



# Business Sustainability and Finance fit for the Future

## ACCA Africa Members Convention - Dec 2017

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Standard Bank Moving Forward™

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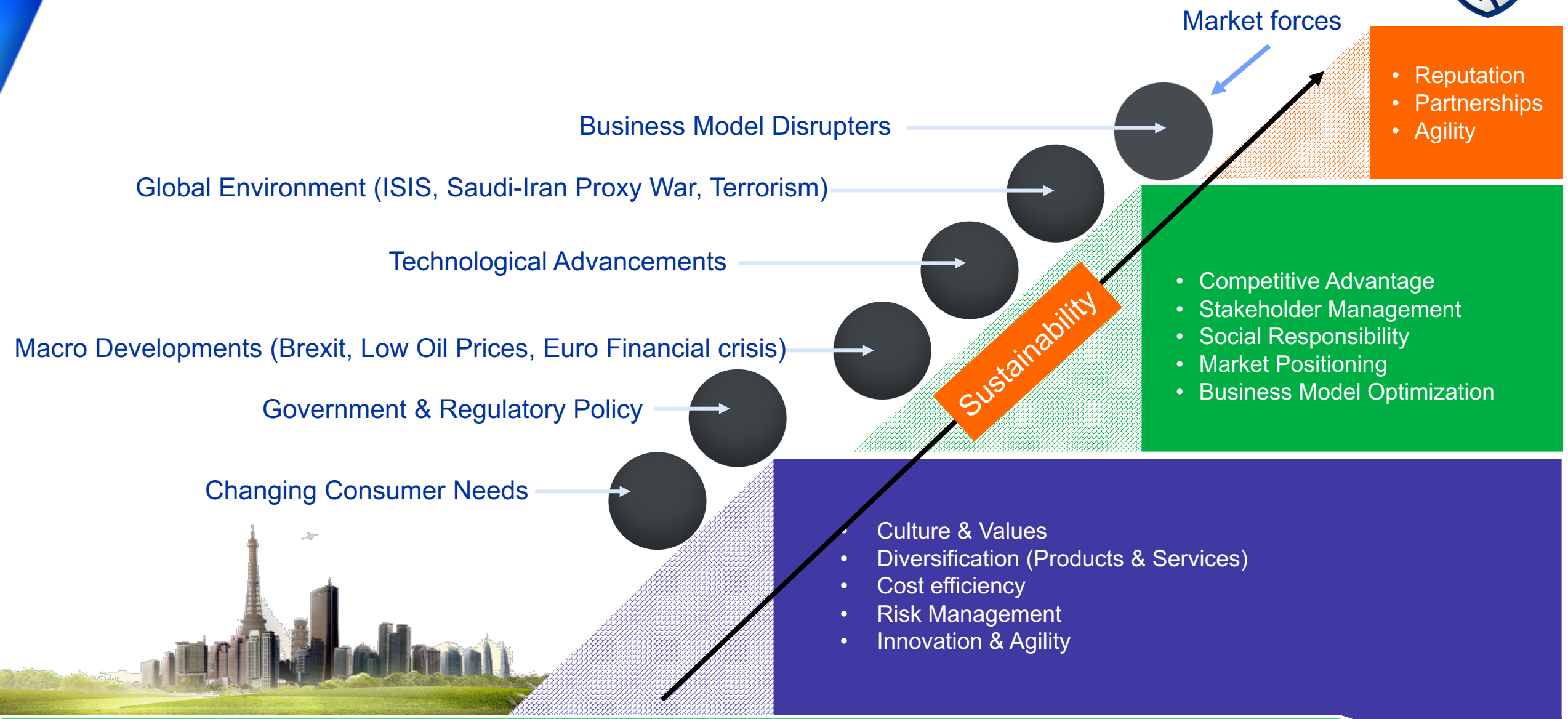


- Setting the Scene in a “VUCA” World
- Leadership Shifts Necessary for the Future
- Finance Fit for the Future





