

Fostering Finance Talent

In today's fast-paced and complex environment, the remit of Finance employees is wider than ever, and many are called upon to act as internal advisors and business partners, going well beyond their traditional book-keeping-and-controls role. The need for well-rounded talent, especially those who can support decision-making is greater than ever. In response, more progressive CFOs have taken true ownership of the Finance talent agenda by considering the implications of business changes on their staffing needs, and by ensuring qualified resources are in place to meet both current and future business requirements. A fine example of a well-regarded talent steward is S Kannan, CFO of Arvind Lifestyle.

Under Mr Kannan's leadership, Finance has achieved the highest engagement scores of any department within Arvind Lifestyle, and attrition is a low 7-8 per cent. Team members are encouraged to, and recognised for reaching beyond their normal capabilities, and for helping the business achieve its objectives. They are continuously assessed on a best-in-class scorecard, with over 70 indicators of performance. Monthly and quarterly feedback loops have been established to correct any aberrations in real-time, instead of having to rely on the cumbersome annual appraisal process.

Mr Kannan has been instrumental in fostering the right talent experience within Finance through on-the-job learning, prompt guidance, rigorous training, and external exposure. A thorough competency framework is used to assess talent and identify future potential. Live projects in emerging areas such as analytics and management audits ensure that development efforts translate into behavioural change. A comprehensive rotation policy helps team members to learn and move into various verticals without any restrictions. Formal learning sessions under 'Arvind Guru Programmes' help finance team members upgrade their knowledge. Inputs from external experts are sought to improve internal training programmes and to nominate talent for external learning opportunities. The entire Finance team went through a GST orientation programme that kicked in over a year in advance, guided by external experts.

One of Mr Kannan's major contributions to talent management has been the successful integration, at the time of acquisition, of new business systems with people and processes. This involves having the Finance

Shared Services team lead the integration of Commercial Finance and other operations through a uniquely constructed 'plug and play' model. Key processes in Finance have been standardised to provide the best transition experience to any new addition to the business model, channels, brands or divisions. Identifying the right talent, and training people to centre efforts on customer experience,



S Kannan, CFO,
Arvind Lifestyle Brands Ltd

helps sustain this effort. As a result, despite rising sales and growing business complexity, the Finance team's overall cost, as a percentage of sales, has not changed in the last three years.

The next few pages explore Mr Kannan's role in greater detail. *CFO Connect* specifically looks at how, despite increased volumes, growing complexity, and new acquisitions, he has been able to attract, develop and retain talent within the Finance function.

Arvind Lifestyle is one of the fastest growing companies in the branded apparel space. What challenges did the company face in achieving key milestones while ensuring a high degree of operational excellence in functions like Finance, particularly in terms of talent management and development?

Arvind Lifestyle experienced a series of challenges when reconfiguring its entire back-end to enable nimbleness and a rapid pace of

Both a helicopter and a microscopic view of the Finance function is necessary in any successful business that is growing rapidly through inorganic and organic routes and across multiple segments and business models.



At Arvind Lifestyle, we have moved away from the conventional practice of hiring Finance talent from the same industry. The talent pool in Finance represents varied domains and sectors such as FMCG, IT, telecom, engineering, auto, and e-Commerce.



