V Ramakrishnan,
CFO, TCS

Creating Shared Value

A CFO today has a multi-faceted role and is expected to be a performance leader, a steward of control, a catalyst of change, an operator of efficiency and a strategist of growth. V Ramakrishnan, appointed CFO of TCS in Feb 2017, joined the department of Finance in 1999. Mr Ramakrishnan, popularly known as Ramki, served for seven years as Head of Finance of TCS North America, where he oversaw the company's expansion of operations in the region. Over the years, he has also been responsible for the Financial Controllership of TCS' subsidiaries and branches globally, and for setting up TCS' offshore Shared Services Centres.

Immediately after stepping into the role of the Chief Financial Officer, Mr Ramakrishnan oversaw one of the biggest share buybacks in the company's history – as indeed in India. The rationale behind the buyback of Rs 160 billion was to seek a fairer valuation of the company's stock while improving the ROE and increasing shareholder value in the longer term. As a result, from June 2017 (when the buyback process was completed) until March 2018, the share price and Balance Sheet size of TCS saw a 21 per cent jump while the EPS grew by over 18 per cent.

As a steward of the company's performance, Mr Ramakrishnan has been the driving force behind numerous initiatives that led to TCS' dramatic improvement in cash conversion ratios and simplification of processes. Rigorous cash planning, changes in the complete cycle of working capital management, continuous process improvements, data-driven planning, target-setting, and close review led to cash efficiency. Finance led the roll-out of numerous processes and systems in the areas of reporting, related party transactions, CEO/CFO certification, all driven by the philosophy to develop a digitised environment with the help of internal talent. TCS is embracing new-age technologies such as AI, IoT and Blockchain in a bid to better align outcomes to objectives. In the last few years, TCS has been able to put to use IoT in energy management across its units in India to keep the expenditure on power flat despite business growth.

Externally too, TCS is at the forefront of effort by India's IT companies to establish themselves in the digital space. The company has developed a 'Business 4.0' thought leadership framework that helps organisations in the adoption of digital technologies in their pursuit of growth and transformation. The share of TCS revenue from digital technologies has been steadily increasing – up from 16.7 per cent in FY17 to 21.2 per cent in FY18.

The Finance function at TCS has evolved into a true business partner that helps drive TCS' strategic and operational results. Mr Ramakrishnan has strengthened this by setting clear objectives for Finance BPs, ensuring that business decisions are grounded in sound financial insights due to the provision of high-quality analyses to the business. Finance BPs are expected to understand risks, articulate the same to other business stakeholders and craft appropriate solutions for risk management and mitigation without hurting or hampering business growth.

Mr Ramakrishnan keeps a close eye on financial and operating risks through a formal risk assessment process that is deployed and executed on a digital platform. Critical risks are captured by Business Units and monitored granularly at the regional and business level. The Corporate Risk Office (CRO) then advises BUs on various emerging risk scenarios and assists them in analysing and mitigating risks in a structured manner.

Mr Ramakrishnan has been instrumental in fostering an environment within Finance that emphasises growing talent internally through on-the-job learning and rotation. His focus on his team is personal, as well as personalised, pushing his team to adopt an attitude of continuous learning and an 'agile' mindset. Despite increased volume, complexities and expansion into new geographies, the Finance staff has not grown in linearity.

In a candid conversation with *CFO Connect*, Mr Ramakrishnan lent insights into his role, shared his experiences and key learnings in managing a USD 100 bn IT monolith.

TCS is and will continue to be a technology agnostic company with an ongoing focus on building capabilities in newer areas that bring value to customers

TCS' 'Busines 4.0' framework helps organisations adopt digital technologies to become smarter and more agile enterprises. The share of TCS revenue from digital technologies has been steadily increasing – up from 16.7 per cent in FY17 to 21.2 per cent in FY18

The Big Picture

What are TCS' strategic goals for the next 3-5 years?

Customer centricity is at the core of TCS' strategy. TCS is and will continue to be a technology agnostic company with an ongoing focus on building capabilities in newer areas that bring value to customers. This enables us to continually participate in customers' spend and stay relevant to them through business and technology cycles. The deep contextual knowledge and strong customer relationships built over years are key enablers in this journey.

What major challenges and opportunities do the markets offer TCS for its separate SBUs/units, and for TCS as a whole?