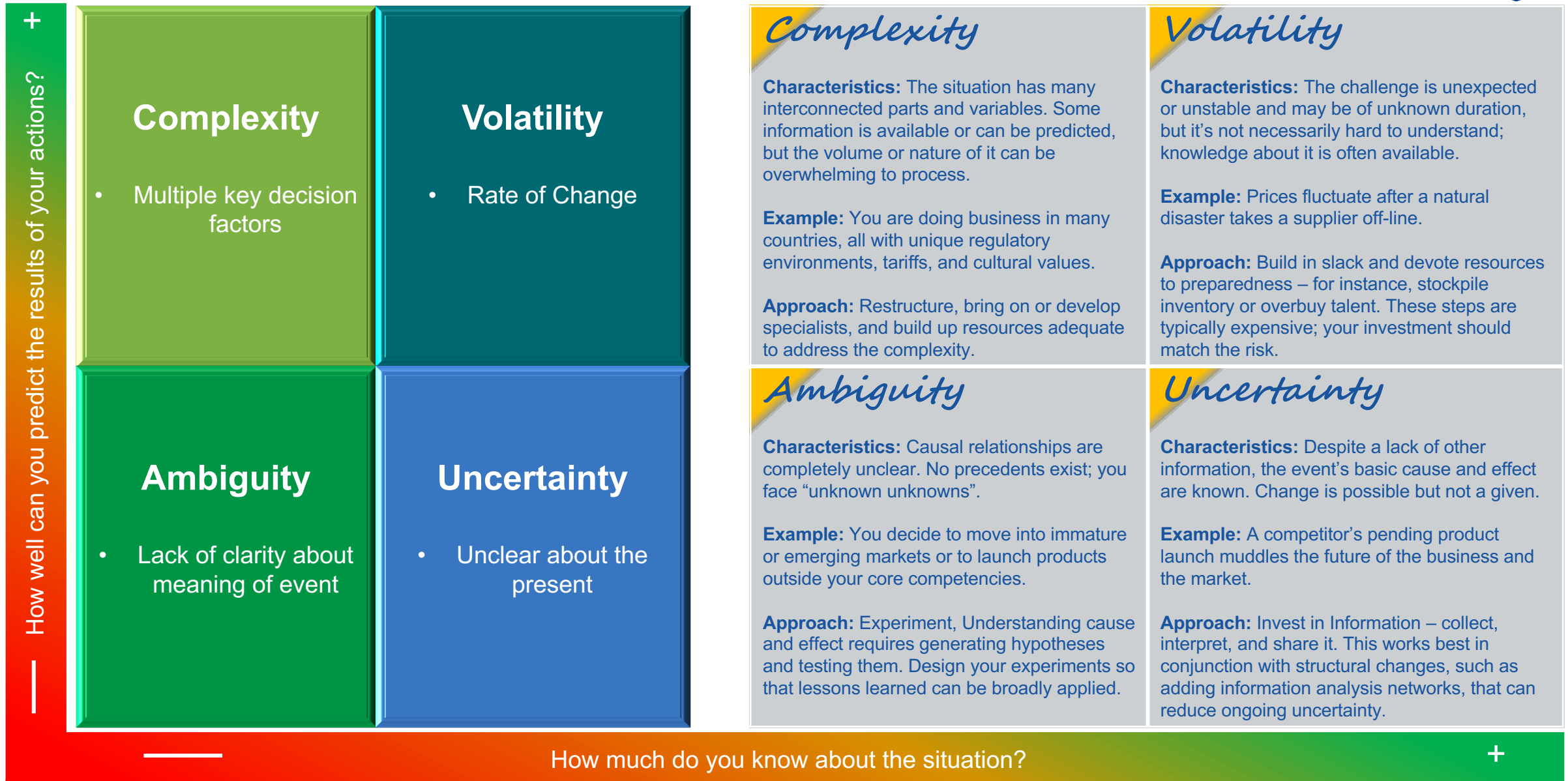
# Setting the Scene : Living in a “VUCA” World...



Volatile; Uncertain, Complex and Ambiguous is the **New Normal**...