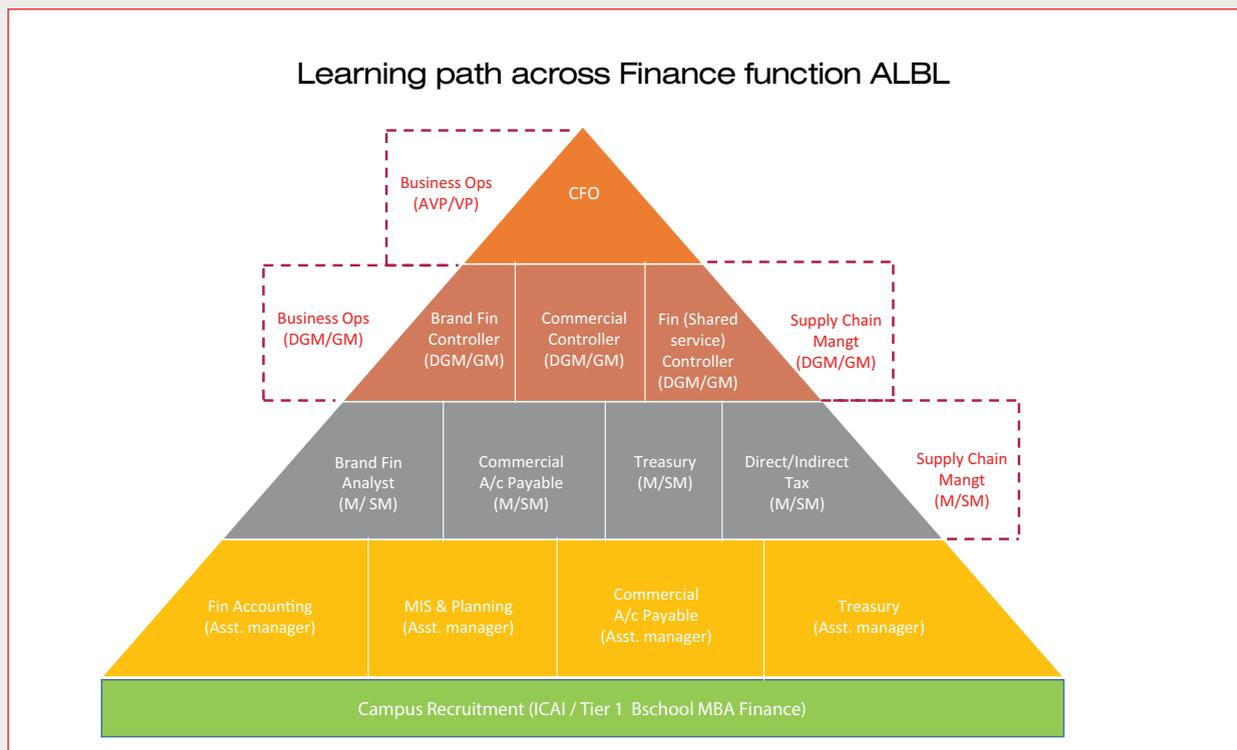
growth. The company has clocked over 25 per cent CAGR in the last 5 years to reach Rs 2,800 crore of revenue in FY17. Most of the revenue (over 75 per cent) came from the existing brand portfolio. Multiple business models, a wide range of brands across categories or market segments, many channels and a series of brand acquisitions combined with international license arrangements called for a 'helicopter and microscopic view' by the Finance leadership. In hindsight, these were really opportunities for Finance to showcase its abilities.

On the one hand, Finance had to put in place integrated processes and systems to cater to the varying requirements of internal and external customers. On the other hand, the function had to reconfigure existing processes to get more granular in delivering value and customer satisfaction. In essence, the structure and operating systems in Finance had to be revisited to help guide the businesses in realising their goals as part of the company's growth phase.

There was also a need for the smooth integration of acquired businesses/brands, including front-end POS systems and back-end ERP systems like SAP. However, the biggest challenge for Finance was to ensure business continuity during these transitions (which includes a set of acquisition and integration of acquired systems), while ensuring ongoing support to the businesses.

What are the specific competencies that you need to develop in your finance workforce, from both a technical and a leadership perspective?

Finance workforce competencies are very much aligned to business competencies as the function is a business partnering function. At Arvind Lifestyle, the expectations from



Finance have largely moved away from routine accounting and reporting deliverables to highly specific value-adding imperatives. This was an outcome of a highly proactive engagement model encouraged and practiced in Finance that is focused on multiple competencies. These include a **growth mindset**, i.e., leveraging opportunities, developing a liking for working in a challenging environment in the normal course of business, and getting out of the comfort zone. It also includes **service/customer orientation** – having an external focus, going the extra mile, and providing excellence in service. **Innovation** is also key, and requires being the first to adopt next-level practices and technology to scale-up as well as to improve the business' value dimension. **Living the brand** means an ability to see through the brand lens and understand business models and platforms for securing growth. Finally, what is also needed is **care and commitment**, which is about the engagement and development of people who believe in and deliver high-impact performance.