Technology is playing an unprecedented role in the growth and transformation journey of many organisations. In the case of TCS, for instance, technology is no longer seen only as an enabler of cost optimisation and efficiency, but also a key component of the business straddling products and services, operations and infrastructure.

More than challenges, therefore, there are significant opportunities emanating from the increasing adoption of transformative digital technologies. The key is to ensure that we are at the leading edge of these changes; acquire and assimilate in-depth capabilities in each of these technologies; and offer strong solutions and deliver superior value to the customer, by leveraging our extensive contextual knowledge of the customer and domains.

From a geography perspective, the business in North America, which generates more than half of TCS' revenue, remained soft with the BFSI and retail verticals continuing to lag. What obstacles do you face in this regard? How do you plan to overcome the weaknesses plaguing these all-important arms?

The slower growth in these verticals was due to cyclical factors. The US is the largest spender on technology in these verticals and there was a marked reduction of spends in that geography. Many of the large big-box retailers, for example, had to re-position and transform from only brick-and-mortar store formats to an integrated physical and online/e-Commerce platform, and some of them had significant management and financial challenges.

However, in recent months, these sectors are showing signs of a turnaround. In the last few quarters, we have continued our strong relationship with customers in these sectors, participated in their quest to increasingly adopt digital technologies, resulting in growth – albeit slower than anticipated – in both these sectors.

TCS is focused on a 'Business 4.0' framework in recognition of the technology-driven transformation of businesses into smarter and more agile enterprises that are capable of harnessing technology-enabled abundance, to mass personalise, leverage ecosystems, embrace risk, and deliver exponential value. Could you elaborate on this?

'Business 4.0' is a thought leadership framework developed by TCS which helps organisations in the adoption of digital technologies in their pursuit of growth and transformation.

The framework provides the ability to offer mass customisation and to service the 'segment of one'; create exponential value for the customers; leverage the ecosystem of collaborators and harness the abundance of capital, talent and capabilities in the digital age; and a clear and an uncompromising imperative to embrace risks that were not possible to address earlier.

The traditional IT business, which generates roughly 80 per cent of TCS' revenue, is still growing in the low single-digits, while the digital business is steadily trending up over time. The recent USD 50 million digital transformation deal is rare, but also a key milestone for the company. What were the strategic considerations here? Do you think this is the shape of things to come as more and more organisations start implementing a long-term digital strategy?

Over the past few decades, technology has continuously evolved. Rapid changes have been taking place every few years.

For instance, during the 70s and 80s, Material Resource Planning (MRP) was the predominant application, followed by an era of significant growth in Enterprise Resource Planning (ERP), Human Resource Management Systems (HRMS), Customer Relationship Management (CRM) systems, etc. Applications then moved on to models such as Software-as-a-Service (SaaS) and then on to Platform-as-a-Service (PaaS) where customers could buy services as per their requirement, rather than investing in the hardware and software licenses.

Changes have been taking place in every spectrum of technology – be it in the application development itself (from COBOL to Client Server to Service Oriented Architecture (SoA) to DevOps), in the management of data (from DBMS to Big Data), or in the evolution of the computing environment (from mainframes to Windows 95 and Linux to virtualisation). TCS has been at the forefront of these waves of technological change, and has been growing over the past several decades. In each phase of change, any new investment in new or renewed products is always in the latest technology, but not at the cost of old technology. In fact, any increase in net spending or investments by customers – even though it drives TCS's revenues – is not considered as 'cannibalisation' of earlier tech spends.

Business Performance

Earlier, as Head of TCS North America's Finance function for over seven years, you closely partnered with business in the rapid growth of TCS' operations in the region. What were the key areas of focus that enabled lasting efficiencies and sustainable growth? How do you see that learning being transplanted now in other growth areas for TCS?

The key focus was to support rapid business growth by enabling smooth Finance operations, helping negotiate and close customer deals, setting governance mechanisms to ensure tax and regulatory compliance, and ensuring alignment of overall corporate goals, policies and processes. The experience gained in the US helped tremendously in providing guidance and leadership to the Finance teams in other geographies, and in assuming corporate roles. Over the years, roles have been continually strengthened and adapted to changing business models and growth in different geographies.

How can Finance business partners keep their advice relevant to the changing needs of the business? What qualities distinguish an effective Finance BP?