# Setting the Scene : Living in a “VUCA” World...







# Setting the Scene : Past glory does not guarantee Future success...

Top 10 by Revenue	FY 2007 \$m	2007 Position	2017 Position	Top by Revenue	FY 2016 \$m
Wal-Mart Stores	351 139	1	1	Wal-Mart Stores	485 873
Exxon Mobil	347 254	2	2	State Grid	315 199
Royal Dutch Shell	318 845	3	3	Sinopec Group	267 518
BP	274 316	4	4	China National Petroleum	262 573
General Motors	207 349	5	5	Toyota Motor	254 694
Toyota Motor	204 746	6	6	Volkswagen	240 264
Chevron	200 567	7	7	Royal Dutch Shell	240 033
DaimlerChrysler	190 191	8	8	Berkshire Hathaway	223 604
ConocoPhillips	172 451	9	9	Apple	215 639
Total	168 357	10	10	Exxon Mobil	205 004

Accountants are well placed to see these Warning Signals Before Anyone ...

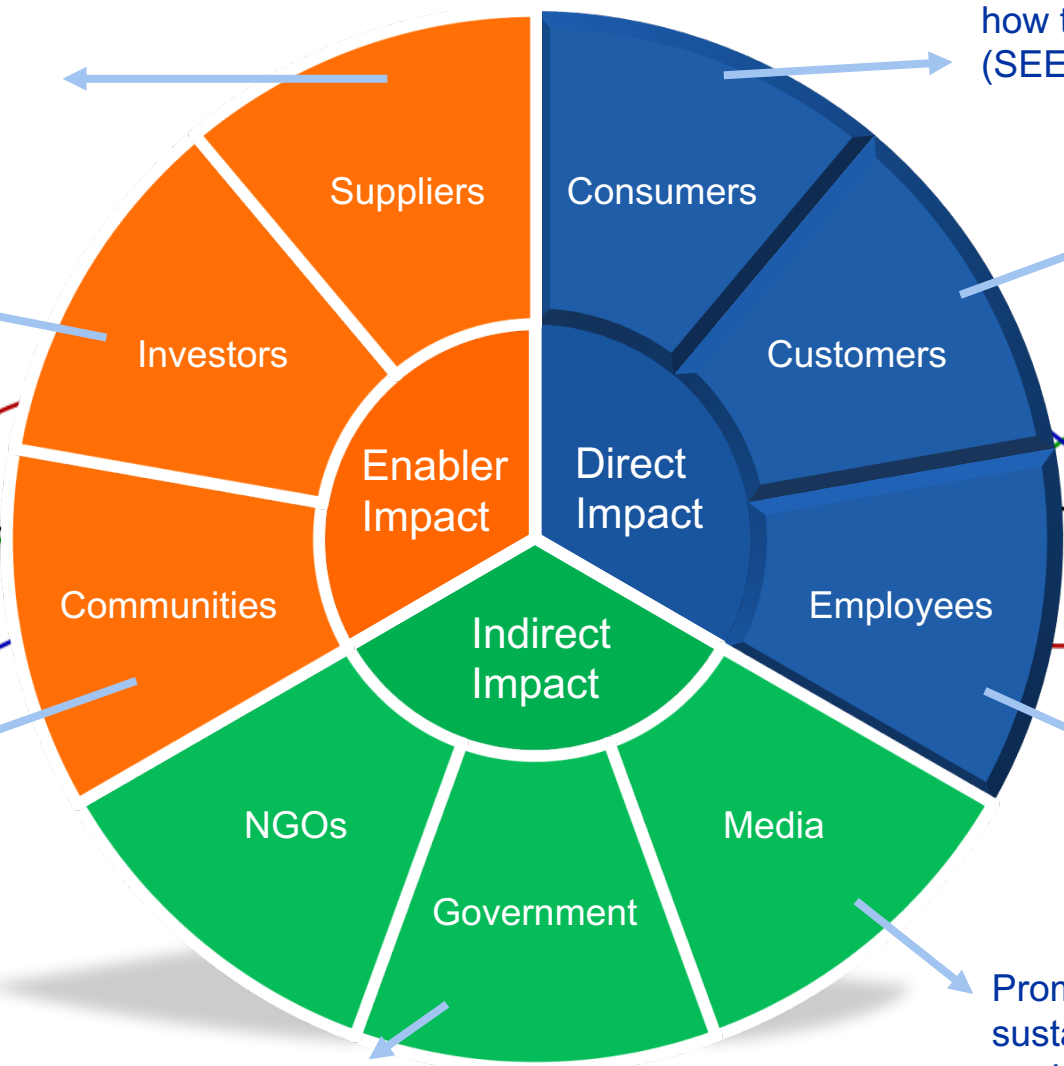


