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Digital-only Enterprise

**GLOBAL CFO
SURVEY 2020**

BY EVEREST GROUP, SUPPORTED BY WNS

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FROM THE CEO'S DESK

In what might seem like an understatement to many, 2020 has been a defining year for businesses. This is the year that has brought businesses face-to-face with the future. The future (that remained imminent all along) is now firmly upon us, owing to the pandemic and the ensuing global lockdowns and restrictions. Almost overnight, enterprises have been compelled to push to the periphery all that has come to characterize their business over the years and do a rapid course correction - re-visiting business strategy, re-inventing operations, accelerating digital transformation and adapting to radically changed customer behaviors.

Amidst this, the spotlight has firmly been on the CFO as organizations seek the resilience to survive the challenging near-term period while successfully positioning themselves for the long-term future. Understandably, CFOs have had to look for ways to negotiate immediate working capital and liquidity challenges, contain costs, ensure supply continuity and, at the same time, assess opportunities for growth and profitability beyond the downturn.

As CFOs have set out to strategically support their organizations in what looks like a longish period of extreme uncertainty, there has been a need to evaluate the extent of impact the pandemic has had on their role and business imperatives. What are some of their most pressing short-term and long-term concerns? How are they re-assessing their business strategies? What are the considerations for building a future-ready organization?

To answer these questions, Everest Group, with support from WNS, conducted the "Global CFO Survey 2020." The survey, based on the participation of more than 300 global CFOs from over 20 industry sectors, brought to the fore some key findings and insights that have been put together into this summarized and comprehensible report.

~33% OF GLOBAL ORGANIZATIONS FACED SIGNIFICANT LIQUIDITY PRESSURES DUE TO THE GLOBAL PANDEMIC.

49% OF CFOs ARE CONSIDERING FAST-TRACKING ADOPTION OF DIGITAL TECHNOLOGY TO IMPROVE PRODUCTIVITY, CUSTOMER EXPERIENCE, AND CONTROL.

Source:
Global CFO Survey by
Everest Group,
Supported by WNS

From my perspective, as a CEO of an organization that partners with 100+ CFOs' offices in our client organizations, I see the current scenario as a great opportunity for CFOs to drive relevant cultural and technological changes integral to future-readiness. Regardless of the size of the challenge, the time is ripe for fragmented operations and legacy systems to make way for unified operations underpinned by digital business models and hyperautomation. There is no doubt that CFOs, more than ever, have the tools they need to emerge from the current crisis in a dominant position.

My final thoughts - in the words of Winston Churchill,

“
**DIFFICULTIES MASTERED
ARE OPPORTUNITIES WON.**
”



KESHAV R MURUGESH

GROUP CEO - WNS GLOBAL SERVICES | PAST CHAIRMAN – NASSCOM*

Building Future-ready Finance in the New Normal: A Glimpse into the CFO Mindset

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Introduction

The threat of COVID-19 has caused unprecedented levels of global disruption, requiring businesses to reassess their priorities and changing many organizations' perspectives on the art of the possible. CFOs are busy supporting their businesses in navigating through an environment characterized by extreme uncertainty. At the same time, they recognize the dire need to develop a long-term strategy to enable their businesses to remain relevant and viable as they come out of this period of disruption.

To understand how CFOs' roles and business imperatives are evolving, Everest Group conducted the "Global CFO Survey 2020" in which more than 300 CFOs and their direct reports across North America, Latin America, Europe, Asia Pacific, and the Middle East and Africa – and from more than 20 industry sectors – participated.

This paper presents key findings and insights obtained through the Global CFO Survey 2020 on the impact of COVID-19 in the current business environment, how CFOs are perceiving their roles to evolve in the new normal, and key building blocks that they must build to ensure a future-ready organization.

