Partnering for performance
Emerging markets perspective
Part 1: the CFO and the CIO
The CFO’s role

The CFO’s role has undergone a transformation. We believe that the six segments on the left represent the breadth of the CFO’s remit today. The leading CFOs we work with typically have some involvement in each of these segments – either directly or through their team. While the weighting of that involvement will depend on the maturity and ambition of the individual, on the sector and scale of the finance function, and on economic stability, each segment is critical to effective leadership.

The EY CFO agenda

Grow, protect and transform your organization

EY’s CFO agenda offers insights to help chief financial officers grow, protect and transform their organization.

Learn more about the global results in Partnering for performance – Part 3: the CFO and the CIO and visit ey.com/cfoandcio.

For more insights for CFOs, visit ey.com/cfo.
Partnering for performance

The Partnering for performance series explores ways in which CFOs can grow, protect and transform their organization by partnering with the leaders of different functions.

In this – the first part of the emerging markets series – we explore the relationship between the CFO and the CIO in emerging markets. In particular, we focus on the contribution that CFOs are making to four vital IT-related activities:

- Managing cybersecurity
- Creating an analytics-driven organization
- Establishing information strategy, architecture and processes
- Transitioning to a digital IT function

Our findings are based on a survey of 329 CFOs from emerging markets, conducted by Longitude Research on behalf of EY, and a series of in-depth interviews with CFOs.

For more insights for CFOs and future finance leaders, visit ey.com/cfo.
Collaboration and teamwork are central to business success in any market. But in the emerging world, chief financial officers (CFOs) and chief information officers (CIOs) are beginning to realize the mutual benefits of working in close partnership, according to our survey of 329 CFOs from emerging markets.

This shouldn’t be too surprising. Digital technology is playing an ever more important role for all organizations. And in the emerging markets, unencumbered by legacy systems and processes, technological change is perhaps even faster. In this context, our report, *Partnering for performance – Emerging markets perspective – Part 1: the CFO and the CIO*, finds that the finance and IT functions have a lot to gain from further collaboration and cooperation.

This report is the first in a series tailored to the emerging markets that forms part of the EY global CFO program, *Partnering for performance*. The program explores the contribution that CFOs can make by partnering with other executives to grow, protect and transform their organizations. Our series focuses on CFOs in emerging markets and investigates the relationships that CFOs are having with other C-suite members across the emerging markets.

More than 70% of CFOs responding to our survey – in both developed and emerging markets – said that their involvement with IT had increased over the last three years. In the emerging world in particular, the CFO has often taken a dominant role in the relationship with IT. But the pace of technological change, and the business model disruption that goes with it, mean that a collaborative approach is needed.

This need for dialogue is heightened by the more complex reporting requirements now being placed on CFOs. Today, boards typically require data on sustainability and energy efficiency, for instance. The better the data that IT can provide to finance, the easier this reporting becomes. And for this relationship to work well, it needs to work in both directions.

The CFO who understands the need for better data – and supports the investment in analytics technology to facilitate this – will also see benefits extend beyond their reporting requirements. The CFO and the CIO, enabled by advanced analytics tools, will also be able to use the enhanced data to gain real insight into the business, which will, in turn, help to drive more sophisticated executive decisions. And in the more volatile emerging world, this capability will be particularly important.

Rajiv Memani
Chairman, EY Global Emerging Markets Committee
Nevertheless, our survey finds that emerging market CFOs tend to focus on managing costs and setting budgets, and therefore often struggle to get to grips with IT and technology issues. Making an effort to understand the world of IT will enable CFOs to make more strategic decisions when it comes to digital technology. Finance leaders who can develop their IT knowledge will have a distinct advantage—especially given that there are so many CFOs today who have only a limited comprehension of the issues at stake.

New digital technology, such as cloud and mobile computing, can also present opportunities for substantial cost efficiencies. CFOs need to understand this and invest accordingly. In turn, CIOs need to be able to explain to finance leaders how IT can help them realize efficiency savings for their businesses. In emerging markets, where prices are often low and sensitivity high, such efficiencies can be particularly crucial. Emerging market businesses should also take advantage of their lack of legacy technology and infrastructure, which allows them to “leapfrog” firms in the developed world and use new technology to make aggressive cost savings.