# Setting the Scene : Multitude of stakeholders in a VUCA World...

A key stakeholder for finance : Building a strong relationship to ensure first choice even in periods of scarcity.

Capital Sources : Largely run out of the Finance department across Organizations.

Corporate Social Investment : Allocating the resources to drive this agenda.



Transparent and world class reporting to give yet-to-be customers a perspective of how the company is run and its values (SEE reporting).

Facilitating many of the activities that touch the customer. Who is most profitable, which products are not relevant : A data source for key client conversations.

At the Centre of the activities that support the smooth running of the company. Budgeting, payments....

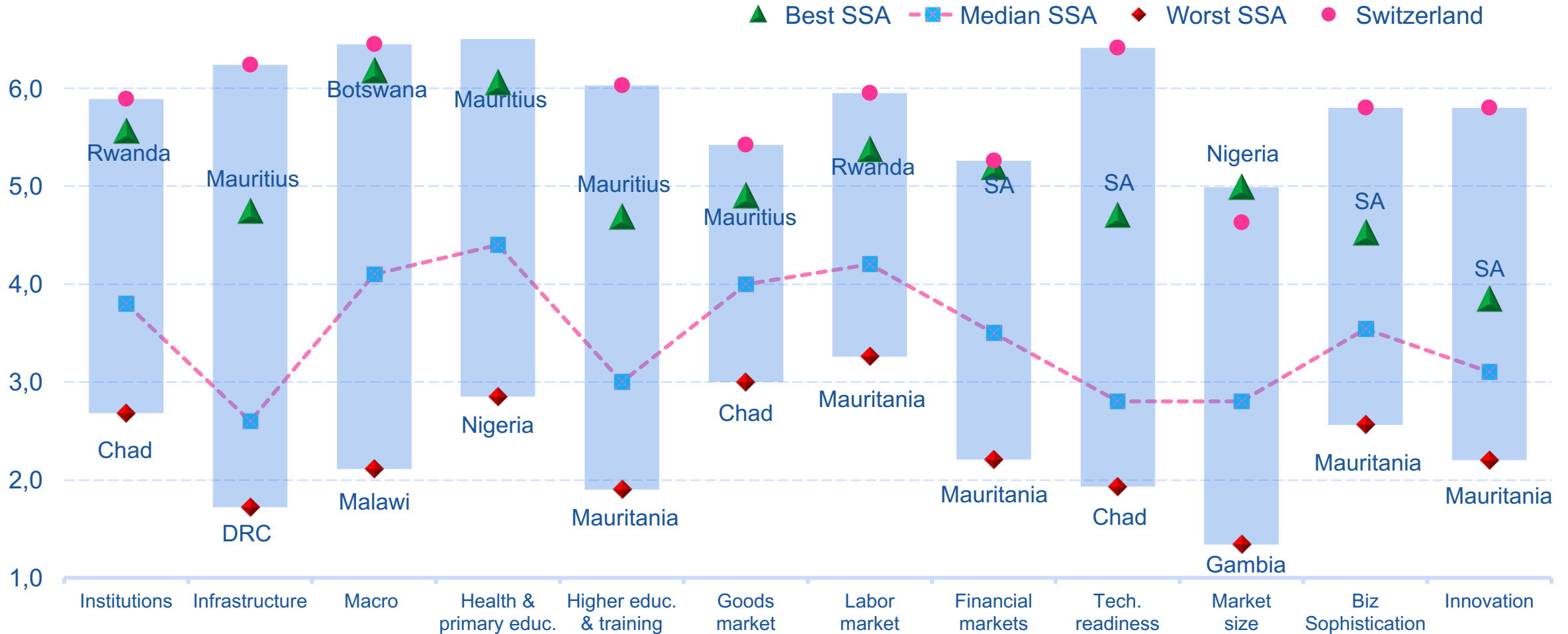
Promoters of the company's progress on sustainability : Finance providing Training workshops – Financial literacy.