COVID-19 disruption – impact and CFOs’ reactions

COVID-19 impact

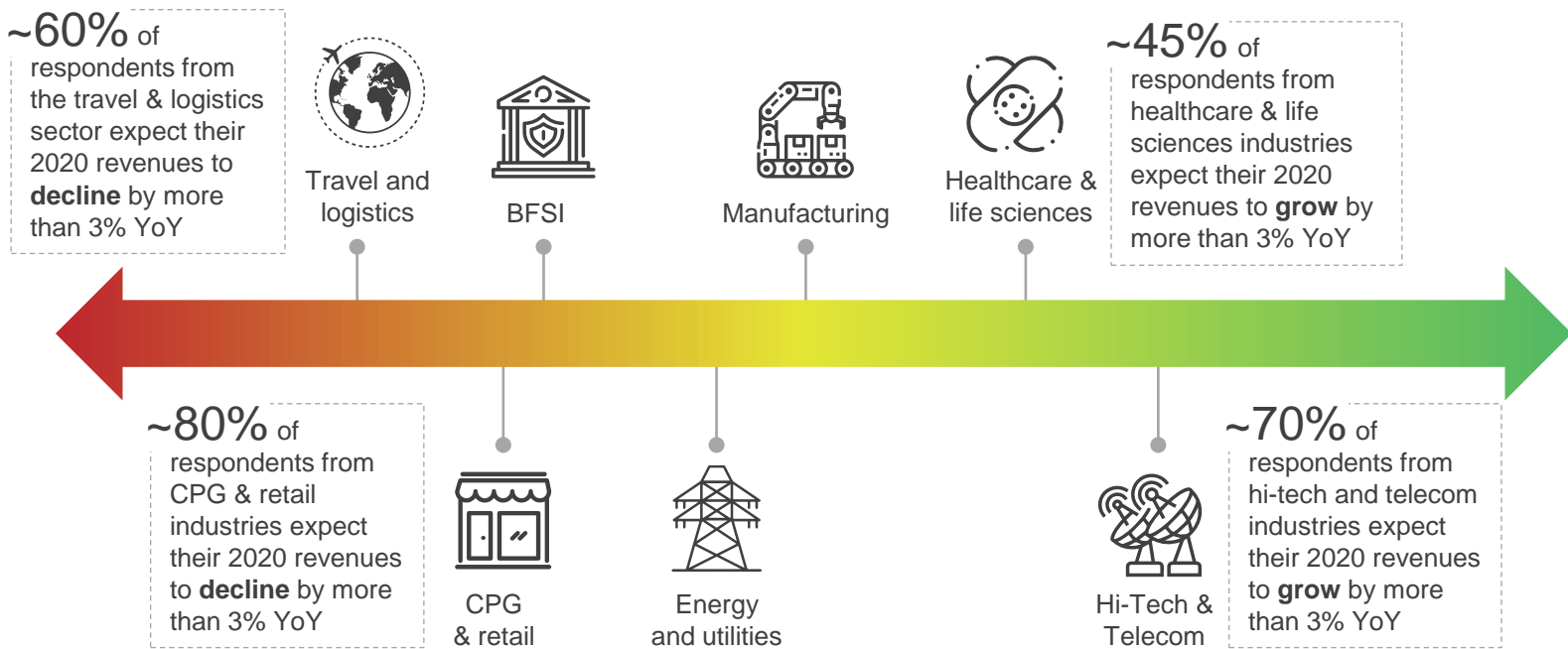
In 2020, the COVID-19 outbreak brought global economies to a standstill. Sudden lockdowns and closing of borders created business continuity issues that forced organizations to find alternate ways of working to continue their operations. More than 90% of organizations experienced material business disruption due to COVID-19, with global organizations more impacted than regional organizations.

As we move closer to the end of 2020, lower sales and supply chain disruptions continue to negatively impact revenues in the majority of organizations. More than 55% of CFOs believe their 2020 revenues would be at least 3% lower than their 2019 revenues. However, we are also seeing growth in some sectors due to new opportunities emerging from this disruption, as Exhibit 1 shows.

EXHIBIT 1

Impact of COVID-19 on 2020 revenues

Source: Everest Group 2020 Global CFO Survey



Industries such as travel and logistics have been severely impacted and are expected to have a prolonged recovery cycle, whereas others such as banking and financial services are expected to recover faster. Industries such as hi-tech and telecom (including internet service companies) have been more resilient and may even see revenue growth in 2020 due to increasing demand for enabling digital technologies such as chatbots, video calling software, data security, and high-speed internet.

