

Digital disruption in finance

Survey insights

March 2021



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Preface



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As part of the Finance 4.0 journey, many corporates started reviewing the design of the finance function and its operating model prior to COVID 19 outbreak. The key focus of the new operating model was to reduce the cost of compliance while continuing to remain the most strategic and core support function for the business. Technology and digital transformation were at the core of this futuristic design of finance.

This was largely in response to a broad and well-documented set of challenges and drivers, including managing costs, delivering value, attracting and retaining talent, making efficient use of technology and automation, and complying with new regulations. Post-pandemic, this exercise remains a priority for these organizations.

Technology and digital transformation continue to be central to the futuristic design and vision for finance. Across industries and sectors, technologies such as advanced data analytics, robotics, blockchain and Artificial Intelligence (AI) are creating new opportunities and driving finance transformation. Organizations need to be disruptive and innovative while thinking about leveraging technology for finance. When organizations trust their finance data and are able to generate multi-faceted KPIs, they have the potential to transform their operations and unlock value more widely.

EY Financial Accounting Advisory Services (FAAS) conducted a Digital survey for the finance function by inviting finance leadership teams of leading corporates

to understand their take on the present state of their journey towards finance transformation, their immediate priorities and long-term priorities, pre-requisites, challenges and their preferences around implementation partner. Our population of 89 companies was evenly spread across sectors and size.

This report presents the conclusions of our study which aims at providing meaningful insights to finance leaders. Most of the results presented are sector and size agnostic and we could not find any specific trend which were size or sector dependent. We expect our findings to help corporates' finance team in India to design their medium and long-term finance transformation strategy.

We thank all the participants for their contribution to the study and appreciate their time and valuable inputs. We also thank our team members for their effort. The Acknowledgments section of the report recognizes these team members.



1. Introduction



EY Financial Accounting Advisory Services (FAAS) has been working closely with Indian and global corporate finance teams driving their futuristic vision and providing insights to support the evolution of their business.

The COVID-19 pandemic has given an unparalleled boost to digital transformation strategies in companies. It has become vital for finance leaders to gain insights on megatrends shaping their businesses' future and relook at digital transformation strategies for finance.

This survey focuses on providing trends of adoption of digital technologies in various domains of finance and the key themes emerging around adoption of emerging technologies and collaborations.

While our interactions with finance leaders delved into their strategies around adoption of technology in finance, we also touched upon opportunities and challenges around prioritization, return on investments, talent and change management.

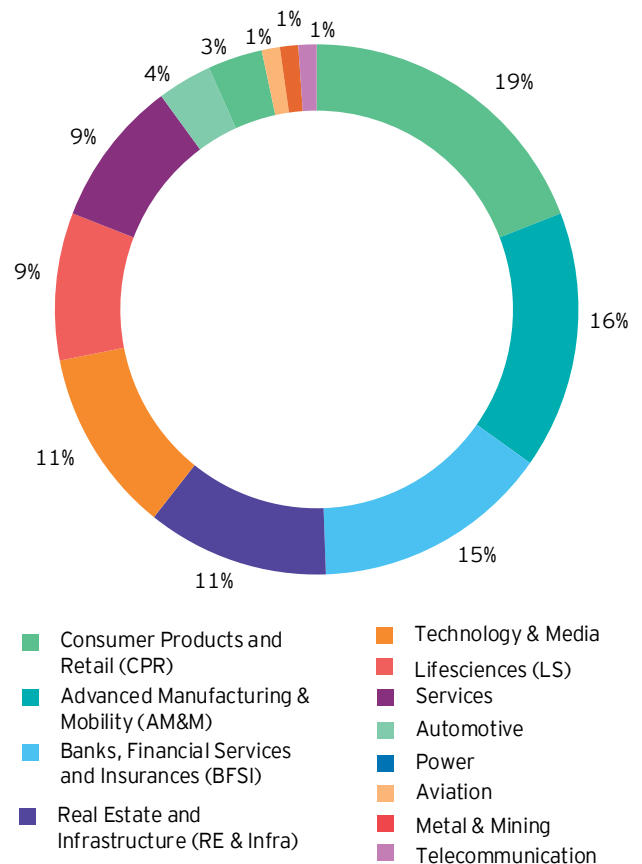


2. Approach



Finance leaders across 89 Indian corporates participated in the survey. We surveyed leaders representing **Advanced Manufacturing and Mobility, Automotive, Aviation, Banks, Financial Services and Insurances, Consumer Products and Retail, Life sciences, Metal & Mining, Power, Real Estate and Infrastructure, Services, Technology & Media, Telecommunication sectors.** The companies surveyed represent varied size, nature, organization and maturity profile.