What is your approach to acquiring the right Finance talent? Do you look beyond traditional hiring channels to source high-quality talent with transferrable skills? What challenges do you face in this regard?

We have come a long way from the conventional practice of hiring Finance talent from the same industry. We have brought in talent from varied domains and sectors such as FMCG, IT, telecom, engineering, auto, and e-Commerce. This is over and above the graduates, trainees, and Chartered and Cost Accountants recruited through various campuses. At times, we have faced talent availability issues at the middle-management level, and therefore, we are open to talent from any industry. Retail has started to pick up in the past 3-4 years and consequently, it is not the most preferred sector. However, once we started communicating the opportunities and rich experience for Finance professionals who can be part of an exciting growth journey, we have attracted a lot of interest of late.

What is your view on 'needed attrition'? Does your unit not comprise of any such people or are you able to re-train each one of them?

The Finance leadership and the team believe in and practice High Impact Performance (HIP), which aims to move the middle to strong/outstanding performance levels by setting

stretch goals. In the process, while people are accepted for their strengths and are expected to excel every year, there has been attrition of around 7-8 per cent, which is not regrettable as it brings in the opportunity to rewire, rebuild and reshape the team for the future. We ensure ongoing efforts to sharpen skills and prepare the rest of the team through training. Almost half of the total team size includes fresh talent hired in the last three years. Of the top talent, nearly 60 per cent is newly added.

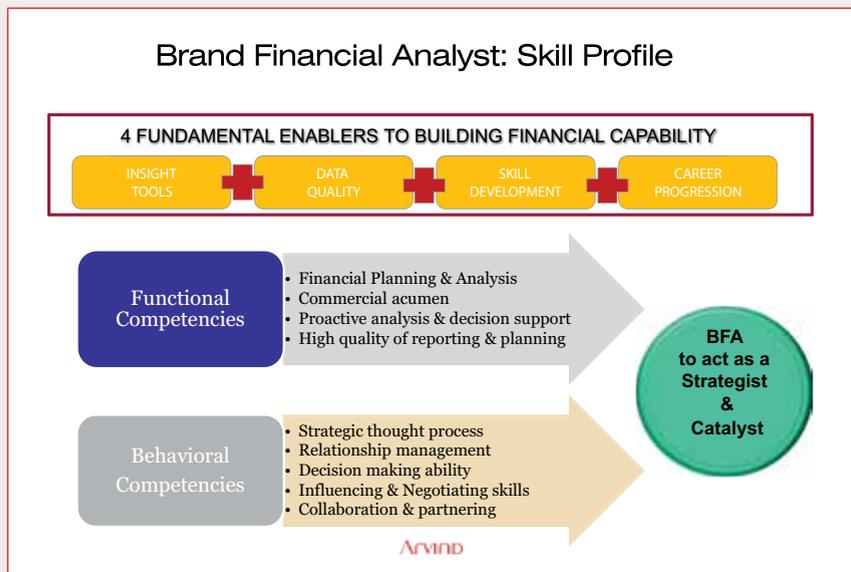
Could you illustrate the development process within the Finance team?

Led by the CFO, the Finance leadership team goes through a detailed value creation map every year as part of the KRA/goal-setting process. This is done religiously one to two months before each financial year commences. The entire Finance team (all permanent employees) goes through a full two-day KRA workshop. While annual business planning and goal-setting of the businesses and the company form the basis for identifying value-creation opportunities, the KRA workshop provides the Finance team with an exciting experience of goal alignment, identification of initiatives, and more importantly, an 'Execution Charter' or a 'Deployment Process', which captures the key skills to be acquired, nurtured and improvised every year.

