Digital disruption in finance
Survey insights
March 2021
Digital disruption in finance

Preface 3
Introduction 4
Approach 6
Understanding and analysis of current state of digital adoption 9
- Scale of digital intervention within finance
- State of present finance systems to meet demands for different types of data for all stakeholders
Identifying the areas for digitalization and setting up right priorities 12
- Prioritization in terms of finance processes to introduce digital intervention
- Preferences on adoption of emerging technologies for finance processes
- Pre-requisites for implementing successful digital solution
Embarking on the journey by operationalizing finance, technology and talent aspects 16
- Top-most business case driver for digital transformation in finance
- Expected pay-back period
- Anticipated challenges for implementing successful digital solution
- Maturity of Learning & Development(L&D) strategy of an organization to make finance team future-ready with increased digitalization in finance function
Selecting implementation partners 20
- Preferences to collaborate with for successful digital finance transformation
- Credentials organizations look for in their technology implementation partner
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
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.

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.
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.

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.

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.

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.

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.

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.

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.
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.

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.
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.

% of respondents prioritizing technology

- Enhancing the existing capabilities of the ERPs: 78%
- Real-time Data Analytics using visualization tools: 71%
- Robotic Process Automation for repetitive transactions: 60%
- Cloud computing for ERPs: 62%
- Bespoke custom solution solving a particular reporting problem: 27%
- Others: 9%

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.

- Streamlined processes: 71%
- Inhouse talent that is capable to lead and manage the transformation project: 71%
- Alignment of priorities with IT function: 60%
- Availability and integrity of requisite data: 62%
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 scale 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.
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.

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.

<table>
<thead>
<tr>
<th>% of respondents on business case drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>73%</td>
</tr>
<tr>
<td>Cost Optimization</td>
</tr>
<tr>
<td>Expanding scope of finance function to include non-financial KPIs that would cater to various stakeholders</td>
</tr>
<tr>
<td>44%</td>
</tr>
<tr>
<td>Improving accuracy and providing more reliant outputs</td>
</tr>
<tr>
<td>36%</td>
</tr>
<tr>
<td>Reduced manual intervention and increased automation</td>
</tr>
<tr>
<td>72%</td>
</tr>
<tr>
<td>Better stakeholder’s communication</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>Stronger control</td>
</tr>
<tr>
<td>44%</td>
</tr>
</tbody>
</table>
Generation of **non-financial performance data** being an important KPI for finance function

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.

Following are the results summarized for responses received in terms of expectation of payback 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.

- **36%** Convincing business case to obtain funding
- **75%** Change management for adaptation to new technologies by employees
- **72%** Selecting the right implementation partner
- **25%** Leadership buy-in
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%

**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 technician-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.
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.

% of respondents on credentials being top 3 priorities
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.

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.

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.”

**Sandip Khetan**
Partner and National Leader
Financial Accounting Advisory Services (FAAS), EY India
We acknowledge contributions from:

**Jalpa Sonchhatra**  
Partner,  
Financial Accounting Advisory Services (FAAS), EY India

**Shreya Sabharwal**  
Vice President,  
Brand, Marketing and Communications, EY India

**Dhwani Shah**  
Manager,  
Financial Accounting Advisory Services (FAAS), EY India

**Meenakshi Lalwani**  
Assistant Manager,  
Financial Accounting Advisory Services (FAAS), EY India

**Pallavi Mukkamala**  
Senior Associate,  
Brand, Marketing and Communications, EY India

**Mugunthan Rajaraman**  
Associate,  
Market Enablement Services, EY GDS
EY offices

Ahmedabad
22nd Floor, B Wing, Privilon, Ambli BRT Road, Behind Iskcon Temple, Off SG Highway, Ahmedabad - 380 015
Tel: + 91 79 6608 3800

Bengaluru
6th, 12th & 13th floor “UB City”, Canberra Block No.24 Vittal Mallya Road Bengaluru · 560 001
Tel: + 91 80 6727 5000

Chandigarh
Elante offices, Unit No. B-613 & 614 6th Floor, Plot No- 178-178A, Industrial & Business Park, Phase-I, Chandigarh · 160002
Tel +91 172 6717800

Chennai
Tidel Park, 6th & 7th Floor A Block, No.4, Rajiv Gandhi Salai Taramani, Chennai · 600 113
Tel: + 91 44 6654 8100

Delhi NCR
Golf View Corporate Tower B Sector 42, Sector Road Gurgaon · 122 002
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1 IGI Airport Hospitality District Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B Tower 2, Sector 126 Noida · 201 304
Gautam Budh Nagar, U.P.
Tel: + 91 120 671 7000

Hyderabad
THE SKYVIEW 10 18th Floor, “Zone A” Survey No 83/1, Raidurgam Hyderabad · 500032
Tel: + 91 40 6736 2000

Jamsheedpur
1st Floor, Shantiniketan Building Holding No. 1, SB Shop Area Bistupur, Jamshedpur - 831 001
Tel: + 91 657 663 1000

Kochi
9th Floor, ABAD Nucleus NH-49, Maradu PO Kochi · 682 304
Tel: + 91 484 433 4000

Kolkata
22 Camac Street 3rd Floor, Block ‘C’ Kolkata · 700 016
Tel: + 91 33 6615 3400

Mumbai
14th Floor, The Ruby 29 Senapati Bapat Marg Dadar (W), Mumbai · 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2 Nirlon Knowledge Park Off. Western Express Highway Goregaon (E)
Mumbai · 400 063
Tel: + 91 22 6192 0000

Pune
C-401, 4th floor Panchshil Tech Park Yerwada (Near Don Bosco School) Pune · 411 006
Tel: + 91 20 4912 6000
Ernst & Young Associates LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young Associates LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young Associates LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at 22 Camac Street, 3rd Floor, Block C, Kolkata - 700016

© 2021 Ernst & Young Associates LLP. Published in India. All Rights Reserved.

EYIN2103-016
ED None

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

JG