Industry categorization of respondents



Companies having revenue > Rs. 500 Crores

60%

Companies having net worth > Rs. 500 Crores

52%



Methodology

The survey is designed to provide a holistic perspective on adopting digital intervention in finance functions and related aspects around the same.

The survey was conducted in September-October 2020 virtually over digital platforms. The survey consisted a set of 12 questions keeping in mind the imperatives of a digitalization journey, particularly for finance. Finance leaders of the companies (CFO, controllers, finance head) across the country were invited to participate in the survey.

The survey is conducted around the following four areas of a finance transformation journey:

1. Understanding and analysis of current state of digital adoption
2. Identifying the areas for digitalization and setting up right priorities
3. Embarking on the journey by operationalizing finance, technology and talent aspects
4. Selecting implementation partners

3.

Understanding and analyzing current state of digital adoption

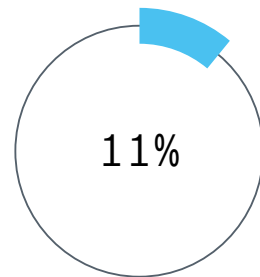
With time, the conventional finance function profile has evolved significantly from merely a compliance role to a larger and more strategic role in building the organization's growth story for the future. The emerging role of finance is an outcome of its strategic placement in an organization due to two factors 1) finance functions often have a unique and end-to-end view on the organization and 2) the function works alongside the leadership to co-pilot different strategic initiatives.

However, this changing profile does not take away the traditional need of the finance function to deliver on various demands of reporting and regulatory compliances while retaining, motivating and upskilling the team for the future. Automation can be key to helping the finance function to achieving this. Before a company starts in its automation journey, it is imperative to diagnose the maturity of the function's objectives, processes, data, systems and teams.

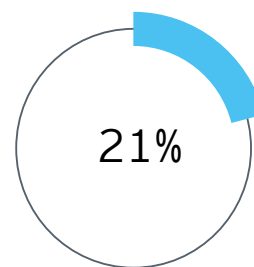
Survey results - current state of digital adoption

Following are the results summarized as per responses received from finance leaders about the scale of digital intervention in the finance function in their organizations. The results are spread evenly in terms of the industries the companies operate in.

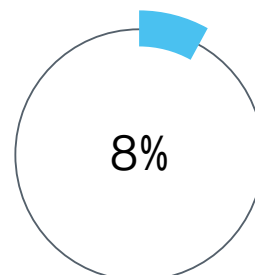
Most organizations have started their journey to introduce digital interventions in the finance function, **only 11% believe** they are at an advanced stage



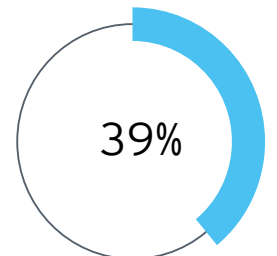
At an advanced stage in digital finance journey



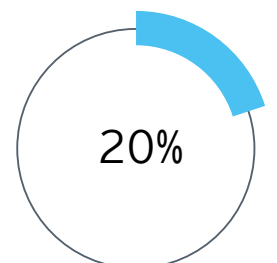
Evaluating technologies to specific finance functions



Started to consider

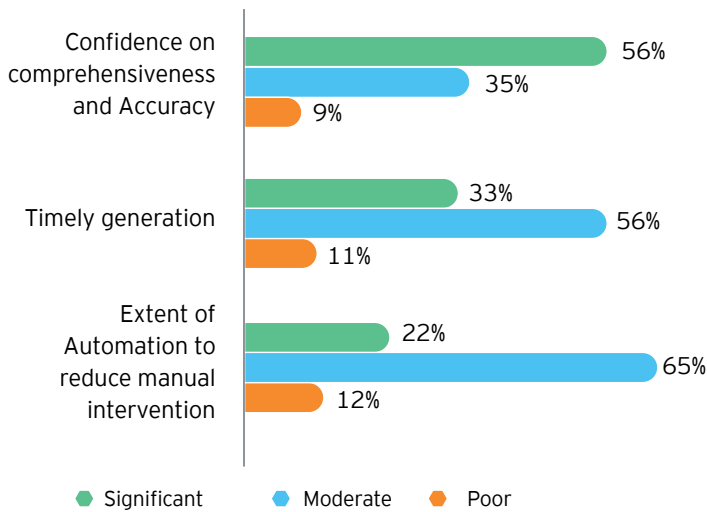


In process of implementing multiple digital solutions

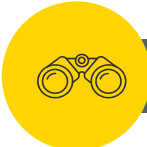


Exploring areas to implement emerging technologies

Following are the results summarized as per responses received from finance leaders about capabilities of their current finance systems to be able to generate demands of data from all stakeholders and the extent of automation involved. In the current environment of immense regulatory focus on compliances and disclosures, the CFO's confidence on the completeness and accuracy of the information being generated is crucial to achieve.