Note 1: Throughout the document, “CFOs” refer to survey respondents that include CFOs and their direct reports (director and above)
 Note 2: Sample size is 300 unless otherwise noted

Top CFO concerns

COVID-19 created new challenges for CFOs and amplified existing ones. It has created significant uncertainty, with 47% of CFOs saying they are not very confident committing to investments in the next 6 to 12 months. According to the Global CFO Survey 2020, top concerns for CFOs as they navigate the pandemic coalesce around four themes:

- **Lower demand:** As millions of people have lost their jobs and economies are moving toward recession, CFOs are most concerned about impacts on demand such as lower customer demand and slower customer decision-making. Airlines, cruise lines, and hotels are most affected due to dramatic slowdowns across the travel and tourism sector. About 71% of CFOs in the travel and hospitality sector noted lower customer demand as their primary challenge. Lower consumer discretionary spend has also adversely affected the CPG and retail (especially consumer non-durables) and automobile sectors
- **Working capital and liquidity:** As mandatory lockdowns continued in the first half of 2020, cashflow shortages impacting businesses' ability to operate as usual became a clear concern for CFOs. About one-third of global organizations faced significant liquidity pressures due to the global pandemic. Small and mid-sized businesses¹ and the mid-market segment¹ felt working capital and liquidity impacts harder than larger organizations
- **Supply chain continuity:** Another significant challenge was ensuring supply chain continuity, especially for manufacturing and CPG. The inability to fulfill customer demands resulted in major shifts in customers' buying patterns, some of which may become permanent. More than 35% of CFOs in the manufacturing and CPG sectors highlighted ensuring supply chain continuity as their primary challenge
- **Cost-base and pricing pressures:** While pressures to reduce cost and optimize pricing to improve organizations' top and bottom lines have always been on CFOs' radars, the global pandemic amplified these pressures, especially for less digitally mature organizations. More than 35% of CFOs in travel and hospitality and hi-tech and telecom are facing pricing pressures, followed by energy and utilities, where roughly 20% of CFOs considering pricing to be a significant challenge

More than **35%** of CFOs in the manufacturing and CPG sectors highlighted ensuring supply chain continuity as their primary challenge.

¹ Small and mid-sized businesses include organizations with less than US\$ 1 billion in revenue and mid-market segment includes organizations with revenues between US\$1-5 billion

EXHIBIT 2

Short-term challenges that organizations faced during COVID-19

Source: Everest Group 2020 Global CFO Survey

% of respondents ranking the challenge in top 3



How organizations/CFOs reacted

To meet the challenges presented by the COVID-19 crisis, CFOs are reassessing business strategies, driving proactive initiatives to be future-ready, and finding opportunities to improve cash flow. They are also focused on reviewing compliance and control frameworks, improving visibility into organization information, and reducing cost of operations as Exhibit 3 shows.

EXHIBIT 3

Important areas where CFOs are supporting their organization to navigate challenges

Source: Everest Group 2020 Global CFO Survey



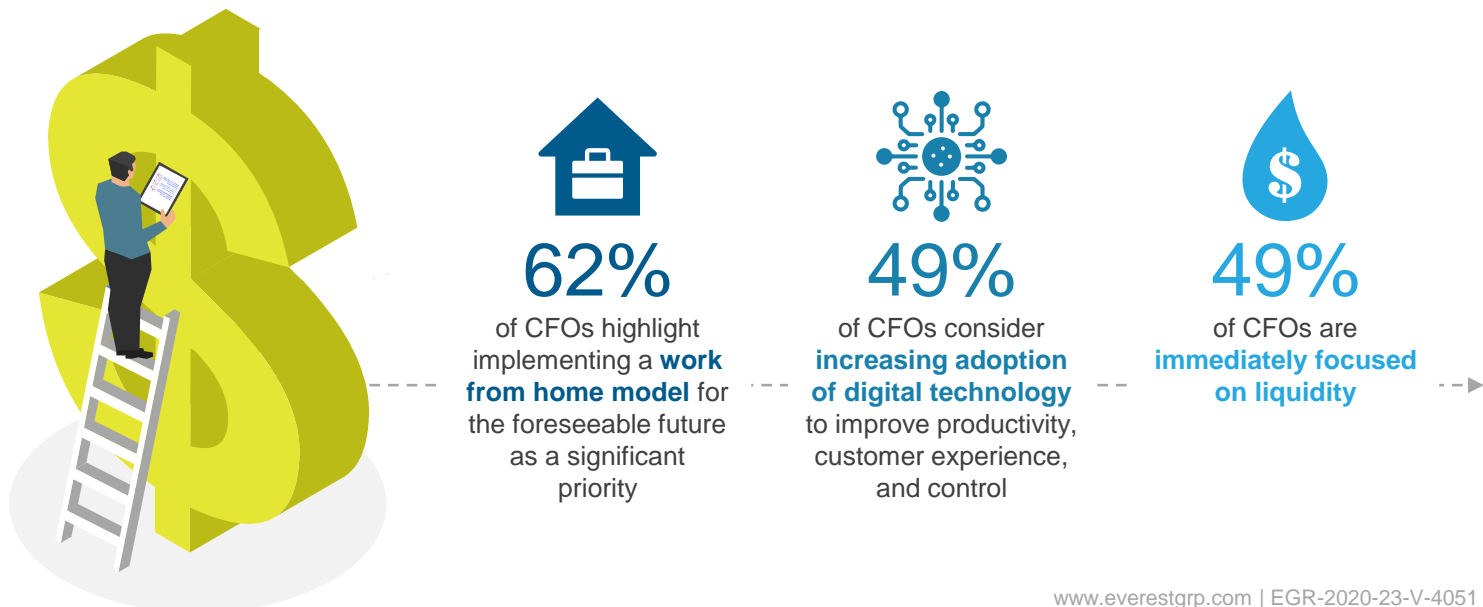
For their finance function, CFOs are focusing on building robust work from home models, evaluating adoption of digital technology, and addressing liquidity issues as Exhibit 4 indicates.