Whether or not they leverage all of the possibilities in IT, CFOs in both the developed and the emerging world will see digital technology transform their businesses in the coming years. And with this, there will be an inevitable rise in cyber risk. CFOs who understand this risk, and can contribute to an informed, strategic discussion from the outset, will have a major advantage.

Partnering for performance – Emerging markets perspective – Part 1: the CFO and the CIO explores this crucial moment for CFOs and CIOs in much more detail. I hope that you find it a stimulating and useful document. Look out for the next two reports in the series, which will be launched later this year. The first will focus on the relationship between CFOs and CMOs and the second on CFOs and CEOs. You can find out more at emergingmarkets.ey.com or by following @EY_EmergingMkts.
Executive summary

There is not much separating the technology challenges faced by companies in emerging markets and those in developed ones. If anything, the pace of technology change in the emerging world is faster, due to the lack of legacy infrastructure and faster growth, and the disruption to markets and business models is even more acute.

In this environment, CFOs must have a clear view of how technology is working for the business and a highly constructive relationship with their CIO or equivalent. It is thus encouraging that CFO and CIO relationships in emerging markets are becoming more collaborative, judging by the recent CFO survey conducted by EY in early 2015, including 652 CFOs from across the world and more specifically 329 from emerging markets. CFOs have much to do, however, before their role in their companies’ digital transformation becomes genuinely strategic.

Following are the key findings from the research:

- **CFO and CIO relationships are growing closer.** In emerging markets, CFOs tend to hold a tight rein over technology decision-making in their organizations, but their interaction with CIOs is nevertheless becoming more collaborative. Rapid technology change, disruption to business models and expanded reporting requirements are demanding it.

- **The need to harness data is also driving greater collaboration.** Growing demands on CFO reporting from boards and regulators mean CIOs and IT must ensure reliable and real-time delivery of a wide range of performance data. Better data and analysis will also greatly aid business decision-making.

### Executive summary

<table>
<thead>
<tr>
<th>Need for more accurate, available and accessible data</th>
<th>Need to improve business intelligence and analytics capabilities</th>
<th>Need for consolidation of IT systems and infrastructures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better data</td>
<td>More finance resources</td>
<td>New skills and knowledge</td>
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</table>

This top three is the same, and in the same order, for CFOs interviewed in both emerging and developed markets.

This top three is the same, but in a different order, for CFOs interviewed in emerging and developed markets.
CFOs require a more strategic view of IT to help drive digital transformation. Collaboration with CIOs may be growing, but when it comes to IT, emerging market CFOs tend to focus on managing costs and setting budgets. Few take an active role setting the agenda for technology change. Building their technology knowledge is one step toward achieving this.

CFOs and CIOs must partner to ensure highly cost-effective IT models. Cost efficiency remains critical in price-sensitive markets. CIOs can help achieve this, for example, through the creative use of cloud computing and mobile technology. The wider use of web-based services can also accelerate the shift of IT models from capital expenditure (Capex) to operational expenditure (Opex).

CFOs are seeking greater CIO and IT help in addressing critical challenges:

- Rapid pace of technology change
- Disruption of markets and business models
- Wider scope of reporting demands placed on CFO

CFOs must adopt a more strategic view, to help drive digital transformation:

1. Managing costs and profitability
2. Setting budgets and costs
3. Building the business case for new initiatives
4. Determining the level of ambition and risk appetite for new initiatives
5. Financing
6. Ensuring value realization
7. Measuring performance
8. Resourcing and human capital
9. Change management
10. Setting the agenda for change

CFOs should contribute more to cyber risk management. Cyber risk is now squarely on the board and C-suite agenda, as digital transformation is opening companies up to new security vulnerabilities. Far from all CFOs, however, make a significant contribution to discussions of cyber risk management.

Cyber risk is now high on the agenda:

- 68% say cyber risk management is a top technology priority of the business
- But only 52% contribute significantly to cyber risk management

Cybersecurity must become a sharper CFO focus:

- Only 47% report alignment on overall goals and objectives
Technology now underpins nearly all facets of a company’s operations. Few would argue the need for CFOs to be closely involved in supporting and directing major IT decisions, as digital technology is disrupting one industry after another, cyber attacks are becoming more and more common and damaging, and ever increasing quantities of data are creating new opportunities and risks.

