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“One Can Never Let A Crisis Go To Waste”

To get a better understanding of how companies are planning to acclimatize to these new conditions, BW Businessworld organized a roundtable discussion with CFOs from some of India’s most reputed companies.

The ongoing COVID-19 pandemic has changed how the market will function in all facets for the foreseeable future. Perhaps no sector faces a more perplexing road ahead than the private sector. With everyone adapting to what is being described as the “new normal”, the future presents an uncertain road for businesses and companies as we adjust to the pandemic and attempt to resume moving forward.

To get a better understanding of how companies are planning to acclimatize to these new conditions, BW Businessworld organized a roundtable discussion with CFOs from some of India’s most reputed companies. The discussion posed some pertinent questions for the panelists regarding the road ahead, and their answers were enlightening:

Ramesh Ramamurthy, Managing Director – Finance, Accenture in India discussed the changing role of finance function and the roles of leaders in the pandemic. ““Let me first begin by saying “never let a crisis go to waste”. On the strategic role of finance, and how we’ve been influencing the business in today’s context. I would characterise the themes into two buckets. The first being in the short term - survival and the second being in the long term - revival. The immediate focus is on liquidity, cost and how we survive. The challenge is ‘how do we think about tomorrow?’ Which is still hazy. As we think about the new normal, we have to focus in parallel on reinvestment as we take these actions. We need to start looking at newer opportunities that can come from change in customer behaviour, different competitive landscape, etc. Talking specifically about my industry and my company, we have seen all the discretionary spend on travel and other costs fall dramatically. We are also looking at other cost optimization opportunities and continuing to look at our cost structure, being more variable on an ongoing basis. I would see this as a great opportunity to engage with the whole organization into the change and create a value proposition around every cost and spend. The other interesting development is that as an industry, we have been forced into a massive stress test of working from home. That has been a huge success in terms of delivering to our clients without any kind of disruption. I think this will be a huge change in the way work will be delivered in our industry, which can have profound implications across several levels. The other interesting opportunity is many clients have accelerated their digital journey. Combining this with the need for data security, reimagining supply chain etc., we are seeing newer opportunities. And our focus is to continue investing in those capabilities & our people in terms of skills training. Talking about how the finance function has been reshaping itself, the top-most priority is the safety, health and overall well-being of the people, being sensitive to the pressures they are facing, especially with such a novel concept like work-from-home. Firstly, we have realised that finance deliverables can be done virtually.

Secondly, we’ve learnt to take decisions in an agile manner. We’ve learnt to take quick decisions in the best way possible with available information as that continues to be the need of the hour. The third way the finance function has influenced is, it has allowed organizations to better prioritise, and think about how we take money from the core and Invest , to make money in the future."

Many companies have realized that having a resilience plan in place can help shore up cash flow and protect the balance sheet, as well as set them apart from competitors. Sibaji Biswas, CFO, Syngene International spoke about the pressures facing a CFO right now. "Even if we (Syngene International) try with the best of intentions, we cannot keep our people home. We have 5000+ employees but 85% of them are either scientists or people who are heavily involved in the manufacturing floor. We have to make it safe for them to work on our campus. We are lucky because we are a B2B company and generally we have a few quarters' pipeline predetermined. In our case, if you can make it safe for people to work, it means revenue. If people can't work safely at the campus, then there is no revenue and the cash flow is depleted. One of the biggest challenges we had to face was how to ensure business continuity. Fortunately, we had a very robust business continuity plan right from the beginning. We worked on reducing our discretionary expenditures such as international travel and the money that we saved during this process, we reinvested into business continuity measures to protect our employees at work. That was one of the key resilience measures that finance also helped balance so that we didn't suffer on the revenue generation and hence on profitability. We couldn't work in April so we didn't incur revenue. From May, we started building up, we went up-to 90% and now we are back to 'normal'. In terms of liquidity, we are also net debt negative company, so there was no immediate cash problem. But then we envisaged multiple scenarios in case this pandemic continues over the medium term. Hence, we had to start planning scenarios and keep ourselves ready. We actually went back to our Board and Audit Committee and got pre-approval on various mitigation actions so that we can move quickly if required and we actually benefited highly from that. By end of June, we actually arrived at a position, from a liquidity standpoint, better that what we had at the start of the pandemic. Coming to the question of productivity, pressure sometimes helps in discovering new areas and opportunities that otherwise take a backseat. The practice of making good use of our inventory, improving the process and managing use of materials across projects has been helpful in shedding inventory. We realized that there were opportunities to improve efficiencies in our day-to-day operations which we could address due to the circumstances imposed on us by the pandemic. A good crisis should never go to waste and this is a perfect example of that."