EXHIBIT 4

CFOs' evolving short-term priorities for finance

Source: Everest Group 2020 Global CFO Survey

% of respondents rating significant impact



Emergence of a new normal

As global economies open up, organizations are slowly adjusting to a new normal, and CFOs are shifting their focus to preparing their organizations to succeed in the long term. This means developing a better understanding of a new business environment, future-proofing their organizations to effectively manage uncertainties, and positioning their businesses to remain competitive and to grow.

Characteristics of the new normal

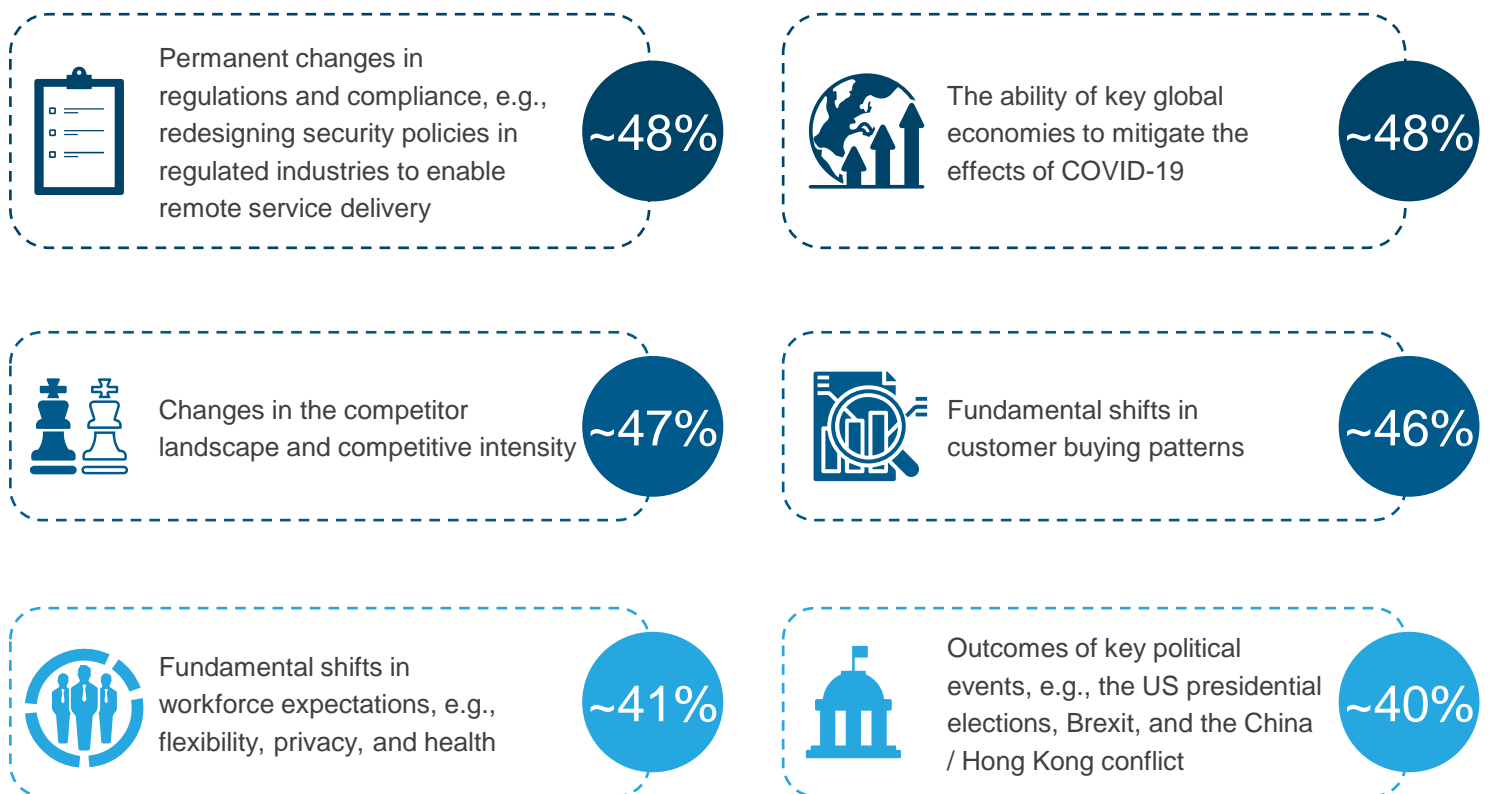
CFOs need to be mindful of the external factors that are likely to impact the new normal working environment. As Exhibit 5 shows, macro-economic issues such as compliance and regulatory changes and how key global economies mitigate the effects of COVID-19 will have a strong bearing on business stability as well as the competitive landscape and customer buying patterns.