While 56% participants demonstrate confidence on completeness and accuracy, only 22% are able to do that without significant manual intervention and only 33% are able to do on timely basis



How we see it

1. Stakeholders have started to expect finance functions to maximize the efficiency of their operations and minimize the lead time to generate data needs of different stakeholders throughout the year. Though most finance leaders have started their journey to introduce digital interventions in their finance processes, only 11% believe they are at an advanced stage. This indicates a lot of scope for finance functions to evaluate and adopt emerging technologies to transform their role as strategic partners to business growth.
2. Companies demonstrating significant extent of automation have reflected more timely generation and stronger confidence on completeness and accuracy of data being generated by the finance team. With optimal automation in place, finance teams can spend their time in analyzing data and developing insights by connecting various information dots for accurate, complete and timely compliances and outcomes.
3. 44% respondents demonstrate moderate to poor confidence on completeness and accuracy of data being generated despite 78% respondents suggesting moderate to significant amount of manual intervention involved in the process. Also, while 56% participants demonstrate confidence on completeness and accuracy, only 22% are able to do without significant manual intervention and only 33% are able to do this on a timely basis.

In other words, finance teams undertake a lot of manual effort to compensate sub-par automation and generate timely information with reasonable completeness and accuracy. In times when emerging technologies can play a significant role in reducing manual mundane tasks, companies should be thinking about relieving finance teams off deadline pressures through the optimal intervention of technology.



4. Identifying the areas for digitalization and setting up right priorities

When the finance function commences their journey of automation, the very important step would be identifying the areas to introduce digital intervention. The selection of optimal process to involve digital intervention would depend upon many factors, including but not limited to, extent of manual interventions involved, construct of process to have mundane repetitive steps vs. artificial intelligence, timeline pressures and frequency of the process in a year, present error rates, volume of transactions etc.

Post the identification and prioritization of areas, selection of optimal technology would be imperative to meet cost - benefit targets. While there can be many options of technologies available to support the process selected, companies may need to select the right one depending upon many factors such as need of flexibility, cost effective maintenance, hardware - software costs, team's comfort to operate etc.

Also, there could be multiple pre-requisites to evaluate before finance team can set up right priorities for successful implementation of digital solutions, starting from leadership buy-in to managing change management within the organization.

Survey result - leadership priorities for digitalization

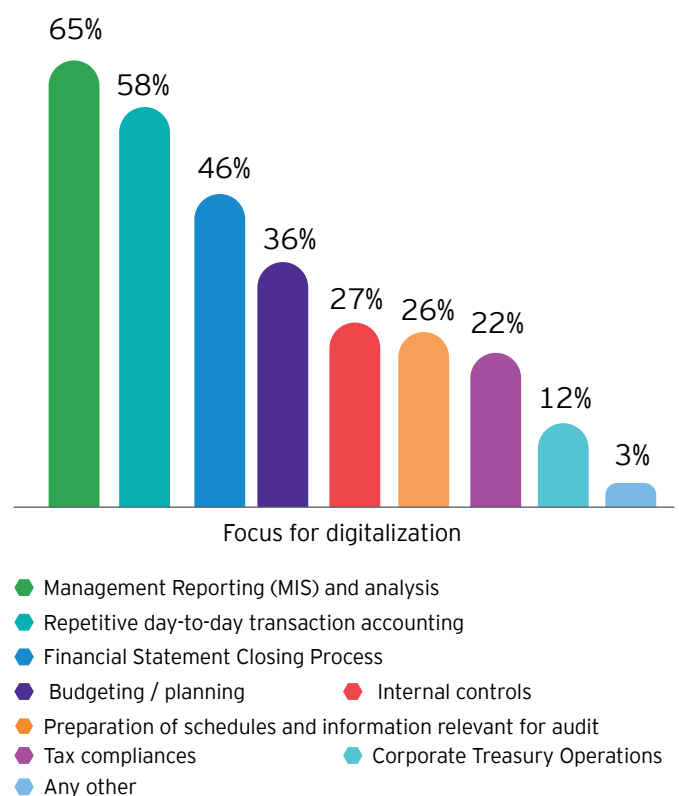
Following are the results summarized for responses received in terms of finance leaders' prioritization of finance processes to introduce digital intervention in their organization.