Against this backdrop, our survey of 329 emerging market CFOs suggests that the relationship between the CFO and CIO is becoming more collaborative. More than 70% of respondent CFOs say their involvement in IT has increased over the past three years. And almost 60% say that they are collaborating more with CIOs today than they did three years ago. These figures are almost identical to those from the developed market survey sample.

| Chart 1: Change in CFO involvement with IT and collaboration with the CIO in the past three years |
| Change in CFO involvement with IT function in past three years | Significant increase | Slight increase |
| 37% | 34% |

| Extent to which CFO collaboration with CIO has changed in past three years | To a slightly greater extent | To a much greater extent |
| 36% | 23% |

Source: Partnering for performance survey — the CFO and the CIO, EY, 2015.
V.S. Parthasarathy
Group CFO, Group CIO, President (Group Finance and M&A) and member of the Group Executive Board
Mahindra & Mahindra Ltd.

V.S. Parthasarathy (fondly known as Partha) is a man with multiple thinking hats and a global leader. In his role as Group CFO, Mahindra & Mahindra Ltd. (M&M) and Group CIO, he facilitates Mahindra Group in accomplishing its vision of being among the Top 50 most admired brands in the world. He is a member of the think tank of Mahindra Group’s supervisory board, the Group Executive Board. He is on the boards of 15 group companies.

When the CFO is also the CIO

CFOs, if they are not hired from outside, often take on the role from within the finance or a related function such as treasury. It is not often that the CIO makes the leap into the CFO chair. This makes the position of V.S. Parthasarathy of Indian auto producer Mahindra & Mahindra Ltd. somewhat unique. He headed the company’s technology operations for a number of years and now serves as both Group CFO and Group CIO. “Therefore,” he jokes, “our relationship is very close. We are each other’s alter ego.”

How does Mr. Parthasarathy devote sufficient time to two extremely challenging roles? “In terms of attention span, both roles should get roughly equal time,” he says, “but as I’m newer to the CFO role, that’s probably consuming more of my time at the moment.” To ensure the technology responsibilities are well looked after, particularly in the smaller companies in the group where more attention is required, Mr. Parthasarathy has created a Technology Leadership Council. This is a small team of very senior IT professionals who look after technology development at a large number of the smaller group companies.

Occupying both roles is no guarantee that the finance and IT agendas will be fully aligned. Mr. Parthasarathy underscores that he is the only person common to both functions, and it takes strong leadership to ensure that the respective teams carve out a common agenda. His method for achieving that has been to appoint a Strategic Leadership Council in IT, and something similar in the finance function — essentially a core group of senior finance executives. “Both teams have to agree to the same agenda,” he says, “so there is a lot of convincing and cajoling that happens before that is done.”
In emerging markets, the vast majority of CFOs we surveyed said the CIO reports to them. This model is found more frequently in emerging markets than elsewhere. In 9 of every 10 companies in China, for example, (and almost the same number in India), the CIO or equivalent reports directly to the finance function. This may be partly due to an assumption prevailing in many emerging market companies that IT’s first responsibility has been to support the finance function. Direct reporting has similarly been thought to afford finance tighter control over IT spending.

Strategic alignment between the CIO and CFO is a strong argument for maintaining this reporting line. In each of the areas outlined in the chart below, the frequency of near complete alignment is significantly higher in those organizations with a direct IT line to the CFO than those where the CIO reports elsewhere. The same holds true among the developed market sample.

However, extensive or complete alignment is still reported only by a minority of CFOs in most key areas of activity, save for data (where 57% of respondents cite “significant” or “complete” alignment). Alignment seems especially low when it comes to planning cycles and key performance indicators. Chart 2 also demonstrates that emerging market firms have been less successful than their peers elsewhere in achieving alignment of overall finance and IT objectives.

For Lim Suat Wah, CFO of Singapore-based water solutions provider Hyflux, alignment requires dialogue with the CIO and IT about what the business requires. “There needs to be dialogue,” she says, “around what the issue is, what the process is that needs to be automated and what the outcome should be for the business. That will enable a better conversation around what the investment should be.”