EXHIBIT 5

Factors impacting the new normal business environment

Source: Everest Group 2020 Global CFO Survey

% of respondents rating a challenge as significantly important



However, because the global pandemic is ongoing, and significant uncertainty remains, CFOs have long-term concerns as well. Ensuring business viability through this pandemic and managing increased risk exposures stemming from new modes of working are on the top of mind for half of the responding CFOs, as indicated in Exhibit 6.

EXHIBIT 6

Top long-term concerns for CFOs

Source: Everest Group 2020 Global CFO Survey

% of respondents ranking the issue in top 3



Implications for the CFO role

With significant short-term challenges and long-term priorities that need to be addressed to be viable and relevant in the new normal, CFOs need to partner with their businesses to architect and integrate agility, resiliency, and strategic decision-making into their organizations, as illustrated on the next page.

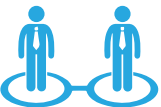



Evolution of the CFO's role in the new normal

Source: Everest Group 2020 Global CFO Survey



| Role | Head of the support function | Strategic business leader |
|------------------------|---|---|
| Strategy | Domain focus – functional strategy is defined by functional objectives | Strategic focus – functional strategy is aligned with overall corporate strategy to remain competitive |
| Objective | Reduce cost and improve operational efficiency | Deliver business impact such as support in working capital optimization, demand forecasting, and improving stakeholder experience |
| Decision making | Largely confined to function-specific issues | Broadened to assist in business decision-making along with function-specific decisions |
| Structure | Siloed – functions work independently, with limited information sharing and collaboration | Cross-functional collaboration among functions to create business value through more informed insights and improved end-to-end process efficiency |

Expectations from CFOs in the new normal

| | | | | |
|---|--|---|---|---|
|  <p>Business partner to improve strategic decision-making</p> |  <p>Architect of a more agile and resilient organization</p> |  <p>Orchestrator of increased collaboration with other functions</p> |  <p>Custodian of insights derived from organizational data</p> |  <p>Owner of organization-wide transformation</p> |
|---|--|---|---|---|

Building a future-ready organization

While the COVID-19 outbreak impacted all organizations, some businesses were able to handle the crisis better than others. Factors such as digital enablement, distributed operations, and prior experience with remote working models proved to be huge assets for business continuity and resiliency during this crisis. Going forward, organizations are evaluating the attributes they need to embody to be better prepared for future uncertainties. Illustrated below are the key characteristics of a future-ready organization according to CFOs.