Efficient regular day to day transaction processing (45%) continues to be the topmost priority for the corporate finance function digital strategy followed by monthly management reporting and data analysis through automation (20%).

Respondents suggested that day-to-day transaction processing, monthly management reporting or financial statement closing process are among their 3 topmost priorities to introduce digital intervention. This is true despite these respondents being at an advanced stage in their digital finance journey or in process of implementing multiple digital solutions.

83%

% of respondents on area being top 3 priorities

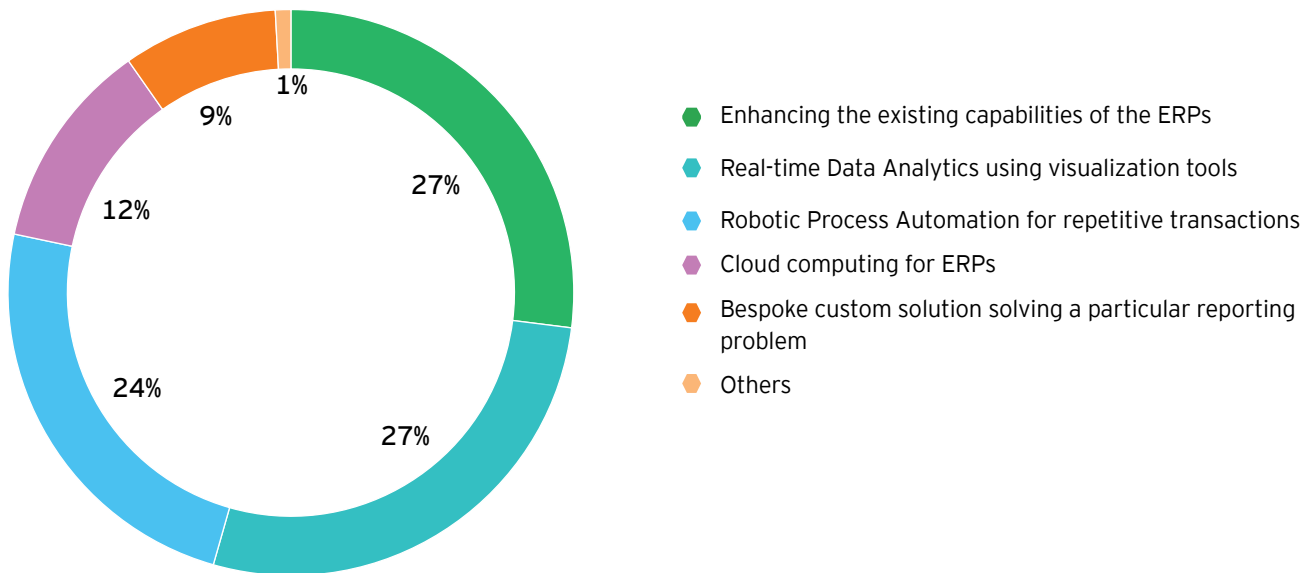


Following are the results summarized for responses received in terms of finance leaders' preferences on adopting emerging technologies for finance processes.

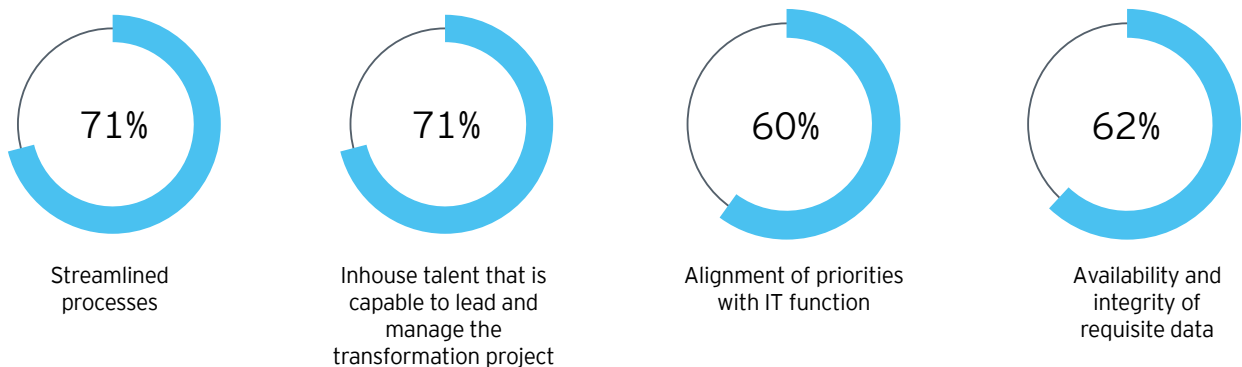
Respondents prioritize the enhancement of existing capabilities of ERPs, Real-time Data Analytics using visualization tools and Robotic Process Automation as deployment of emerging technologies. These responses seem aligned with priority to digitalize day to day transactions, monthly management reporting and financial statement closing processes.