The reporting line of the CIO to the CFO is less common in developed markets than emerging markets, which may be due to the increased complexity of IT operations in the former. In the US, for example, less than 7 in 10 CFOs say that IT reports to them. Some CIOs and CFOs from developed markets argue that a reporting line to the CFO often means that IT tends to be viewed through the lens of cost, rather than as a vehicle for value creation. In those companies, CIOs have often begun to play the role of strategic partner, moving out from under the CFO’s responsibility and helping to drive the growth of the business.

### Chart 2: How would you rate the degree of alignment between the finance agenda and the broader IT agenda of the business across the following dimensions? (% responding “significant” or “complete”)

<table>
<thead>
<tr>
<th>Area</th>
<th>Emerging markets</th>
<th>Developed markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall goals and objectives</td>
<td>47%</td>
<td>55%</td>
</tr>
<tr>
<td>Planning cycles</td>
<td>42%</td>
<td>49%</td>
</tr>
<tr>
<td>Key performance indicators</td>
<td>42%</td>
<td>53%</td>
</tr>
<tr>
<td>Measurement methodologies</td>
<td>46%</td>
<td>59%</td>
</tr>
<tr>
<td>Data</td>
<td>57%</td>
<td>53%</td>
</tr>
<tr>
<td>Rewards and compensation</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: Partnering for performance survey — the CFO and the CIO, EY, 2015.

### Questions CFOs and CIOs should be able to answer about finance-IT alignment

- What level of technology knowledge do finance employees have? Do IT managers and staff fully understand key financial metrics?
- Do the senior finance and senior IT leaders meet on a regularly scheduled basis?
- Are efforts being made to link the key performance metrics of both functions?
- Are temporary secondments encouraged between functions?
Establishing a two-way relationship

The developing world is in dire need of systems that can improve the quality of drinking water. Singapore-based Hyflux provides such solutions to emerging markets, and it has experienced substantial growth in recent years. To accommodate this growth, Hyflux has implemented a far-reaching automation of its finance and other critical processes, according to Lim Suat Wah, the company’s CFO. This automation, as well as a shift to web platforms, is the biggest driver of collaboration between the heads of finance and technology.

Ms. Lim characterizes her relationship with the IT director as collaborative. Companies will have to ensure the two increasingly interact as peers, she believes. “As companies move to IT automation and web-enabled applications, IT can no longer be just a subordinate function. CFOs will have to provide inputs into all the organization’s technology strategies. But with technology developing so rapidly, there is no way the CFO can keep pace with all the advances, so it has to be an equal partnership between finance and IT.”

It may require the CEO’s leadership to set the tone for the relationship, says Ms. Lim. But once that’s done, the two executives can only rely on themselves to make it work. “It has to work both ways,” she says. “The CFO must be open-minded about and embrace new technology, and the CIO must understand what the business requires and what can or cannot be funded.” In Ms. Lim’s words, “It takes two hands to clap.”
The imperative of harnessing the power of data and analytics is the main driver of change in the relationship between the CFO and the CIO in emerging markets (see chart 3).

This is partly driven by increased reporting demands and obligations, requiring CFOs to capture ever more financial and non-financial data on metrics such as sustainability and energy efficiency. “The volume and type of information the board requires us to report is growing every day,” says Pavel Mitrofanov, CFO of the Russian metal producer Metalloinvest. Beyond more detailed performance metrics, reporting on energy consumption is also growing more detailed, not least because energy is a key input to the company’s manufacturing process.

Companies must be able to put in place the mechanisms to capture and provide this information quickly and efficiently. Mr. Mitrofanov confirms that this is an important driver of investment in automated information systems.

Finance and technology leaders also recognize that the adoption of more advanced analytics tools will help them to derive more insight into the business and make better decisions to support the company’s objectives. This is particularly important in emerging markets, which tend to be both faster-moving and more volatile than developed markets.