Building a future-ready organization

Source: Everest Group 2020 Global CFO Survey



Key focus areas to be future-ready

CFOs are also considering the steps they should take to build agile, resilient, and digitally enabled future-ready organizations, including:

- **Drive digitization / digital transformation:** A good digital infrastructure enables organizations to reduce dependency on manual intervention and transition to, and collaborate in, new working modes more quickly, if necessary. More than 50% of CFOs believe that driving transformation initiatives is extremely important in preparing both the organization and the finance function for the new normal
- **Embed robust BCP plans:** The pandemic exposed BCP practices as inadequate; all organizations need to reassess and redefine their existing BCP strategies to better mitigate future business continuity risks. A robust BCP plan requires assessing the vulnerability of current processes to different types of disruptions and developing both first-level mitigation strategies through locations/people, and additional strategies through technology and alternate service models. More than 50% of CFOs consider embedding more robust BCP plans essential to preparing for the new normal
- **Optimize the locations strategy:** Roughly 53% of CFOs consider re-evaluating locations strategy extremely important in the new normal. It is important to consider the current locations strategy and build capability to dynamically route work to different locations when required. This may involve incorporating work from home as a permanent component of the delivery model, which not only acts as a BCP measure but can also reduce cost of operations and provide access to diverse talent pools
- **Review operating models:** In 2020, forced work from home demonstrated that significant portions of non-core business operations, including F&A work, can be done remotely. In addition, organizations that are leveraging shared services and/or third-party providers were able to handle the crisis better than peers, with reduced impact on regular operations. Accordingly, CFOs are planning to re-evaluate operating models and service delivery models, to assess current leverage of different parties (GBS, third-party, in-house) and their role and nature of support to be delivered in the new normal

More than **50%** of CFOs consider embedding more robust BCP plans essential to preparing for the new normal.

Operating model considerations

Due to the challenges and vulnerabilities exposed by the global pandemic, organizations are more open to leveraging third-party service providers and shared services support in their new normal model as Exhibit 7 shows.