78%

% of respondents prioritizing technology



Following are the results when being asked of pre-requisites for implementing a digital solution. It is evident that all four aspects are very much needed to be in place before an organization starts its journey of implementing digital solutions.





How we see it

- 1.** Companies started to realize that the growing demand of automation of finance function within and outside the organization from its various stakeholders can also be met by targeting smaller scaler automation to resolve dependency on excel sheets. Many finance tasks are relatively repetitive, rule or template based and standard activities which make them perfect candidates for automation. Thus they can help reduce reliance on excel sheets and build better controls in finance function.
- 2.** While there could be many digital solutions to solve specific finance problems, it is equally critical to identify the right technology to solve the same, keeping in mind the relevance of the same technology in the future. While the IT function could provide knowledge on various technologies, the finance function is best placed to assess functional capabilities of the technology.
- 3.** We observed that companies with project teams comprising finance and IT teams for their finance transformation projects often had successful project outcomes. Finance and IT teams complement each other to have the right blend of skills, experiences and priorities needed for digital transformation. In such cases, while the finance team continues to remain focused on the outcomes and their requirements, the IT team focuses on IT infrastructure, securities, governance, technological limitations and cost benefits.
- 4.** A key reminder for the finance team would be that the objective of automation is to achieve effectiveness and efficiency compared to manual process. However, this objective cannot be achieved if automation is used as quick fix to mask an existing inefficient process. Also, the optimal benefit of automation cannot be achieved if the process does not capture the requisite data for technology to perform a finance function or if it cannot provide a standardized source to capture such data.
- 5.** It is always imperative to fix and standardize an underlying process and data strategy first, although it may be time consuming or expensive. As such, a quick fix approach will only result in adding expensive technology to do exactly the same thing which erstwhile was being done manually leaving hardly any space to reap benefits. When companies go for process standardization for automation, they identify data gaps which are crucial for the technology function.
- 6.** Upskilling and making the finance team ready for emerging technologies has to be on the radar of organizations before they make investments in implementing digital solutions. We will be discussing this further in the next chapter.

A man in a dark suit and a woman in a grey blazer are looking at a computer monitor in a modern office. The man is leaning over the desk, pointing at the screen, while the woman sits at the desk, looking at the screen. The office has large windows overlooking a city skyline.

5.

Embarking on the journey by operationalizing finance, technology and talent aspects

Digital transformation for the finance function is an investment and goes through the lenses of business case, cost vs. benefit and pay -back period. Also, before organizations embark on digital finance transformation, it is imperative to remain aware and be prepared for challenges it may entail in terms of softer but critical aspects like selecting the right implementation partner, talent retention, upskilling and change management while continuing to have leadership buy-in.

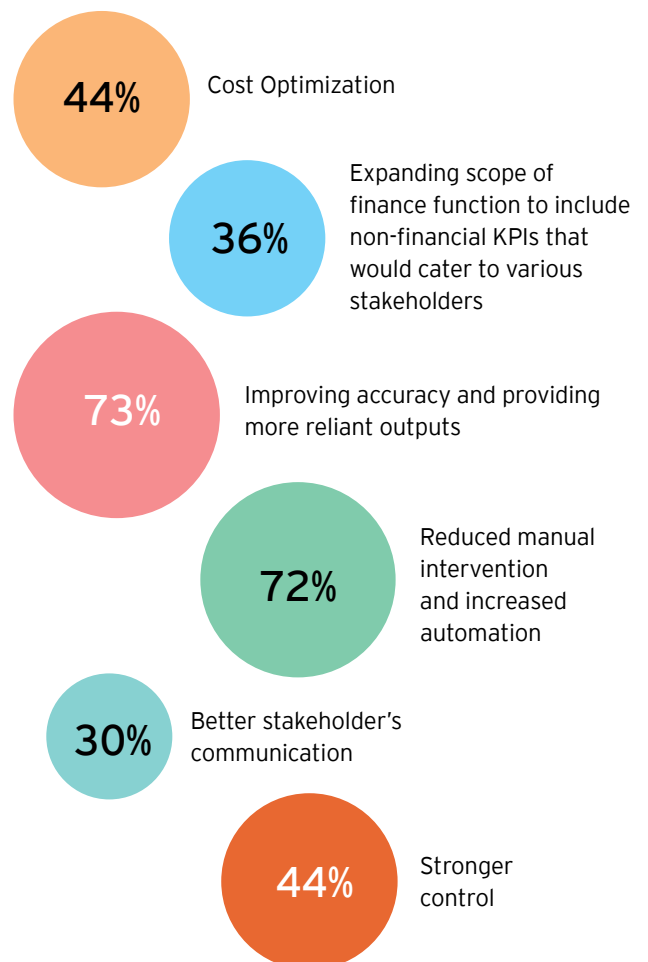
Survey result - operational aspects of embarking on the digitalization journey

Following are the results summarized for responses received in terms of top-most business case drivers for digital transformation in finance.

