraints and ESG measurement difficulties are well-established challenges that we have previously explored in last year's report, what stood out this year was the significant number of discussions we had with SEA CFOs on the challenges of managing the inevitable trade-offs that come with advancing climate and ESG priorities.

The CFO at a Thailand-based asset management company, for example, explained that they have put in place processes to rigorously evaluate their vendors to ensure they meet certain criteria in terms of carbon emissions reduction targets. However, the cost that comes with working with qualified vendors could sometimes be double that of other options – which is a situation that presents significant trade-offs for the CFO.

Figure 22: Talent resources and capabilities, difficulties in measuring impact, and competing priorities are top barriers for SEA CFOs in embedding ESG considerations into operating model



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

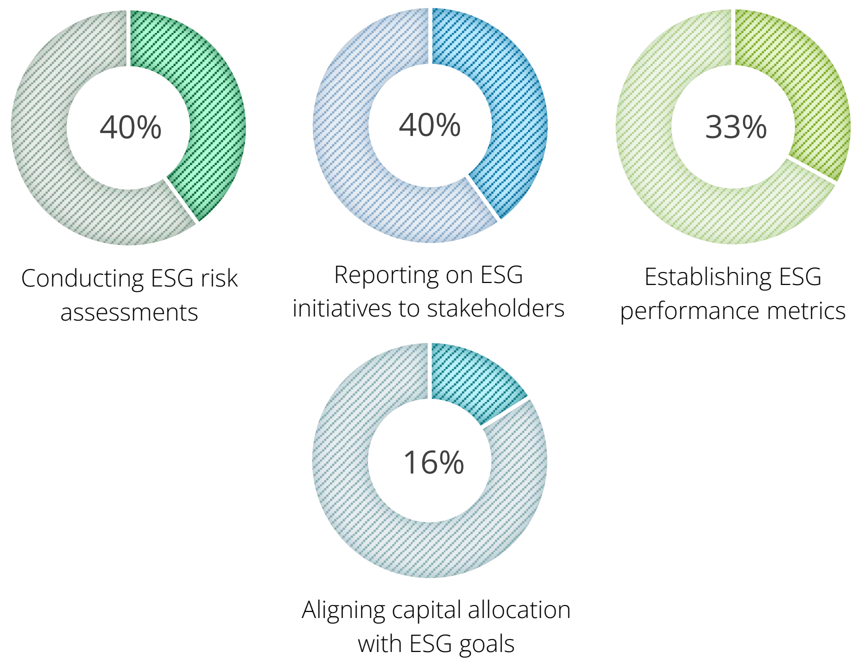
Similarly, the Singapore-based CFO at a global technology company also shared with us that the ongoing transition from single-use plastics to recycled plastics is having a significant impact on their procurement strategies, as these materials are more costly and could erode margins. With a view to ensuring continued financial viability, the CFO is currently focused on identifying internal cost savings to offset the increased costs, and adjusting prices in the market to cover costs that they are unable to absorb.

The latter, however, comes with the additional challenge of ensuring that the price increases do not erode competitive advantage. Nevertheless, the CFO believes that with ESG becoming no longer an option, their competitors would also be subject to the same pressures – and this will, in turn, give rise to the emergence of new pricing dynamics in the market as well as a new wave of cost optimisation programs within organisations.

From a financial decision-making point-of-view, key actions that SEA CFOs are taking include conducting ESG risk assessments (40%), reporting on ESG initiatives to stakeholders (40%), and establishing ESG performance metrics (33%). Only a minority (16%) are aligning capital allocation with ESG goals (see Figure 23) – a finding that is not surprising, given the aforementioned observation that SEA CFOs face difficulties in measuring ESG impact.

Nevertheless, several CFOs we spoke to appear to be leading the pack in this regard – and their experiences may prove instructive for others embarking on this journey (see "SEA CFOs are adopting a range of approaches to align ESG and financial objectives").

Figure 23: Top actions SEA CFOs are taking to integrate ESG into financial decision-making include conducting risk assessments, stakeholder reporting, and establishing performance metrics



Note: Figures do not add up to 100% as respondents were allowed to select more than one option.

At this juncture, however, it is perhaps also important to highlight that while metrics are important, SEA CFOs should avoid becoming overly fixated on them. The CFO at a Singapore-headquartered resources company, for example, shared with us that their organisation's ESG and sustainability efforts are motivated by the strong conviction that as a natural resource company, environmental conservation is a fundamental responsibility. While they have embedded ESG into their overall strategy and financial decision-making – and in doing so, successfully benefited from investments that contributed to both decarbonisation and strong financial returns – they have equally also invested in conservation programs that do not bring commercial benefits.

Similarly, the CFO at a Singapore-based offshore and maritime engineering company mentioned that while they are aware of the financial benefits of certain ESG investments such as machine electrification and sustainable energy sourcing, and try to reap their benefits where possible from financing, business, or sales perspectives, they believe it is important to keep in mind that metrics should not be the be-all and end-all as the energy transition process is ultimately not a linear one.

"There is no conflict between ESG and long-term financial success. ESG is important for long-term financial growth and ensures the longevity of the organisation. Conversely, a narrow focus on short-term financial metrics would only serve to undermine long-term financial viability."