Team and individual skill-mapping are done with help from HR, while the action areas for infusion of new talent, as well as training and development of the existing talent, are comprehensively evolved. Another important input for this process is the highly inspirational 'knowledge or best practice sessions' from external experts across areas such as Finance and technology. One example of radical thinking was the 'Innovation

The Finance team members, irrespective of their level, are encouraged to take up new initiatives to add value. The opportunity of value creation is much beyond finance functions themselves - be it contributing to revenue or profit, or to ROCE growth.





based on responsibilities. For instance, the Brand Financial Analyst (BFA) is required to play a dynamic role, which requires breadth of knowledge and depth of expertise. They are required to closely partner other departments with decision support inputs. A BFA, therefore, needs to be competent at both functional and behavioural skills. Technical skills such as commercial acumen, proactive analysis and decision support, high quality reporting and planning are table stakes. A BFA, in addition, needs to demonstrate strong behavioural traits such as strategic thought

Trigger Workshop' organised in 2016 for the Finance Function by Rajiv Narang, the author of *Orbit Changing Innovation*. These kinds of differentiated inputs to the Finance team bring out the overarching philosophy at Arvind Lifestyle Finance: 'To win through acceleration, connection/collaboration and excellence.' In short ACE to Win. There were other workshops, too, namely 'Simplify to Win,' '2P2C to Win', i.e., winning through productivity, people, customer, and cost.

process, relationship management, influencing and negotiating skills, collaboration and partnering. All of this is measured and mapped.

Do you have a competency model specifically for the Finance department? If so could you elaborate on it?

There is a robust competency matrix and key processes across various levels within Finance. We have mapped the competencies in each vertical, such as Business Finance, Financial Accounting, Taxation, Treasury, Audit, Commercial and Costing/Inventory. These competencies vary across levels, from Assistant Manager to Vice President/CFO

The Finance team's engagement score is the highest of all teams within Arvind. What is your role – and those of your finance leaders and C-suite colleagues – in fostering the right talent experience within Finance? What did you do differently to enable this?

KRAs and the Connect programme, combined with a highly energetic leadership, made a difference, and brought up the engagement scores to a very high level in Finance. The Connect programme aims to proactively engage Finance staff with external and internal customers. Finance team members are given 'live projects' before any KRA workshop to identify improvement areas or breakthrough solutions for the opportunities highlighted by customers across Finance, Supply Chain and IT. The outcome of these programmes is the delivery of savings or the service level feedback scores collected from vendors or customers, which reflect the effectiveness of the Finance Function on customer service excellence.

Critically, anyone in the Finance function, irrespective of level, can take up new initiatives to add value, be it contributing to revenue or profit, or to ROCE growth. To do this in a differentiated manner, we have implemented goal deployment and review processes that are completely owned by individuals and teams. Feedback loops have been established on a monthly and quarterly basis in addition to the annual appraisal process. Finance team

Arvind Lifestyle is possibly the only company in retail that has successfully implemented and sustained a Finance SLA Scorecard system with over 70 KPIs panning across the entire team and reviewing both internal and external customers.



members are encouraged and recognised for reaching beyond their normal capabilities and helping businesses to succeed or reach greater service levels. In sum, a balanced scorecard approach and an SLA performance culture have enabled continuous assessment of more than 70 plus indicators across various Finance verticals.

I am personally driving these initiatives, and have been able to get a high level of motivation and outstanding performance from the entire team. A recent example of an engagement initiative is the newly-constituted 'G16 Team', which includes 16 young leaders in Finance who are responsible for driving full-year projects in Finance and other functions in the areas of cost savings, reporting quality, value creation, and people development. The team consists of qualified middle-level managers, who are CAs and MBAs and are one level below the direct report of the CFO. These young leaders are expected to support the achievement of annual goals of the Finance department. A reward and recognition programme has been put in place to motivate young talent and recognise the efforts.

You have been instrumental in designing and deploying a best-in-class Finance SLA scorecard system. What are the key pillars of the system? Can you share examples of the top KPIs that the scorecard captures? What has been the impact of the system on service delivery levels?

Ours is possibly the only company in retail that has successfully implemented and sustained a Finance SLA Scorecard system panning across the entire team and impacting internal and external customers. In that regard, concepts such as VOC (Voice of Customer) are practiced thoroughly.