To be effective, Finance BPs have to continuously keep abreast of the business environment and get a good understanding of the products and services provided by the company. This will enable them to provide optimal solutions without delay, be it in commercial due diligence and approval for customer engagements, or in addressing direct or indirect implications of newer business models, or in specific deals involving multi-country and cross-border transactions. TCS operates with a globally mobile and diverse talent pool of associates from over 130 nationalities in 55 countries. The Finance BP should closely align with organisational goals and provide seamless, effective and value-adding support and solutions. Simultaneously, the Finance BP should understand risks, be able to articulate the same to other business stakeholders and craft appropriate solutions for risk management and mitigation without hurting or hampering business growth.

In the past few years, you have been responsible for the financial oversight of TCS' worldwide branches and subsidiaries. Could you share your experiences and learnings as well as the biggest obstacles you overcame?

Across all the entities and geographies, TCS has established a single instance ERP solution, simplified and standardised processes, continuously digitised more and more aspects of Finance operations, created shared services infrastructure offshore to run transaction processing for most of the overseas units, and developed internal leaders and champions. All of these aspects have ensured smooth operations and generated business value without any significant increase in the Finance headcount over the years.

The rationale behind the biggest share buyback in the company's history – as indeed in India – was to seek a fairer valuation of the company's stock while improving the ROE and increasing shareholder value in the longer term

Finance led the roll-out of numerous processes and systems in many areas, all driven by the philosophy to develop a 'digitised' environment with the help of internal talent

From a learning perspective, in a few geographies, which were non-English speaking and where business environments were different from some of the more established and advanced economies, additional efforts had to be made to integrate the teams, reinforce the adoption of corporate policies and practices, and ensure there was no dilution in the high standards of governance and transparency.

During your tenure at TCS you have rolled out several initiatives centred on an evolving Finance organisation. Could you share some of those as well key learnings?

Improving the cash conversion ratios (operating cash flow to revenue, free cash flow to operating cash flow) has been a significant area of achievement for TCS. This involved carrying out many changes in the complete cycle of working capital management, continuous process improvements, and data-driven planning, target-setting, reviews and decision-making.

Other examples include contributing to the roll-out of several regulatory requirements such as Internal Financial Control on Reporting (IFCR), reporting on related-party transactions, risk and compliance management system, CEO/CFO certification system, etc. In every instance, the philosophy has been to develop a digitised environment from the very beginning and accomplish it with internal talent.

You oversaw India's biggest share buyback programme, valued at Rs 160 billion, immediately after being appointed as the CFO last year. What was the rationale behind the decision?

The buyback of shares was decided by the Board of Directors and further approved by the shareholders through a postal ballot. The objective of the buyback was to seek a fairer valuation of the company's stock while improving the ROE and increasing shareholder value in the longer term. The process was completed in the quarter ending June 30th, 2017 and between then and March 2018, the share price and balance sheet both saw a 21 per cent jump, while EPS grew by over 18 per cent.

The investment policy should be to judiciously balance risk and return in the choice of the investment portfolio, minimise the idle cash in the system, and extensively use technology to manage cash flows, especially in companies with multinational operations.

Metric	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018
Invested Funds (Rs crores)	48,434	32,245	35,835	40,591	47,686
Quarter-ending EPS (Rs)	33.52	30.38	33.67	34.12	36.07
Share price (Rs)	2,431.1	2,345.7	2,424.6	2,694.0	2,849.3
RoE (per cent)	32.6	35.6	33.1	30.9	29.4
Balance sheet size (Rs crores)	103,252	87,750	93,961	97,689	106,296

Utilisation of technology

Finance has started leveraging data and analytics to identify new prospects and assess feasibility of new opportunities. How effective has it been in providing meaningful inputs to business units?

Large organisations such as ours handle massive volumes of data. The use of data mining and analytical tools enables us to drive higher efficiency and resource optimisation to more effectively manage internal control measures, develop a body of knowledge and experience for reference and adoption in every evolving situation, and benchmark best practices and performance. Data, for instance, comes very handy in the evaluation and financial due diligence of new opportunities.

Going forward, how would you forecast the use of digital platforms in terms of impact?

Digital technologies such as automation, Big Data and Analytics, Cloud, Machine Learning and AI will play a greater role in the transformation of organisations, operations, and the way products and services are developed, offered to customers and consumed.

How do you see new-age technologies (such as IoT and blockchain) enabling the closest alignment of outcomes to objectives? What might be the greatest impediments to maximising this investment in new technologies?