Tax Conversations



# Setting the Scene: Need a Conducive Environment...

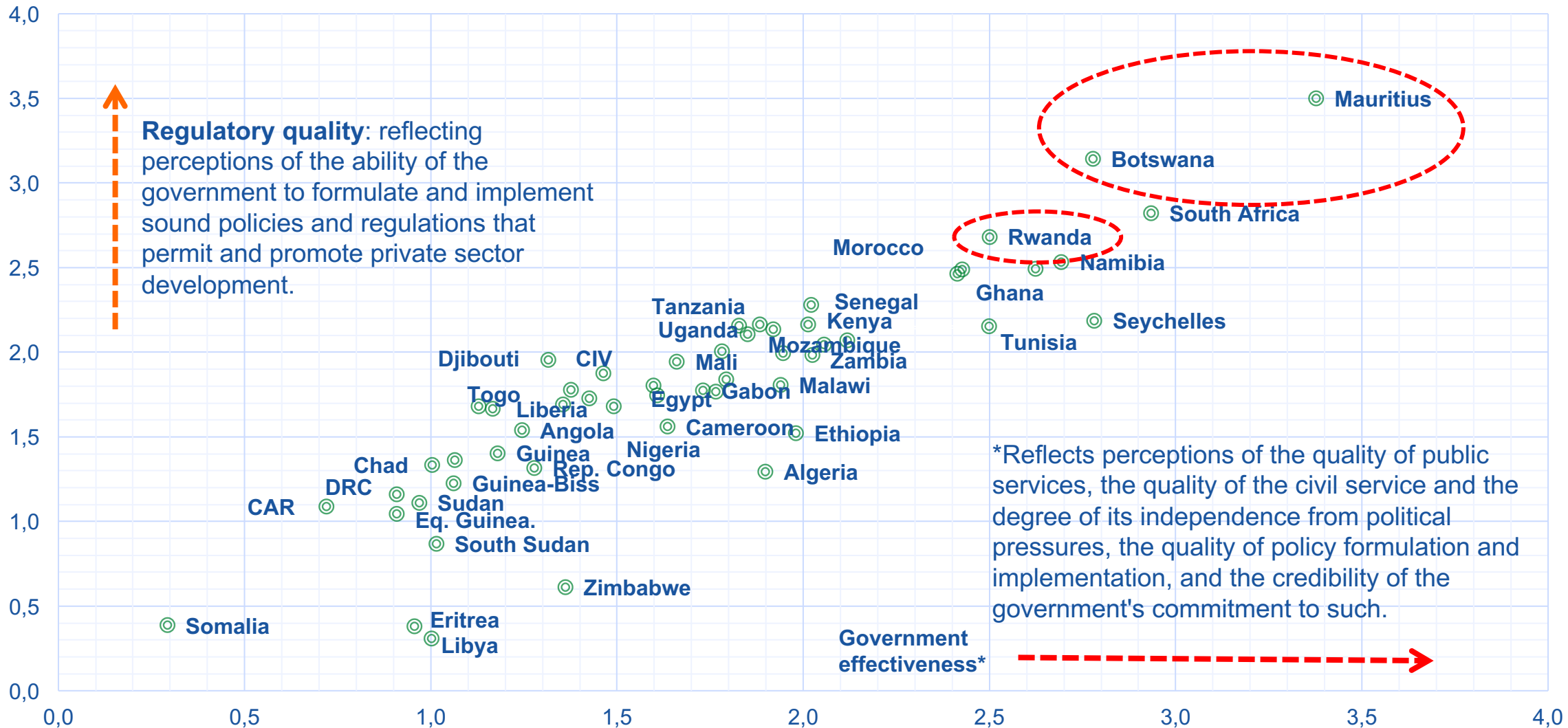
GCI score range across the 12 pillars in sub-Saharan Africa (SSA), 2016–2017 edition (Scale Range 0-7)