Sharing her thoughts on the importance of business resiliency and having visibility to control costs, Mankiran Chowhan, Managing Director – Indian Subcontinent, SAP Concur said, "Having control over costs, cash flow, and compliance is important for businesses during normal times, but it's even more critical when trying to maintain business continuity during challenging periods. Reacting to such challenges and keeping the business running smoothly requires organization-wide agility, flexibility, and collaboration. Your finance data must be accessible, trustworthy, and as real-time as possible to enable decision-making. And while finance teams will do what they can to keep costs in check, organizations also need technology and tools to avoid the user mistakes, non-compliant spend, and occasional fraud that increase costs and drag down the bottom line. CFOs now have to weigh spending on growth or recovery against controlling spend as they respond to the demands of an emerging digital economy where employees are driving the demand for digital adoption. Redirecting costs towards digitalization can help you stay flexible and nimble while giving you support towards building a strong foundation for your business operations."

Vinit Teredesai, CFO, Mindtree Limited elucidated the challenges for CFOs and what aspects of the finance role had to be relooked at. "Being a technology-driven company which was focused on digitisation of its customers' IT landscape across the globe, one of the things is that you should be prepared for your own company's digital transformation. As the crisis struck, couple of questions immediately arose; how are you going to keep your employees on-board? How are you going to get your customers' dialogue started? How are you going to ensure that your partners and vendors that work in this ecosystem survive?

The advantage of being in such a technologically driven organization was that we were ready to a great extent and this crisis was considered to be an advantage and that's how we played it. We moved more than a thousand employees to a virtual platform. During this time I got onboarded virtually & seamlessly. I have not got chance to meet any of my colleagues personally, but still we have successfully been able to close our books and announce our results ahead of time and conduct our Annual General Meeting virtually. The second aspect that has changed is that we got big exposure to the travel segment, and that was impacted the most as people stopped travelling due to lockdowns globally. The first couple of weeks was a knee-jerk reaction as everything was on hold. Slowly after two weeks, things started returning to normalcy but the impact on travel vertical continued to a great extent. We ensured that we handheld Mindtree Minds through the pandemic and helped them in reskilling. A quick assessment was carried out on the redeployment of Mindtree Minds in other segments where we were witnessing growing demand and accordingly the workforce was redeployed. This helped us in avoiding any layoffs and protect the interests of Mindtree Minds.

Manish Dugar, CFO, Mphasis elucidated on certain recommendations to the finance community to Building Business Resilience. "We spoke about being kind and understanding to our suppliers and partners earlier in a different context. I think this kindness and understanding needs to be extended to all stakeholders. And I've seen many organizations take the mantra up in a big way.

Whether it be means being fair to your partners from a supplier perspective or investors, perspective etc. as all of these stakeholders parties have been extremely understanding towards the company. It is very much like the proverbial village has come together. It is not just the internal stakeholders that are working with you to try and find a solution, but rather it is an entire the whole ecosystem that is trying to work with you to find a solution in this new normal. Digital transformation, moving the money from where it used to be spent earlier to where it needs to be spent now - the faster we make that move, it will help differentiate between the haves and the have-nots. CFOs can either focus on where to cut costs or reprioritize and focus more on return on investments. If we look at each rupee and what benefit could be stood to be earned, the sooner this will all fall in place."