However, in many emerging market companies, there are fundamental data challenges to overcome. For example, many organizations have pockets of data scattered across different functional areas and business units. This makes it very difficult to achieve an overall, consistent view. Another challenge is that data processing in many emerging market companies is still largely manual, says Prasanth Manghat, Deputy CEO (and until recently CFO) of Dubai-based NMC Healthcare.
Companies operating in emerging markets also find that external data can be inaccessible or inaccurate. When asked about what they need to make a bigger contribution to IT, emerging market CFOs say better data is No. 1. This is a point of difference with their developed market peers, who see new skills and knowledge as the biggest requirements to enhance the collaboration. CFOs’ focus on obtaining better data in emerging markets is likely a reflection of the more variable quality of data available to them.

**Questions CFOs and CIOs should be able to answer about data and analytics**

- Are our reporting systems fully compliant with regulatory requirements?
- How old are our organization’s data systems? Can they be upgraded or should they be retired and replaced?
- What are our data governance policies, and how strictly are they adhered to?
- Do our existing staff have the skills needed to make use of advanced analytics tools? If not, is such talent available in our markets?

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**Chart 4: What do you most need in order to make a bigger contribution to these IT-related activities?**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Emerging markets</th>
<th>Developed markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better data</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>More finance resources</td>
<td>20%</td>
<td>21%</td>
</tr>
<tr>
<td>New skills and knowledge</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Better tools</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Greater alignment between finance and IT</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Better relationships at C-level</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Partnering for performance survey – the CFO and the CIO, EY, 2015.
CFO
Metalloinvest

Pavel Mitrofanov
CFO
Metalloinvest

Mr. Pavel Mitrofanov has been the Deputy CEO and CFO at OAO Holding Company Metalloinvest since April 2010 and also serves as a member of its management board. Between 2004 to 2008, he served in various positions at Metalloinvest Holding and in 2008-09 he served as Deputy CEO for Strategy and M&A. From 2009 to 2010, he worked for Metalloinvest LLC as Investment and Development Director.

Mr. Mitrofanov is a graduate of the Faculty of Economics at Moscow State University (2001). He obtained a Master’s degree in Financial Accounting, Analysis and Auditing in 2002.

Reporting in a challenging economic environment

Pavel Mitrofanov is the CFO of Metalloinvest, a global producer and supplier of hot briquetted iron (HBI), iron ore products and steel, based in Russia. He is unequivocal about CFOs’ experiences today: “Reporting demands on the CFO have increased enormously,” he says. According to Mr. Mitrofanov, company boards are the main source of these demands, not regulators. A higher quality of corporate governance requires the closer, more systematic involvement of board members. In previous years, Mr. Mitrofanov says, the company’s finance team was able to fulfill the board’s information requests with ad hoc reports. Now, however, this requires detailed data on a regular basis.

Many of the requirements would be familiar to CFOs globally: more detailed energy reporting, maintenance and payroll costs, more frequent questions about annual budget variances and the reasons for them. In addition to general management issues, specific trends and events also play an important role. The most recent example is the significant currency fluctuations involving the ruble, euro, dollar and Swiss franc. “This means that our revenues and earnings also fluctuate to some extent and we need to report these and also analyze their impact. It also means that we need to split the revenues, main expenses, profit and loss and cash-flow statements into the various currencies,” Mr. Mitrofanov explains.

For these reasons, Mr. Mitrofanov is looking forward to the implementation of a new enterprise resource planning (ERP) system across the Metalloinvest group. “This will make it much easier to do the detailed reporting,” he says.

“Automation is the priority,” he adds, “but analytical tools – to help provide explanations behind the trends being reported – will also be a welcome addition to the technology assets at finance’s disposal.”
CFOs must adopt a more strategic view

CFO and CIO relationships may be growing closer in emerging markets, but this does not mean CFOs necessarily take a strategic view of the company’s technology development. When asked about the contribution they make to IT-related activities, CFOs in both emerging and developed markets highlight first and foremost their role in managing costs and setting budgets.

Cost management is undoubtedly an important part of the CFO role, but it needs to be balanced against the need to create value. This is especially important in emerging markets, which are often characterized by rapid growth, high degrees of innovation and risk. Lim Suat Wah of Hyflux agrees that the CFO must take a wider view of IT than simply costs and budgets, but she also believes that building a role in technology strategy development is a major challenge for many CFOs, due to the difficulties in keeping up with the pace of technology developments.

Emerging market CFOs have considerable scope to consider how they can adopt a more strategic role in determining future IT investment across key areas, including data and analytics, cyber risk management and the greater use of newer technology capabilities, such as cloud computing.