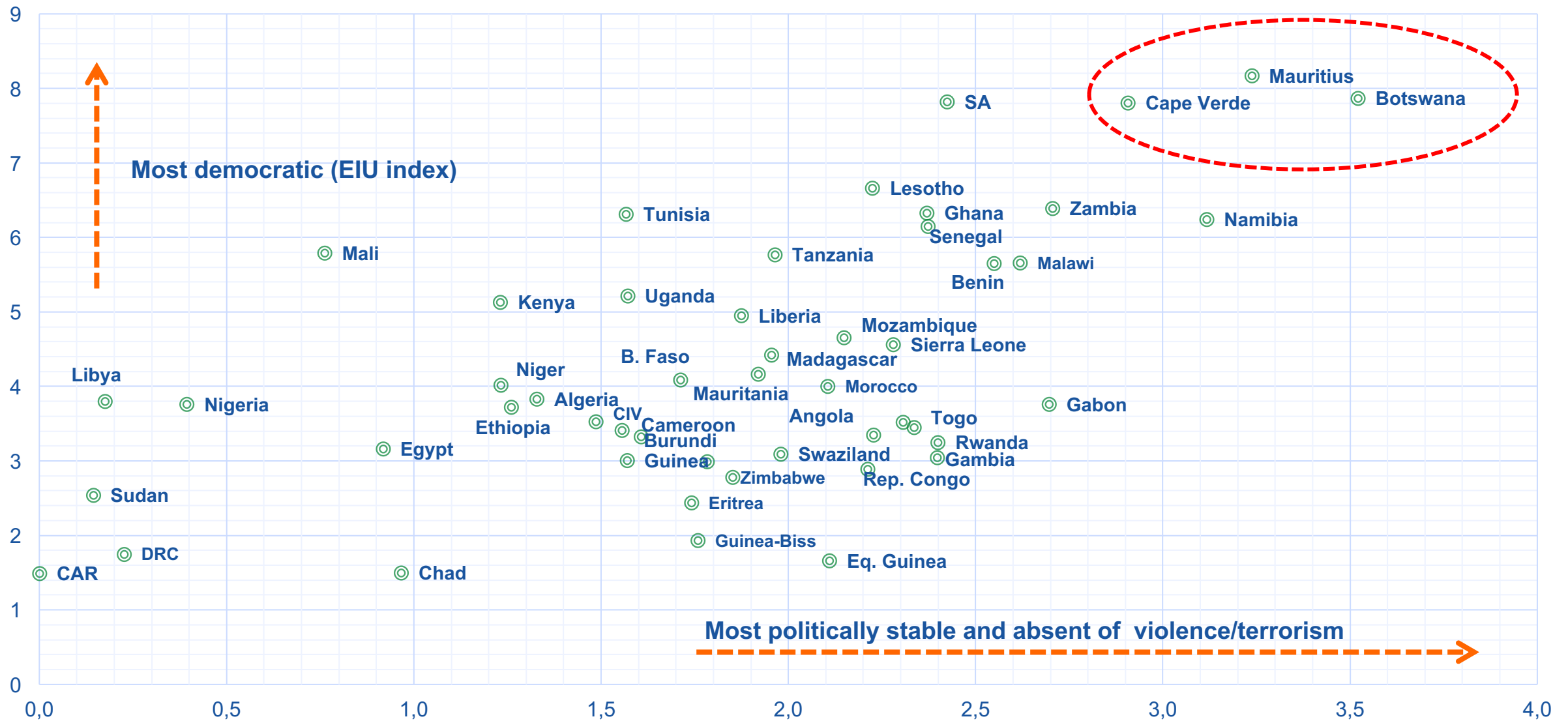


# Economic planning and macro reform : Need a Conducive Environment...