Subbu Subramaniam, CFO, Titan Company Limited, discussed how a company can try to control costs and how the pandemic has impacted this process. "Cost cuts can only happen if people accept it. People need to own it. For example, 4 years ago in 2016 our company was going through a bit of a rough patch, and therefore we need to do something about our costs. We got an external consultant and there was a small team assigned to work with the consultant. We went around trying to see what we could do. We found success but it was limited, but this time around when we made this a company-wide initiative and got everybody involved, it has become hugely successful . The programme included a crowd sourcing platform and we got more than 600 ideas. The potential savings we are looking at this year are possibly four-to-five times what we did in 2016. That has predominantly come from the fact that our people are owning this situation. This has been a very big difference. One thing we've observed is that people who understand the costs best are the people who are working on the ground with it. You also don't have to monitor the costs so vigorously, as its happening on its own. When you give the employees the responsibility, some flexibility and trust them and make them feel responsible, it pays off. Therefore crowdsourcing ideas has been a great success for us."

The need of the hour is to improve visibility into corporate spend. Rahul Bothra, CFO, Swiggy discussed the key areas that finance leaders are looking to implement rigours around spend management. “At these times, we can’t overemphasize the importance of spend management and overheads. For many organizations, the overheads that they have define their product pricing strategy and the profitability metrics. While many of us do not operate on cost plus pricing regime, we should operate on a low corporate overhead base to remain competitive. I think if you look at the importance of it from a value creation standpoint, a dollar of overhead saving is equal to four to five dollars’ worth of revenue earned. We have applied the following three principles in our own optimization journey at Swiggy, one is that it has to be top-driven. When organizations talk of reducing costs by a certain percentage or keeping it constant, it runs the risk of it becoming a mere lip service if it is left to implementation by the middle or lower management as they may not have the necessary empowerment or the will to push through substantial changes. Secondly, spend reduction has to be targeted and first principles led. When we look at broad based spend reduction, it can lead to temporary one-time gains but they run the risk of clawing back very quickly. However, If you take a targeted approach, you can not only drive permanent changes but also sustainable cost reduction. Do make sure to ask “What does this cost solve for and why must we incur it?”. One example is the Work from Home theme or the future blended workplace, we should solve for the tools and capabilities that create and facilitate an effective remote work environment empowering teams to collaborate than looking at just office space reduction. This approach will give permanent savings. The third aspect we looked at was to differentiate between operating and growth costs. Growths costs center around technology and product innovation which can lead to creation of sustainable competitive moats. Organizations should be wary of cutting “growth costs” as compared to operating costs as they can have long term implications on value creation.

Sridhar TK, CFO, ABB Ltd. India spoke about zero based budgeting in the current scenario. “We need to look at costs in three buckets - material costs, personal expenses and other expenses, the last of which has a lot of discretionary expenses. In my view, zero based budgeting in the current circumstances is overkill for the organization. The present times entail that we continuously evolve and innovate, balancing multiple perspectives on cost and judicious spending, take a longer term view and making it intrinsic to planning and processes. We are now moving into a hybrid model of prioritizing good costs. We need to look at that bucket of discretionary spend where one could weed out uncalled for expenses.”

CFOs are key to ensuring that their organizations not only survive the current crisis but thrive in the next normal. Arnab Roy, Executive Director & CFO, Schneider Electric Infrastructure Limited, discussed the emerging trends across businesses including the use of technology. “In the context of a very traditional commodity (in our case - power), it is interesting to see how technology has grown in the last few years. But if you see the general landscape, rather than doing a post-mortem to an engagement at pre-sale cycle. That is where the shift can be found and technology is playing a very big role in this shift. A significant portion of the assets we sell at Schneider are connected assets. The different equipment’s which we sell can be integrated with each other through a Scada. The third layer is the App & analytics layer where you can derive information from them and do predictive analytics. Now in this type of a business model we need people who can support working with such technological solutions. This is where the strata of the finance function is changing. As we speak, I have engineers in my team , 5 years ago we couldn’t imagine finance people doing this but now it is becoming possible.”

The road ahead is new for companies. They may not see overnight success, but with a willingness to grow, change and adapt, businesses will be able to conquer this current scenario, and insulate themselves even better for the upcoming new normal, so that they can not only survive, but truly thrive.

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