The KPIs in the scorecard system cover the pillars of Statutory Compliance, Internal Management Reporting, Internal and External Customer Process Efficiency, Risk Management, Financial Hygiene and Logistics/Legal services. These KPIs are measured across sub-functions like Financial Accounting, Treasury, Indirect Taxation, Commercial, Business Finance, MIS, Planning, Inventory/Costing and Legal. In about 18 months post its implementation, the overall service levels breached the 80 per cent mark as compared with the 45 per cent first-time base measure. The rigour of implementation at the micro level helped substantially to improve the scores. The baselining exercise immediately before the SLA

Key processes in Finance have been standardised through a uniquely constructed 'plug and play' shared services model to provide the best transition experience to any new addition to the business model, channels, brands or divisions.



Scorecard helped in establishing the starting point of the journey. Within the first year of the launch of the system in May 2014, we saw huge improvements in transparency levels and feedback mechanisms. Some of the KPIs set around the expectations from Business and the VOC process pushed people to go the extra mile.

Apart from this, outsourcing of non-value adding services such as expense statement and claims processing has helped release critical internal talent on productive support functions for business expansion/growth initiatives and cost management.

You have managed to successfully realign talent to strategic areas by freeing up the capacity of critical internal finance talent through outsourcing of non-value-add activities. What activities do you outsource, and to what extent? What were the key challenges? How do you identify and mitigate risks associated with the transition of key activities?

Key outsourced activities included accounts payable for logistics, marketing; store petty cash; employee travel expense claims; and typically, repetitive large-volume transactions items, and customer claims management. The process of outsourcing created some challenge. Initially, role redundancy was a huge issue that impacted employee motivation levels. However, re-training and rotation of impacted staff members helped manage this. Additionally, the service providers are mid-level players and that limited the potential scale-up at times. Another challenge was the lack of adequate monitoring of service delivery levels, which we overcame by entrusting dedicated staff this purpose. We have a regular Management Assurance cum Audit process that looks at key risks and safeguard systems.

The ROI of Finance team skills and competency framework is measured through the 'Net Savings Score,' which is similar to the 'Net Promoter Score' that measures the entire value of savings or initiatives driven and delivered by the Finance team.



We also work on improving the controls continuously. To that end, process champions have been appointed to regularly track and review SLAs.

What was your role in making the Shared Services model work? What are the challenges and key risks in terms of implementation, and how were these mitigated?

I took learnings from the best models, such as the Ford and HUL Shared Services models, and adapted them to suit Arvind's requirements. The key challenges in replicating existing models included managing the trade-offs between width and depth, and having the right talent and structure in place. We managed to successfully replicate the model for a business when its size was Rs 600 crores till it reached Rs 3,000 crores. However, we are now in the process of revisiting the model for a business size of Rs 5,000 crore. The key concern has been the end-to-end experience for customers, which is not holistic at present. We are conscious of that, and constantly try to ensure that service delivery delights customers at optimum costs.

The Finance team's cost as a percentage of sales has not changed in the last three years despite an increase in sales and business complexity. How do you balance the cost objectives without compromising on the developmental needs of employees?

Finance team costs have been kept at low levels mainly because the support provided by the teams that work on processes in Shared Services, wherein the core processes are strongly integrated into a common and standard network. The Shared Service team consists of over 50 members in Finance, about 10-12 in Supply Chain/Logistics and about 3-4

in IT apart from one Process Champion. This unit offers a 'plug and play' concept for any new addition to the business by leveraging the common team to take care of the scale. As mentioned earlier, a cautious and conscious switch to the outsourcing of payables and commercial functions using mid-tier service providers has also helped in managing the costs. The development needs of employees are never ignored in such a journey.

One of your major contributions in talent management has been the successful integration of new business systems (at the time of acquisition) with people and processes whereby Finance Shared Services team has helped in the integration of commercial finance and other operations through a 'Plug and Play' concept. How do you differentiate the impact and structure of this compared to other Shared Service centres that are run in other organisations ?