Respondents believe that improving accuracy, providing more reliant outputs, reduced manual intervention and increased automation as the top 3 business case drivers of digitalization of finance function.

73%

% of respondents on business case drivers

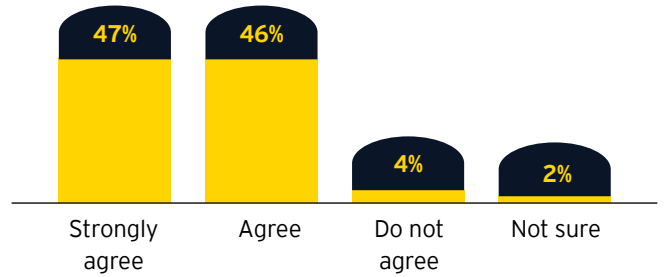


This is irrespective of the stage of automation of companies and irrespective of their priorities in terms of finance functional areas for digitization.

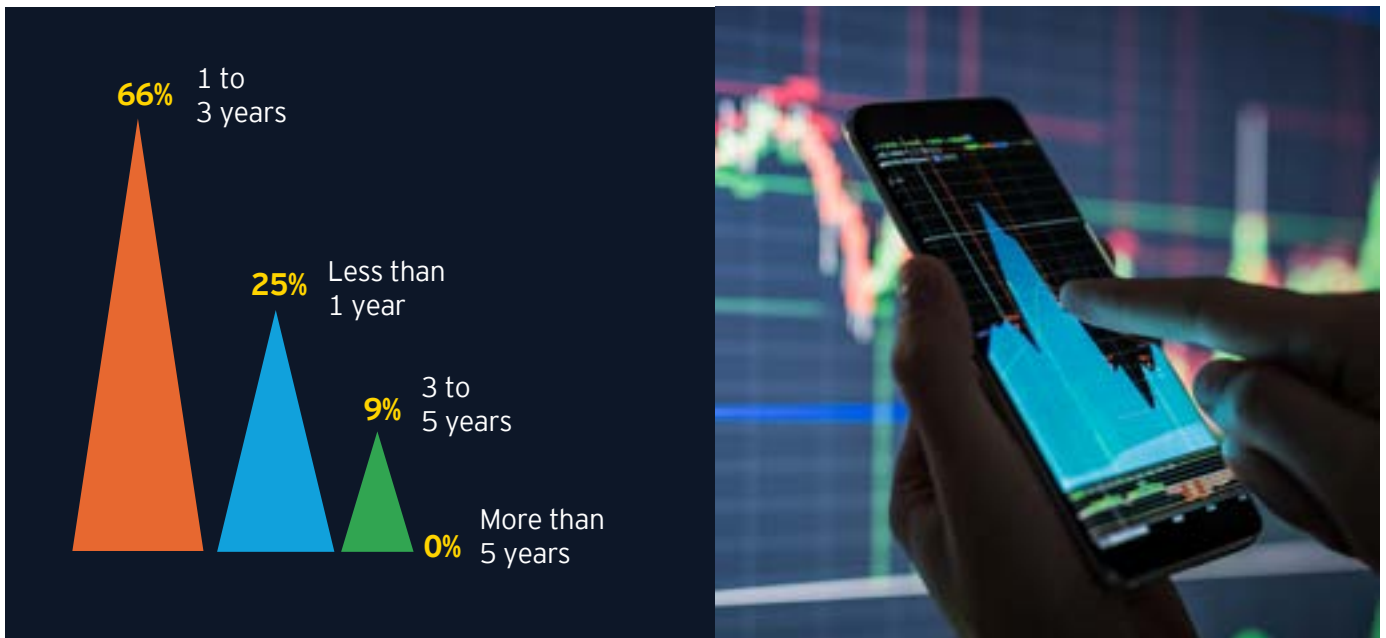
Respondents agree that generating non-financial performance data is becoming an important KPI for the finance function. However, expanding finance function capability to generate non-financial KPIs is a business case driver only for 36% respondents