CFO at a Philippines-based diversified conglomerate

SEA CFOs are adopting a range of approaches to align ESG and financial objectives

Leveraging balanced scorecards to align ESG performance with financial performance

The CFO at a Philippines-based diversified conglomerate – whose organisation had embraced ESG even before sustainability reporting became mandatory – shared that they have established end-to-end processes to integrate ESG assessments into economic and financial considerations and leverage the use of balanced scorecards for the evaluation of potential investments. Based on recent metrics, all major financial indicators have demonstrated healthy growth – which the CFO believes is evidence that integrating ESG into the financial framework was the right decision as it aligns with and strengthens overall financial performance. Currently, they are also in the process of incorporating ESG performance into reward and incentive plans, as well as seeking opportunities to collaborate with resilience institutes on the development of solutions and platforms to overcome challenges presented by the Philippines' unique climate risk profile.

Engaging in cost-benefit analyses to dovetail financial and climate objectives

For the CFO at a Thailand-based communication service provider, ESG initiatives are an opportunity to dovetail financial and climate objectives. Leveraging the Science Based Targets Initiative (SBTi) framework as a baseline, the CFO supports their organisation in planning for and measuring its carbon footprint reduction. In this regard, they focus on investing in ESG initiatives that would also enable them to reduce long-term expenses in the form of carbon taxes or carbon credit purchases – for example, by investing in solar panels to offset energy consumption. The challenge, however, is that such initiatives involve higher upfront costs and require the buy-in of shareholders. To address these concerns, the CFO engages in thorough cost-benefit analyses and carefully selects projects that have demonstrated evidence of a long-term positive net present value (NPV).

THE SEA CFO'S TO-DO LIST

Earning investor trust through credible ESG data

Our research has revealed that many SEA CFOs are embedding, if not looking to embed, ESG in their company's DNA. While this is an encouraging sign, such a strategy could have important consequences beyond merely reaching carbon footprint targets. Specifically, when business value is no longer strictly measured by their financial impacts, but also their ESG impacts, the risks, growth, and even long-term value of a company could be significantly altered.

For SEA CFOs leading their organisations in orchestrating this shift, this means that it is becoming increasingly important for them to earn the trust of their investors – not least by demonstrating the integrity of their ESG data. Indeed, companies that are able to consistently provide these disclosures before they become a requirement tend to be viewed more favourably by investors and companies; those that reliably deliver on their ESG commitments and transparently disclose their progress can go even further in building trust equity with investors.

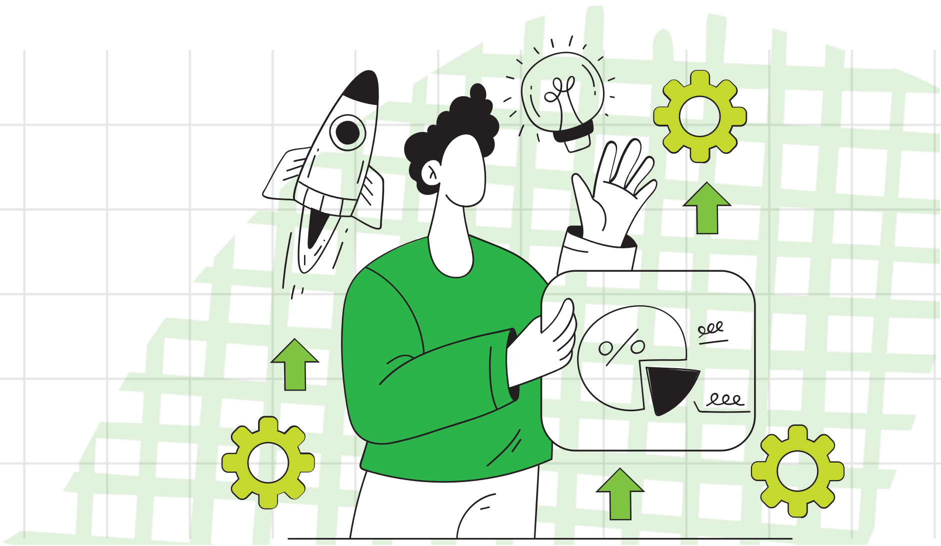
In this regard, it is important to emphasise that the SEA CFO's role extends beyond keeping investors informed. The C-suite team and board of directors need to be updated on whether the organisation is on track to meet ESG targets, and these goals should also be shared across the organisation to ensure that every individual understands the purpose behind the data that they are collecting and passing along the chain.

As SEA CFOs and their finance teams determine how to meet such needs, they will likely progress through stages of maturity and action. For finance leaders, taking the steps below may lead to meaningful – and measurable – progress:

1. **Set a cadence**: To ensure ESG efforts do not fall by the wayside, SEA CFOs should consider establishing a regular cadence of meetings and stakeholder updates. In order to effectively identify barriers and gaps, it may also be necessary to conduct a rigorous analysis of existing ESG-related structures, processes, and teams. At this juncture, SEA CFOs should also consider how they can establish effective management systems to collect, maintain, and report their ESG data.

2. **Ensure that data has been independently verified**: Having both a third-party and internal audit of ESG data can convey a simple but powerful message to investors: the company does not treat ESG as merely a check-the-box exercise; rather, the management team aims to provide comprehensive and transparent disclosures. Investors will likely have their own internal models to verify ESG data as part of their effort to identify greenwashing attempts or other questionable claims.

3. **Provide clear, transparent, and consistent reporting to stakeholders:** Beyond communicating ESG goals, it is essential that SEA CFOs are transparent to all stakeholders about the steps the organisation is taking to meet these goals. The time for SEA CFOs to take this on is now, when trust is key and expectations are heightened – and yet before additional regulations roll in. Ultimately, the reality is that voluntary action can speak volumes about an organisation's commitment to sustainability.



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