# Political environment : Need a Conducive Environment...





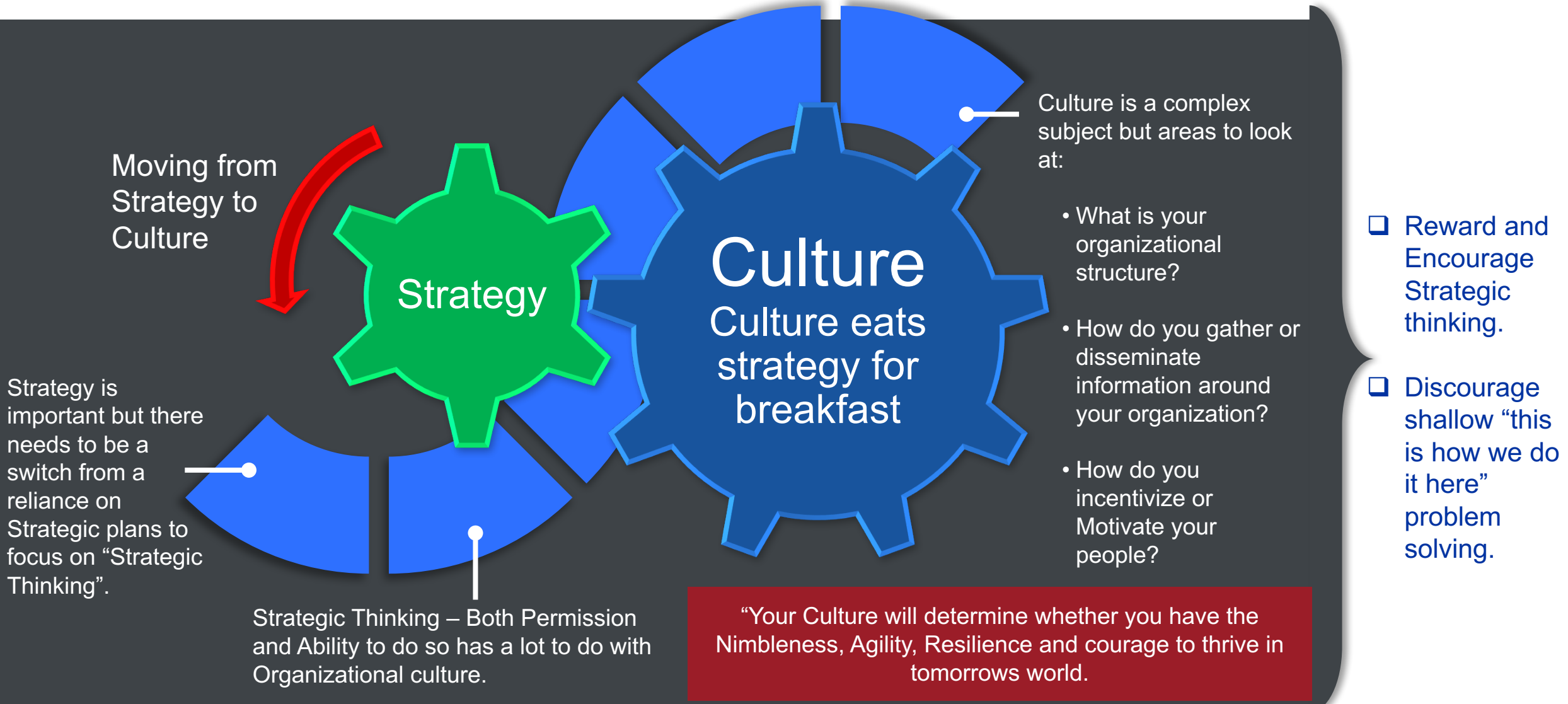
# Leadership Shifts Necessary For the Future