93%

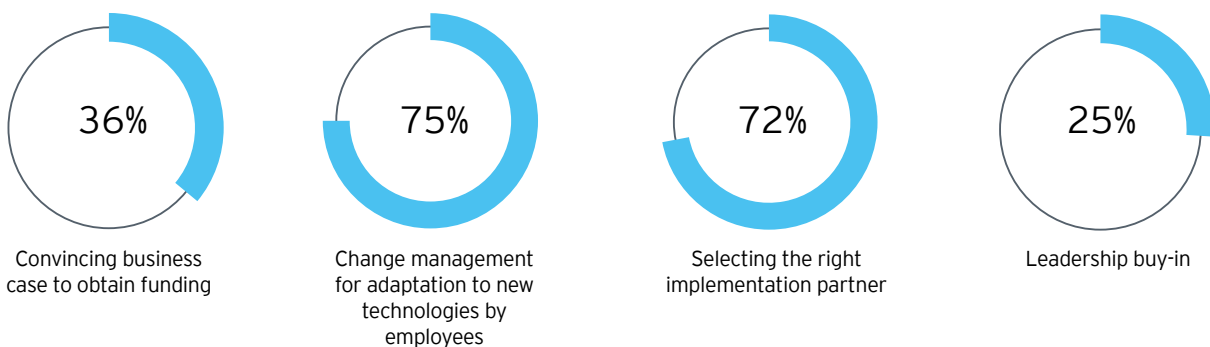
Generation of **non-financial performance data** being an important KPI for finance function



Following are the results summarized for responses received in terms of expectation of pay-back period. We could not observe any specific trends for payback period in the context of finance prioritization for digitalization.



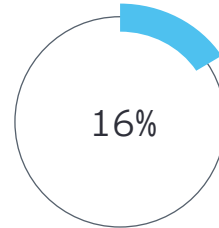
Following are the results summarized for responses received in terms of other anticipated softer challenges for successful deployment of digital solutions. Again, these responses are agnostic of any sector, finance area prioritized for digitalization or state of automation in the company.



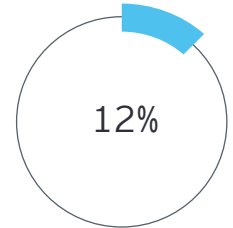
Despite 71% respondents acknowledging that in-house talent that is capable to lead and manage transformation projects and 75% respondents acknowledging that change management is one of its key challenges, following are the results summarized for responses received in terms of maturity of L&D strategy for digitalization in the finance function.

Respondents suggest they are yet to invest more time and effort to develop L&D plan and execute the same to upskill their people to be ready for increased digitalization and emerging technologies

72%



Already have good collaborations in place with learning partners for upskilling of finance function



Have very mature process to develop annual finance function L&D plan and execute the same in-house



How we see it

1. While improving accuracy by providing more reliant outputs and reducing manual interventions are top business case drivers for investments in finance transformation, it is imperative for companies to develop frameworks to monitor, realize and record the benefits. In the absence of data with respect to benefits realized in terms of reduction of errors, manual intervention and efficiencies achieved, finance leadership may struggle to establish the business case for subsequent digital transformations.
2. Apart from resolving current problems related to reducing manual intervention and improving accuracy, the finance leadership needs to develop organization-wide awareness. This would help earn due leadership buy-in around expanding horizons of investors' and increasing demand around non-financial performance data. Expanding scope and changing KPIs of the finance function, including but not limited to generation of non-financial performance data, should also find its place as an important business case driver in the near future.
3. Companies should evaluate and assess any roadblocks that might limit the impact of digital transformation. This would help them understand better the challenges they might face in the future while implementing digital solutions. For each organization, challenges and their size would be specific. This would directly influence their decisions for implementing the right digital solution and their ultimate benefit to the organization.
4. There is still fear of automation and its potential impact on the profile and job of a company's finance function. This needs to be addressed upfront before companies embark on their automation journeys. While greater use of automation inevitably has implications on changing the profile of finance team and size, most of the companies place emphasis on retaining and redeploying staff to other roles within the organization. This leads to involvement of greater complexity to draw the business case in terms of cost optimization.
5. Automation in the finance function would lead to new role profiles for the future which will be open for the present finance team to grab by acquiring new techno-accountant skills. Companies need to have frameworks to define current and future roles to identify skill and competency gaps. Companies' involving their employees in this process and giving them enough opportunities to make themselves ready for the future will struggle less with change management for adoption of new technologies by its employees.
6. Selecting the right implementation partner is another crucial challenge to meet to be successful in digital transformation. We will be discussing this in more detail in next chapter of Implementation partner.