Technologies such as IoT and Blockchain will have a significant impact in the coming years. By embedding sensors – which are often inexpensive – in components, sub-assemblies, products, equipment, buildings and/or vehicles, huge volumes of data can be captured. IoT combines software, network connectivity and cloud-based infrastructure to harness the data collected through these sensors. The data captured can be analysed and used to monitor, regulate, predict and manage the performance of any of these physical objects. These find applications in myriad areas, such as connected homes, connected cars, connected wearables, and connected healthcare. HP reportedly predicts that there would be 1 trillion connected devices by 2025, while Cisco forecasts a value of USD 14.4 trillion to be generated by connected devices in the next decade. In an industrial environment, IoT is very useful in inventory and supply-chain management, quality control, etc. TCS has been able to put to use the technology in energy management across its units in India and over the last few years, the company has been able to keep the expenditure on power flat despite business growth.

Based on a distributed ledger concept, Blockchain is another interesting and foundational technology. It does away with the centralised management of transaction data while eliminating intermediaries in the process. With every change in the transaction data, all participants get access to relevant data simultaneously and instantaneously. In the case of GST, for instance, Blockchain can eliminate the filing of multiple GST returns. The instant an invoice is generated, all relevant participants, including the supplier, purchaser, transporter, and the government, get access to the data, and to any corrections or amendments made to the invoice. Blockchain technology is also finding use in other areas, such as tracking art pieces, precious stones, land title records, intellectual property, and identity management (anti-money laundering and KYC).

What technology initiatives in Finance, if any, have you taken to improve process efficiency and reduce customer risks?

We have been able to effectively use automation, rule-based algorithms and visual analytics in efficiently processing huge volumes of transactions, such as vendor payments, employee reimbursement claims, and the application of receipts against invoices. Over 70 per cent of such transactions are handled via a straight-through-processing mode.

Finance Talent Management

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

From a technical standpoint, the critical focus areas are domestic and international taxation, regulations concerning the mobility of the global workforce, compensation models, emerging issues in accounting standards worldwide, foreign exchange risk management, treasury and banking regulations, and governance and compliance management. Further, the teams should embrace technology, understand its potential, and constantly harness it. In terms of the development of newer applications or improvements to existing applications, the adoption of 'Agile Methodology' is critical, and Finance teams have to wholeheartedly take the lead.

From a leadership perspective, it is important that an individual is recognised as a valuable partner in the growth of profitable businesses, and regarded as a trusted advisor and facilitator. To that end, technical competency, clarity of thought and strong communication skills are very important.

What is your approach to acquiring Finance talent? What are the success factors that have driven the quality of team you have?

Externally, we recruit fresh talent from among the brightest and most academically proficient commerce

Finance BPs at TCS are expected to understand risks, articulate the same to other business stakeholders and craft appropriate solutions for risk management and mitigation without hurting or hampering business growth

At TCS, we push our teams to adopt an attitude of continuous learning and an 'agile' mindset

graduates and post-graduates, and also from professional institutions such as ICAI. Internally, we have some very successful examples of engineers who have worked at TCS in project execution, consulting, etc, and later moved to Finance. There are also examples of a few members who moved from other group companies, or from entities that were absorbed into TCS. The teams are motivated by tremendous opportunities for continuous learning and contributing to a growing and progressive environment.

What is your approach to developing Finance talent?

TCS has always believed in growing talent from within. Across functions, most of the current managers and leaders have grown internally, and many of them have rotated from within sub-functions and different geographical units. Such rotation opportunities provide a rich body of knowledge and experience, which has proven very valuable.

What is the size of your Finance team? How do you balance cost objectives without compromising developmental needs of employees?

Over the years, with the constant adoption of simplification, standardisation and digitisation, we have managed to keep the overall team size almost flat, despite strong growth in business volumes and the spread of operations. The finance team size is less than 0.25 per cent of the total strength of the company.

What makes your Finance function a career destination rather than a career way-station? Specifically, how do you retain your critical staff? What is your view on 'needed attrition', i.e., where you find skills to be outdated, where team members cannot be upskilled, or where they are declining in impact?

Finance offers opportunities for learning and professional enrichment, and a platform to contribute significantly to the successful and profitable growth of the organisation. Many areas such as accounting and reporting, domestic and international taxation, treasury and risk management, and technology integration, are highly technical areas where the underlying landscape is constantly evolving. In this environment, a professional can never stop learning. With operations in multiple geographies, TCS offers Finance professionals the opportunity to work amidst different cultures and circumstances, to have an open mind to new ideas, and to be mobile and willing to take on newer responsibilities. Many of those who have progressed within the function are those who have embraced this approach.