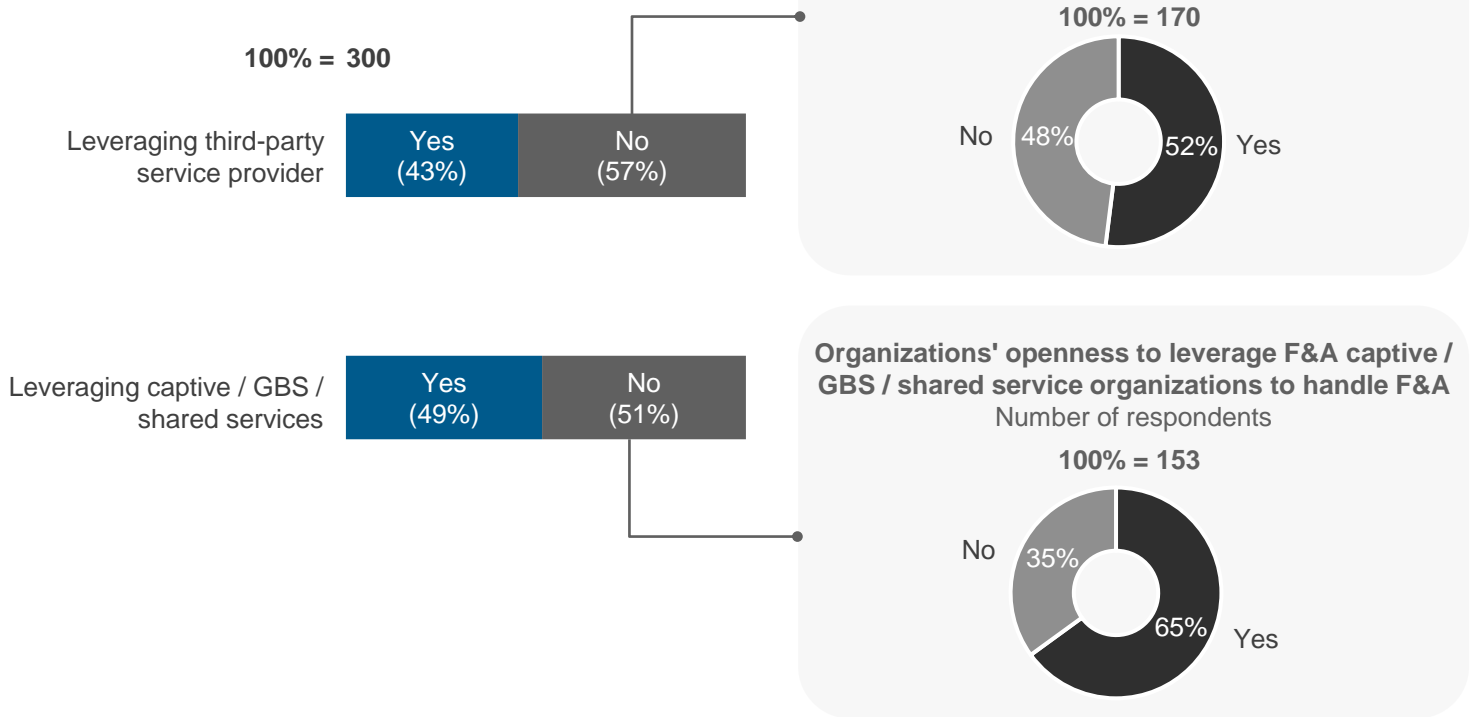
EXHIBIT 7

Organizations' openness to leveraging support from third-party service providers and shared services

Source: Everest Group 2020 Global CFO Survey

Type of operating model currently leveraged for handling F&A services

Number of respondents



Both third-party service providers and shared-services organizations are playing crucial roles in supporting CFOs and the broader finance organization during the pandemic, from transactional tasks such as running day-to-day finance operations to strategic activities such as providing/incorporating actionable insights and driving process improvement and best practices.

Going forward, CFOs expect service providers to play a more active role in providing support in strategic areas such as designing and executing transformation road maps beyond operational support as Exhibit 8 indicates.

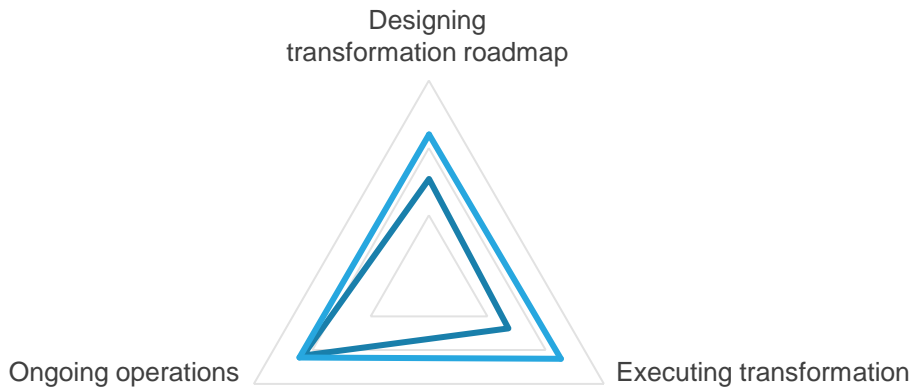
EXHIBIT 8

Current vs. expected role of third-party providers in supporting business imperatives

Source: Everest Group 2020 Global CFO Survey

Level of involvement¹

— Current role — Expected role



Conclusion

The COVID-19 pandemic has created a need and a business case for organizations to accelerate their transformation journeys and plan their future-ready organizations. All recognize that this COVID-19 will not be the last global pandemic/crisis; taking proactive measures now is crucial to ensuring future business viability. While the majority of CFOs are aligned on the need to futureproof their organizations, investment appetite and current maturity of operations will determine priorities and the best path to transformation. In order to be successful, it will be important to navigate roadblocks such as cultural inertia to change and, for many organizations, antiquated/fragmented technology.

CFOs have a critical role to play in supporting their businesses to be future-ready, but doing so requires the role to evolve from a head of a back-office function to business partner working to improve strategic decision-making in an agile and resilient organization. While the short- and long-term challenges may seem great, CFOs have more tools than ever before to emerge from the global pandemic in a stronger and more competitive position. As the global pandemic has shown, the key to success is to act quickly and accelerate the journey toward future-readiness, because in many respects, the future is already upon us.

¹ Level of involvement on a scale of 1-7, where 7 means significant involvement



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