A close-up photograph of a person's hands, wearing a grey and white patterned sweater, holding a large quantity of small, round, colorful candies in various colors including red, orange, yellow, green, blue, and purple. The background is a dark, textured surface.

6. Selecting the implementation partner

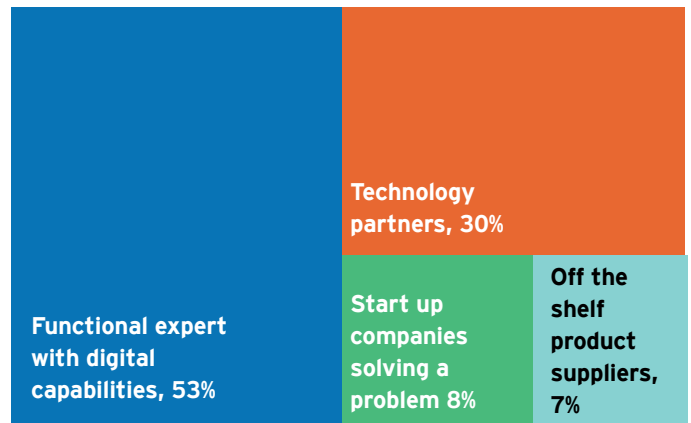
A right implementation partner would mean swift implementation of the solution and effortless change management to help the teams to cope with digital change. Though technology intervention can help an organization achieve greater targets, an organization with limited resources in terms of budget and team's bandwidth need to set their priorities right while setting up optimal demands from a digital implementation. This is very fine balance to achieve and can be managed with the help of right implementation partner who not only brings technological expertise but also ability to apply them to company's financial processes well with their sector and process knowledge.

Survey result - selecting implementation partner

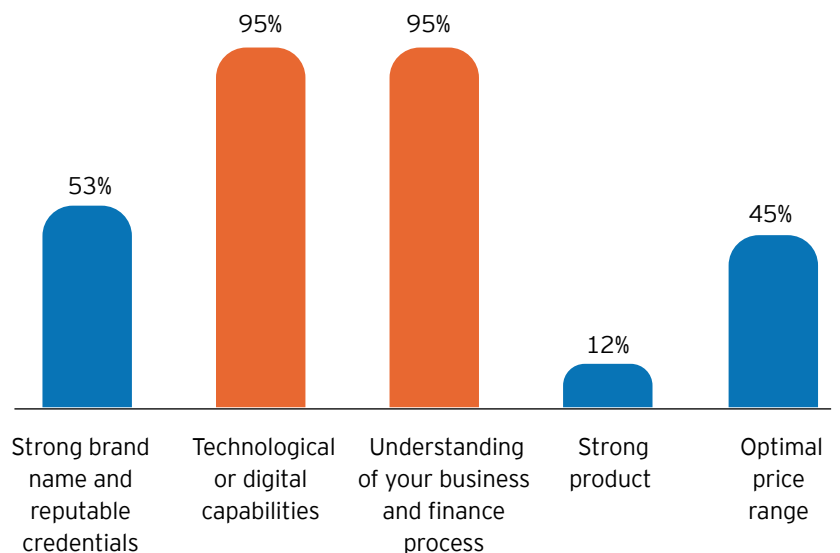
72% respondents have well acknowledged the challenge to select the right implementation partner, it is also important to understand what their preferences would be to collaborate and which credential they highest weigh on while selecting implementation partner for successful digital finance transformation. Following is the summary of response received.

Respondents suggested that understanding of their business and finance processes is the topmost credential they look for while evaluating a digital transformation partner.

49%



% of respondents on credentials being **top 3 priorities**





How we see it

1. Before bringing everyone in the organization on board for digital transformation, the finance function has to work with multiple types of business units, geographies and decision makers. Further, they also have to work with multiple systems and processes which are not well integrated or standardized. These complexities increase if they recently underwent organization restructuring, acquisitions or divestments.
2. As a result, the biggest success factor of digital transformation for finance is very detailed, well-articulated and comprehensive document of business requirements, entailing and envisaging current and future scenarios. It is important for the technology partner to be rational in their commitments of delivery and deliver what they agree for.
3. At the same time, the finance team must be rational and reasonable about their requirements about transformation. Therefore, it is important to align expectations among the finance team, IT team and implementation partner. The implementation partner, in addition to technology expertise, has to bring optimal knowledge of finance processes and sector knowledge. This alignment is the first critical step for achieving optimal results during digital transformation.



“Companies need to empower the finance function to embrace innovation and technology more strategically to improve the ways to create, provide, capture, scale up and communicate value to its stakeholders.”

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