For now, however, few emerging market CFOs can claim the mantle of technology change agent: just 20% of the respondents say that a valuable part of their contribution is in setting the agenda for change.

Prasanth Manghat of NMC Healthcare believes that, in emerging markets, this is partly a legacy of industries dominated by family-owned businesses. “In emerging markets,” he says, “transparency norms have only come into play very recently. Family-owned businesses have not been ready to share much information with the outside world, and the finance function was able to deal with only confidential information. In that environment, IT has been thought of as little more than a tool to ensure the books are maintained properly.” As IT wasn’t accorded a strategic role, there was no need for the CFO to look at it strategically.

This is now changing, Mr. Manghat believes, as management of more emerging market companies, including family-owned ones, come to appreciate the value that technology can create across the business.

When CFOs do adopt a more strategic view and engage with CIOs on issues outside costs and major investments, one of the by-products is often closer alignment between the finance and IT agendas.
Echoing Ms. Lim’s point about the challenge of building technology knowledge, CFOs in the survey underline that an insufficient understanding of IT issues among finance executives is a major barrier to closer collaboration. Developed market finance leaders state the same, but it is noteworthy that their emerging market counterparts are more emphatic on this point. Given that many senior finance professionals gained their qualifications and training in an environment that predates the digital era, they often struggle to update their skills to meet new business challenges.

NMC Healthcare’s Mr. Manghat stresses that the CFO does not need to have detailed knowledge of the technologies being implemented in the business. “A basic knowledge of IT is necessary,” he says, “but it’s more important that the finance leader sees the business in depth. He must be in a position to understand the business dynamics and be able to convert that into a language that IT will understand.”

It will help if the finance professionals working underneath the CFO can master some of those technical details. Nikolay Andreev, CFO of Nova Broadcasting, a Bulgarian media group, reports that he’s been on a steep technology learning curve since taking the CFO reins – both in IT systems and broadcasting technology. He adds, though, that he remains reliant on highly skilled technology and finance professionals to help him understand and communicate the key issues to other parts of the business. Similarly, CFOs must consider how they will build a pipeline of highly data-literate finance professionals in the future, to ensure that they can maximize the opportunities that analytics tools offer.

At Metalloinvest, according to CFO Pavel Mitrofanov, it is a given that existing employees and new hires in the finance function will have a strong grounding both in IT and in metal production technology. He points out that the higher education institutions that serve his sector typically produce graduates with economics degrees who have also had extensive coursework in various aspects of IT, as well as in the production technology of their chosen industry. “Any production company should ensure its finance people are knowledgeable in the sphere of technology and production,” he says. “A lot of value lies in the decisions that you make in production.”
A CFO wearing two technology hats

Nova Broadcasting Group, the Bulgarian major television broadcaster, faces fundamental digital challenges along dual fronts. The need to upgrade back- and front-office systems and infrastructure are familiar to most organizations. As a broadcaster, however, Nova is undergoing a digital transformation of its TV, news and entertainment assets to remain competitive in its core market. The executive responsible for seeing this through is the company’s CFO, Nikolay Andreev. Because of these dual responsibilities, Mr. Andreev has two technology managers reporting to him: the IT manager and the broadcasting technology director.

In Mr. Andreev’s view, a CIO or IT manager reporting line to the CFO makes eminent sense. “The CFO is usually the owner of the key information systems, which provide all the analytics and related support to the organization. In businesses like ours, finance owns and manages most of the business intelligence and planning systems. So having the reporting line between the CFO and IT head enables the smoother and faster implementation of such systems.”

This responsibility means that Mr. Andreev has had to become much more knowledgeable about IT operations and technology than he was previously. At the same time, he must still rely on others to have the necessary grasp of all the details. “I’m learning a lot about IT infrastructures,” says Mr. Andreev. “But it remains a high-level knowledge. It’s vital that the CFO has highly skilled professionals who can understand and explain the need for changes, new systems or migrations and get the support of the CFO for this to be done.” He remains equally reliant on such experts in the broadcasting part of the business, where the infrastructure can be just as complex as back-office systems.