Associates in very routine, transaction-oriented functions also have the opportunity and responsibility to keep abreast with changes in technology, organisational imperatives and the business environment. The technology industry is unique in the tremendous possibilities that it throws up, amidst the risk of obsolescence and rapid changes. Therefore, one needs to stay relevant in this context. That also works well in offering multiple options to team members.

Continuous reskilling and retooling are key asks today. How effective has TCS been in that respect?

The approach outlined has been very effective. It has enabled more than 240,000 associates to acquire competencies in several technologies in a short period of time. Since access to the training modules is based on the associate's credentials, the engagement is in a secure environment with in-built checks and controls.

How do you quantify the ROI of the learning initiatives or assess the improvements in staff skills and competencies? What metrics do you use for this purpose?

TCS has been building skills and competencies in the digital arena entirely organically. At an individual level, an associate has to obtain certification on completing each stage of the learning journey. At a business group level, the progress on the number of associates trained, technologies learnt and competency levels achieved are tracked and measured regularly. We also have internally developed metrics to evaluate the progress of each business unit in this pursuit.

Risk Management

To achieve profitability targets, it is critical to ensure the proactive assessment and mitigation of risk. How do you identify and escalate emerging risks facing your organisation? Do you maintain a risk dashboard of key risks as well as KRIs for monitoring them?

TCS' Enterprise Risk Management framework is deployed and executed through a digital platform hosted on the company intranet. All units in the organisation use the internally developed digital platform to log identified risks, carry out a qualitative and quantitative risk assessment, and develop corresponding response and mitigation plans. The risk process covers strategic, operational, financial, compliance and catastrophe-related risks across various organisational groups. Both internal and external factors are considered while identifying risks. The Corporate Risk Office (CRO) advises the Business Units (BUs) on various emerging risk scenarios based on studies and inputs from publicly available sources. We use dashboards including 'heat maps' to share risk-related information. The CRO conducts regular discussions with the Risk Committee members of the BUs to look at risk trends and assist them in analysing and mitigating risks in a structured manner.

Do you clearly articulate your risk appetite? Do you maintain a formal risk appetite document that is approved by the Board? How is that then lived in the operational domain?

An organisation's risk appetite is relative to the strategic context. In managing activities for and on behalf of customers, our risk appetite is low, while it is medium-to-high when it comes to growing the business. The management and heads of business groups are responsible for choosing and executing the right strategies for their units after due consideration of the risks that may emerge and exposures that those risks may carry, and the opportunity value that may be delivered through execution of strategy. All of these factors cumulatively demonstrate the risk appetite for the given strategic context.

What is the governance and reporting structure that works best in balancing risk management with growth?

The ERM framework has developed an ERM Governance and Oversight Model, which includes the reporting structure. The model effectively creates a risk culture within the organisation that aims at maintaining a healthy balance between growth, risk appetite, sustainability and stakeholder value creation.

What are the greatest risks that you would highlight today and look outward in the next 3 years?

Volatility in global macro-economic conditions, protectionist trends, and restrictions on global mobility, breach of data privacy and protection, cyber-attacks and IP infringement are key risks in the industry. ■

On a lighter note

Being a CFO to you means
Protect, enhance and sustain shareholder and stakeholder value

One important learning?
There is so much to learn every minute and day! One should never stop learning from every situation, individual and context.

Another CFO you look up to?
Throughout my career, I have had the good fortune to work with some outstanding CFOs and great individuals and have learnt from all of them

What comes to your mind when I say the following:

a. Communication and the CFOs: Listen hard, ask questions and build trust
b. CFO & Strategy: An integral part of strategy development and implementation
c. CFO & Risk Management: Be wary of the downside, but do not forget the upside

Top three things on your bucket list:
Learn Sanskrit, travel leisurely, and read much more than I have been able to in recent times.

Favourite book/movie:
Biographies by Walter Isaacson, Guess Who's Coming to Dinner, and 3 Idiots

Comfort food:
Hot phulkas and simple subzi

What do you do to keep yourself operating at optimum level?
Brisk walk for 45 minutes every morning is a must

The Corporate Risk Office at TCS advises BUs on various emerging risk scenarios and assists them in analysing and mitigating risks in a structured manner