The 'Plug and Play' model consists of key processes in Finance that are standardised, including end-to-end business processes such as credit administration, service provider arrangement extension to new brands/businesses, Finance performance reporting, operations and commercial review processes to provide the best transition experience to any new addition to the business model, channels, brands or divisions. This called for a fair amount of scaling-up of functionality in processes, both physically and technologically. We can add any new customer account or business model in real-time due to strong Finance processes and IT configuration setup and controls. For instance, when the Arvind Group acquired the beauty brand Sephora, the entire business model, and Finance reporting and accounting, were configured within the normal lead-time of a few weeks. The business transfer and an expansion through new stores were both seamless. As a result, the business reported more than 100 per cent growth in the first year. In sum, the model can be easily adapted for large brands and retail players with multiple product categories.

The size of the Finance team has not changed much for many years. What makes your team a career destination rather than a 'career way station'? Specifically, how do you retain your critical staff?

Our value proposition is based on rich

experience and continuous learning. Not many companies provide end-to-end exposure to their Finance staff. Our comprehensive rotation policy helps team members learn and move on to various verticals – from Accounting to Commercial to Business Finance to Costing – without any restrictions. Formal learning sessions under Arvind Guru Programmes help Finance team members upgrade their knowledge. For instance, one year before Ind-AS, a series of sessions was held along with Deloitte to prepare the team for a smooth transition.

The business teams value the Finance Function and opportunity to move with ease in areas such as business and merchandise planning, and retail operations that help mould the business orientation and enterprise mindset of the staff. The Supply Chain, Logistics and Distribution functions that report to the CFO also treat the Finance team as allies, and this offers an opportunity to take on an exciting role.

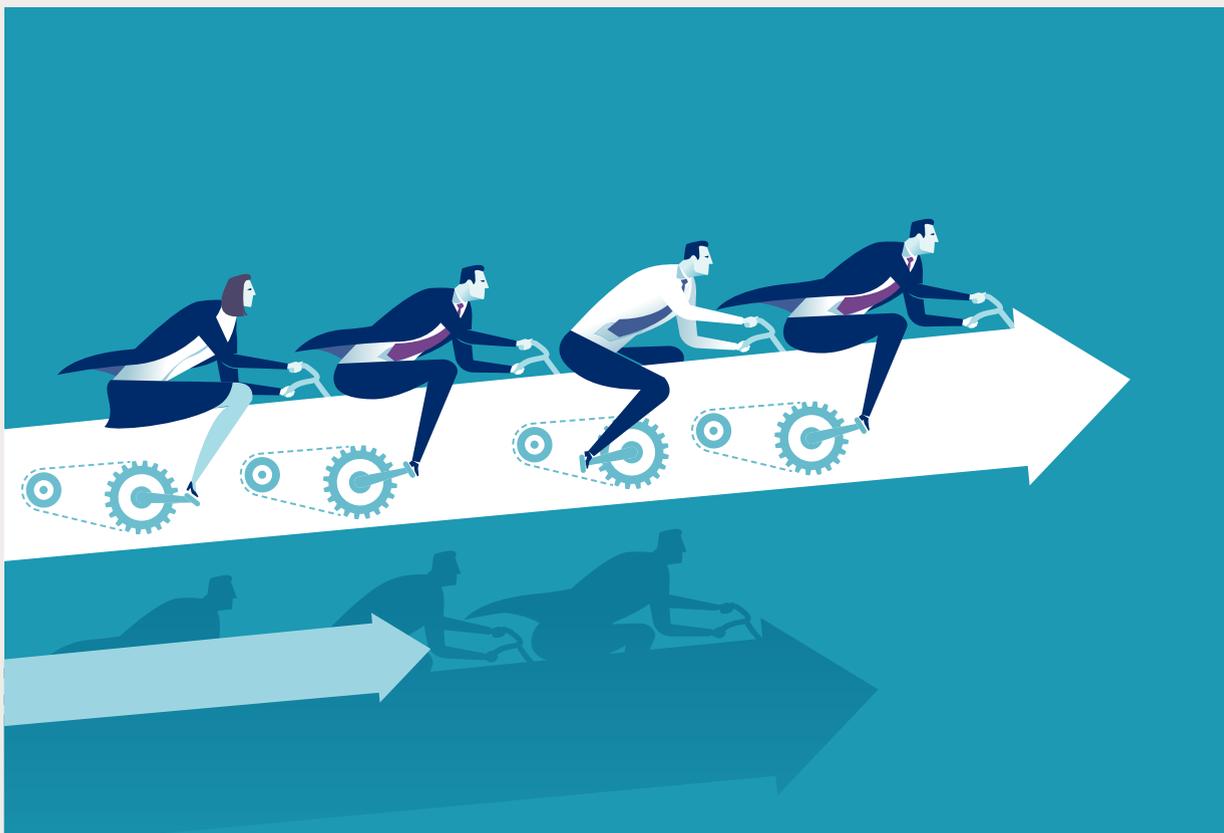
You have achieved significant productivity improvements within the Finance team by redeploying internal talent to areas such as