Nova’s technology executives are also getting better at talking to senior management in terms of business outcomes, although there is room for improvement. This is critical, says Mr. Andreev, if the business is to achieve its ambitious digital objectives.
CIO and CFO partnering to develop cost-effective IT models

Investment in IT must be aimed at improving the organization’s agility (the ability to scale up or down depending on opportunities and market conditions), employee productivity and the ability to identify and reach new markets and customer segments.

But relentlessly boosting cost-efficiency remains a major imperative, as evidenced by CFOs’ responses about their key contributions to IT in chart 5. In developed markets, IT expenditure models are shifting from one based on Capex, involving large outlays on infrastructure and systems, to one where costs can be classed as Opex. The growth of cloud-based storage and application services, more flexible IT infrastructures and managed services are making such a shift realistic in emerging markets as well.

In the survey, 26% of CFOs say that achieving a shift to new IT models, such as the cloud and SaaS, are a major reason why collaboration with their CIOs is growing closer. Ms. Lim of Hyflux is one who believes that as companies “move to IT automation and web-enabled applications,” the logic for the CFO and CIO to interact as peers will grow stronger.

The cost-efficiency challenge may be more acute for businesses in emerging markets than elsewhere in one respect: extreme price sensitivity means that companies must consistently design their processes, as well as their products, to meet a low price point.

“In emerging markets we have so much more pressure than elsewhere to innovate, to produce value for money,” says V.S. Parthasarathy, who is both Group CFO and Group CIO of Mahindra & Mahindra Ltd., the Indian automotive manufacturer. “Purchasing power parity and cost sensitivity from the customer point of view is the main reason. But there is also another: some of our large rivals have global volumes and we generally do not. This adds to the pressure to push frugal innovation. My message is ‘How can we use IT to enable the organization to do this?’”

Questions CFOs and CIOs should be able to answer about IT operating models

- Are there outsourcing providers who can execute finance and other back-office processes reliably and more cost-effectively than we can internally?
- Are our software and other systems providers offering more flexible terms when renewing our agreements?
- What levels of service reliability and security can cloud-based service providers guarantee?
- Are our IT staff capable of managing external providers effectively?
Prasanth Manghat was appointed to the Board of NMC Health plc. in June 2014 and to the role of Deputy Chief Executive Officer in January 2015. During the last 12 years, Prasanth has served successfully in key roles within the NMC-related businesses including his previous assignment as Chief Financial Officer of NMC Health for 5 years where he was primarily responsible for managing the company’s finance function including treasury, corporate finance and accounting.

Mentored by none other than the iconic Dr. B.R. Shetty, Executive Vice-Chairman and CEO of NMC Health, Prasanth Manghat, a chartered accountant by profession, is extremely passionate about the business of healing people.

The technology challenge in health care

Health care was once considered to be particularly resistant to technology change, in comparison with other industries. This is no longer the case, says Prasanth Manghat, Deputy CEO (and until recently CFO) of NMC Healthcare, based in Dubai. “Not long ago,” he says, “the extent of health technology found in a hospital or clinic was an ECG or X-ray machine.” Back-office processes were largely handled manually. In recent years, however, health technology, in both public and private institutions, has advanced by leaps and bounds. “Today,” says Mr. Manghat, “everything is connected through the internet, so a doctor sitting anywhere in the world can view diagnostic reports online. And if the doctor can see a report, why not the patient? So technology helps us to track patients wherever they go.” All of this has pushed health care companies to invest heavily in IT, he says, to ensure they remain current with rapid technology change.

Mr. Manghat contends that health care organizations face the additional challenge of investing in technology in order to replace human intervention. “There is a real war in this industry for good doctors and nurses,” he explains. “These doctors that work for you are the only revenue generators for the thousands of people who support them.” While technology cannot fully replace a doctor, it can automate many of the supporting services. This, says Mr. Manghat, is where most technology investment in the industry is targeted.

