

# Beyond Finance: Emerging Roles for CFOs

Saru Kaushal reasons why CFOs must focus on building broader finance outlook and capability

**W**ith evolving requirements for operations and business, the role of leadership and key decision-makers is becoming increasingly crucial. A recent global survey of 650 senior executives, 'Global Business and Spending Outlook 2017', by the Institutional Investor Custom Research Lab (IICRL), found that CFOs wield more influence over strategic decision-making than other executives. CFOs today support organisational development and further strategic goals, and play a leading role in developing and defining organisational strategy, including for achieving top-line growth. More than ever before, CFOs and senior finance executives are engaged in taking critical decisions, such as that related to strategic alliances, and mergers and acquisitions. At the same time, they adopt innovative techniques and solutions to efficiently manage expenditures. Today's CFO is a 'business enabler'. They are expected to confidently partake in multi-level, strategic decision making across verticals such as HR, technology, financing, and compliance.

## Correctly prioritising spending and investment: A CFO focus area

With India's changing economic environment and financial policies, and the introduction of such transformative reforms as the GST, a major task before organisations is to

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plan and streamline finances. In the IICRL survey, 70 per cent of CFOs in India report that in 2017, their companies will focus on (moderate) spending and investment to support top-line growth – while industry is optimistic about business growth in both domestic and foreign markets, it still aims to be cautious in terms of investment and spending. Many non-banking financial companies are providing customised expense management solutions to corporations for enabling a streamlining of purchases, simplifying reports, and reconciling processes for business expense needs (such as procurement, travel and entertainment). Such expense management solutions are a good investment for CFOs to drive savings.

CFOs are not just expense controllers, but take strategic decisions for prioritising spending across different verticals of their organisations. They are enabling business growth by recognising that

investment in emerging verticals such as marketing, digitisation, and customer care, will help raise long-term returns on investment. Illustratively, CFOs seek to invest in advanced customer service as a means of building trust for the brand amongst customers and stakeholders. Customers in India are willing to spend an average of 21 per cent more (?) on brands that provide better service. Accordingly, CFOs are focused on instilling a culture of good customer service across their companies. Many organisations are increasing their customer service staff, improving customer service training modules, and implementing technology systems dedicated to customer relationship management through automated voice calls assistance, text messages, and mobile apps. Companies are also issuing mobile devices and laptops to their employees with a focus on improving accessibility, reducing response time, and ensuring closure of a customer's query.

## Digitisation: a game changer for business advancement

Rising data complexity is posing a challenge to companies, even as it provides opportunities to establish analytical insights into businesses. Building business intelligence and data analytics is hence a top priority. Most companies believe that, in the next five years, sophisticated data analytics, as opposed to "management intuition and experience", will rise in importance as a basis for decision-making.

Accordingly, and as per the survey, they are devoting more time, effort, and resources on improving data analytics capabilities this year, compared to 2016. CFOs specifically recognise the importance of digitisation and data transformation for the financial framework, and are investing heavily in predictive analytics, data security, and cloud computing.

In addition, the growing momentum of the government's Digital India initiative is encouraging companies to invest in digitalisation. CFOs recognise the utility of automated virtual payment processes, which allow extended payment windows to

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vendors and eliminate the hassle of paperwork involved in raising and approving payment orders, drafts or

cheques. Moreover, CFOs can ensure multiple vendor payments with a single click, or on an automated time and date. Moreover, a close-looped payment process ensures data security at all stages of the process, and does not leave any scope for a payment to be made off the record. Such technologies are improving companies' ability to meet customer needs, increase sales, ensure smooth business functioning, and improving purchasing and procurement processes.

### **Managing expenses for talent retention and acquisition**

CFOs also control expenses related to talent management, and closely



collaborate with talent managers to frame expense-related policies and benefits for the workforce. Whilst monitoring expenses is essential, it is also important to promote essential expenditure such as business-related travel that benefit long-term growth. About 67 per cent of the CFOs surveyed believe an improvement in the work environment – by reconfiguring office spaces and providing more amenities – can help attract and retain key talent. Increasingly, flexible work arrangements, such as flexible scheduling and remote work (A bulk of the organisations are investing in providing employees with mobile devices to this end), helps

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employees maintain a healthy work-life balance, and thereby increases productivity by reducing work-related stress and eliminate daily commutes to offices. Investment in corporate cards is another focus area – allowing employees to have a

seamless business travel experience and avail reward points on leisure activities. Underlying all of this is a recognition by CFOs that their organisation's employees deserve the best.

### Effective management of profit margins and daily transactions

One major challenge facing CFOs is managing profit margins and daily transactions. Investing in innovative expense management solutions such as corporate cards for employees, meetings, travel and procurement, can optimise resources and spends across verticals. Globally, CFOs are of the view that credit cards, which enable revolving credit lines and corporate card float, yield substantial financial benefits. Companies are collaborating with travel and hotel companies to reduce spends on hotel or travel bookings, creating opportunities to negotiate longer terms on payables, shorter payment terms on receivables, and discounts on volume purchases. By collaborating with these expense management providers, companies can manage everyday business expenses such as electricity, telecom, and office supplies with corporate cards. Moreover, this provides benefits such as a reward points system. Some cards are designed to help companies manage their business travel expenses and entertainment expenditure, and can also be extended to small-ticket expenses.

At times, CFOs take learnings from global businesses, and attempt to replicate their models of financing and expense management in India, challenging the traditional management of the finance function. The need of the hour is for finance executives to establish an efficient finance function, one that works effectively by global benchmarks. ■



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