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Forex, Internal Controls, and emerging areas like Analytics. How do you identify the talent that is to be developed? How do you ensure that development efforts translate into behavioural change?

We use a competency framework to assess talent and potential to move across and upwards in the Finance function. In new areas, such as analytics, we take help from the e-Commerce division to train and develop internal talent. We offer *live projects* in the areas of online business models and management audits to bring about behavioural change in the staff. Inputs from external experts are also taken to develop training programmes or to nominate the talent for attending outside-learning sessions. We still have a way to go



We launched a daily review process – with over 50 cross-functional team members including half from Finance – six weeks before the GST to ensure successful transition without any disruption to sales or business.



before we are future-ready. We have just started relating to a new world of digitally enabled organisations, and we are in the process of setting up new structures to go *digital*.

The shift to GST is today the biggest transformation exercise for Finance internally. How would you define the quality of focus on upskilling your Finance team to shift to this landmark change? What changes were brought in?

The entire Finance team has been oriented with the GST through a very early engagement process that started almost a year back with help from external experts. We reached out to almost all customers, vendors and service providers using an extensive ‘customer and partner connect programme’ to get their buy-in for a smooth transition. We launched a daily review process – with over 50 cross-functional team members including half from Finance – six weeks before the GST to ensure successful transition without any disruption to sales or business. We organised continuous learning and working sessions where the CFO took the lead in enabling this transition. A dedicated helpdesk was also set up to clear any doubts.

How do you quantify the ROI of the learning initiatives or assess improvements in staff skills and competencies? What are the results?

The ROI of Finance team skills and the competency framework is measured through the ‘Net Savings Score,’ which is like the ‘Net Promoter Score’ that measures the entire value of savings or initiatives driven and delivered by the Finance team. A strong variable component, going up to 40 per cent for the GM position and above, is part of the CTC of every

Finance person. These incentives get released annually, and team members are rewarded accordingly. In the last three years, the Finance department delivered a savings of Rs 30 crore, which includes the contribution made by the Logistics and Supply Chain team. Apart from the Promotion Score, movement of people outside of Finance is also a good indicator to assess improvements in staff skills.

How do you leverage emerging technologies to engage workers? In which areas are these new technologies in place? What are the pitfalls of the same and how are these circumvented?

In addition to a planned movement to SAP and Hana by 2018, we are working actively to adopt new technology tools for workforce collaboration such as Wooqer, and analytics solutions such as Manthan. SharePoint solutions, and customer service tools such as Freshdesk, are in the advanced stages of rollout. Security is a primary concern, especially in terms of payments, and consequently, the IT security framework is continuously revamped as data is the new equity in today’s world.

How do you maintain a balance between employee care and development while ensuring a stringent focus on outcomes and accountability?

This is work-in-progress for us. However, at present, there is a stretch on the Finance team that has affected the work-life balance, especially of the Finance Leadership Team. To counter that, we have initiated ‘Project 7pm’ to ensure that the Finance team leaves the office by 7pm while easing out business for both Finance and other functions.

What is the role of HR in driving talent planning, processes, and experience within finance? How do you describe your engagement with HR as a unit?

Like Finance Business Partners, we have HR Business Partners who work closely with the Finance team to provide support in achieving the Finance function’s objectives. Both teams collaborate on people engagement processes related to hiring, campus programmes, training and development, performance measurement, and importantly, rewards and recognition. ■