Health care CFOs and CIOs must also work closely to ensure that the new (and existing) information systems are fully integrated. In the past, says Mr. Manghat, hospital information systems, diagnostics, pathology and other functions could be connected via existing IT software. The challenge now, however, is to achieve seamless integration of these with customer service, operations and finance. In all these areas, he adds, the proper information must be available in the system for anyone to find a trail of the transaction. No industry, it seems, is immune from the demands of transparency.
Emerging market companies are placing digital transformation near the top of the priority list. Among surveyed CFOs, 45% say this is the case. Many companies recognize that they have the opportunity to leapfrog their developed market peers, who are more established and whose legacy IT systems can sometimes be an encumbrance. But this shift creates new risk exposures – particularly around cyber: 68% of emerging market CFOs say that cyber risk management is among their organization’s highest technology priorities.

“Every business is going to undergo a digital business transformation and the cloud, whether public or private, will be a big part of that,” according to Mr. Parthasarathy, Group CFO and Group CIO of Mahindra & Mahindra Ltd. “It’s not a question of whether. It’s a question of when and how fast does the transformation happen? Therefore, the biggest threats that companies face in this context are in the area of cybersecurity.”

There are four priorities for the CFO, in emerging and developed markets alike, when it comes to cyber risk:

1. Treat cyber risk as part of the wider enterprise risk management process
2. Take the lead in identifying and prioritizing the assets most in need of protection
3. Evolve their cybersecurity to keep up with new threats and the changing business strategy
4. Discuss cyber risks – with the board, CEO as well CIO and other technology heads – in the language of business, not IT, so that the associated risks and costs are fully understood by all

Questions CFOs and CIOs should be able to answer about cybersecurity

- What is our overall risk tolerance?
- What is our organization’s current exposure to cyber risk?
- Is our cyber risk exposure consistent with our risk tolerance?
- Are there adequate processes in place to prevent, detect, contain and respond to a cyber attack?

Emerging market companies and their CFOs face a technology conundrum. Digital transformation of the business is high on their agenda. As the speed of innovation and change continues to increase, IT is becoming crucial to delivering shareholder growth and, in some digitally disrupted industries, to staying in business. Yet only a small minority of CFOs believe they have a role to play in setting an agenda for IT change. Indeed, the majority still consider their most significant contributions to IT are in managing costs and setting budgets.

To meet the challenges of this new digital environment, there are five key questions that CFOs in emerging markets should prioritize:

• Does our current reporting structure give sufficient emphasis to IT as a creator of value?
• Are we using data and analytics effectively to solve major business challenges and leverage its predictive capabilities?
• How are we ensuring skills within the finance function are being kept up to date to face new digital challenges and seize opportunities?
• Are we striking the right balance between Opex and Capex in our IT operating model?
• Are we treating cybersecurity as a risk management issue and taking a strategic approach to prioritizing assets for protection?
Survey respondent demographics

### Country
- China: 80
- Brazil: 42
- Mexico: 31
- India: 30
- Russia: 25
- Indonesia: 20
- South Africa: 20
- Argentina: 20
- Philippines: 15
- Colombia: 11
- United Arab Emirates: 10
- Turkey: 10
- Saudi Arabia: 10
- Nigeria: 5

### Industry
- Oil and gas: 46
- Power and utilities: 40
- Life sciences: 37
- Insurance: 34
- Consumer products: 29
- Banking and capital markets: 19
- Telecommunications: 16
- Cleantech (including energy, water, transportation, agriculture and manufacturing): 16
- Mining and metals: 15
- Diversified industrial products (including aerospace and defense and chemicals): 15
- Real estate: 13
- Technology: 10
- Asset management: 7
- Media and entertainment: 6
- Import, export, wholesaling: 5
- Automotive and transportation: 5
- Construction: 4
- Private equity: 4
- Transportation: 3
- Professional services: 3
- Other: 1
- Health care: 1

### Finance roles
- Group CFO or finance director: 181
- Regional CFO or finance director: 78
- Divisional CFO or finance director: 70

### Annual revenues in US$
- Greater than US$20b: 17
- Over US$10b and up to US$20b: 24
- Over US$5b and up to US$10b: 47
- Over US$1b and up to US$5b: 73
- Over US$500m and up to US$1b: 67
- Over US$250m and up to US$500m: 38
- Between US$100m and US$250m: 63
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- Part 1: the CFO and the supply chain
- Part 2: the CFO and HR
- Part 3: the CFO and the CIO

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- Part 4: the CFO and the CMO
- Part 5: the CFO and the CEO

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Launch date: 2 June 2015

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