# Leadership Shifts: Shift #1: From Strategy to Culture...

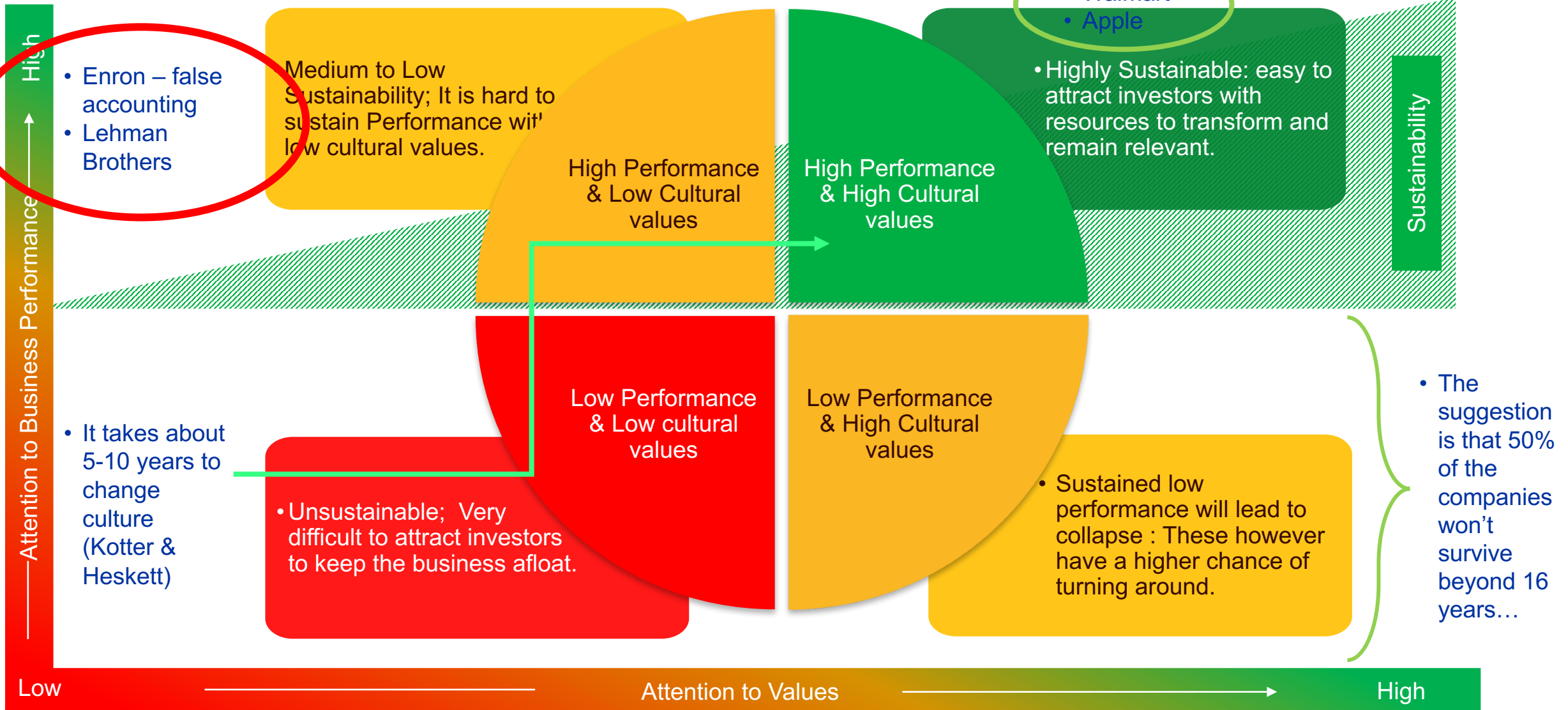
- “Myth” – Get Strategy right and the rest will follow.





# Leadership Shifts: Culture is Synonymous with Sustainability...

- How can accountants help build a stronger culture???





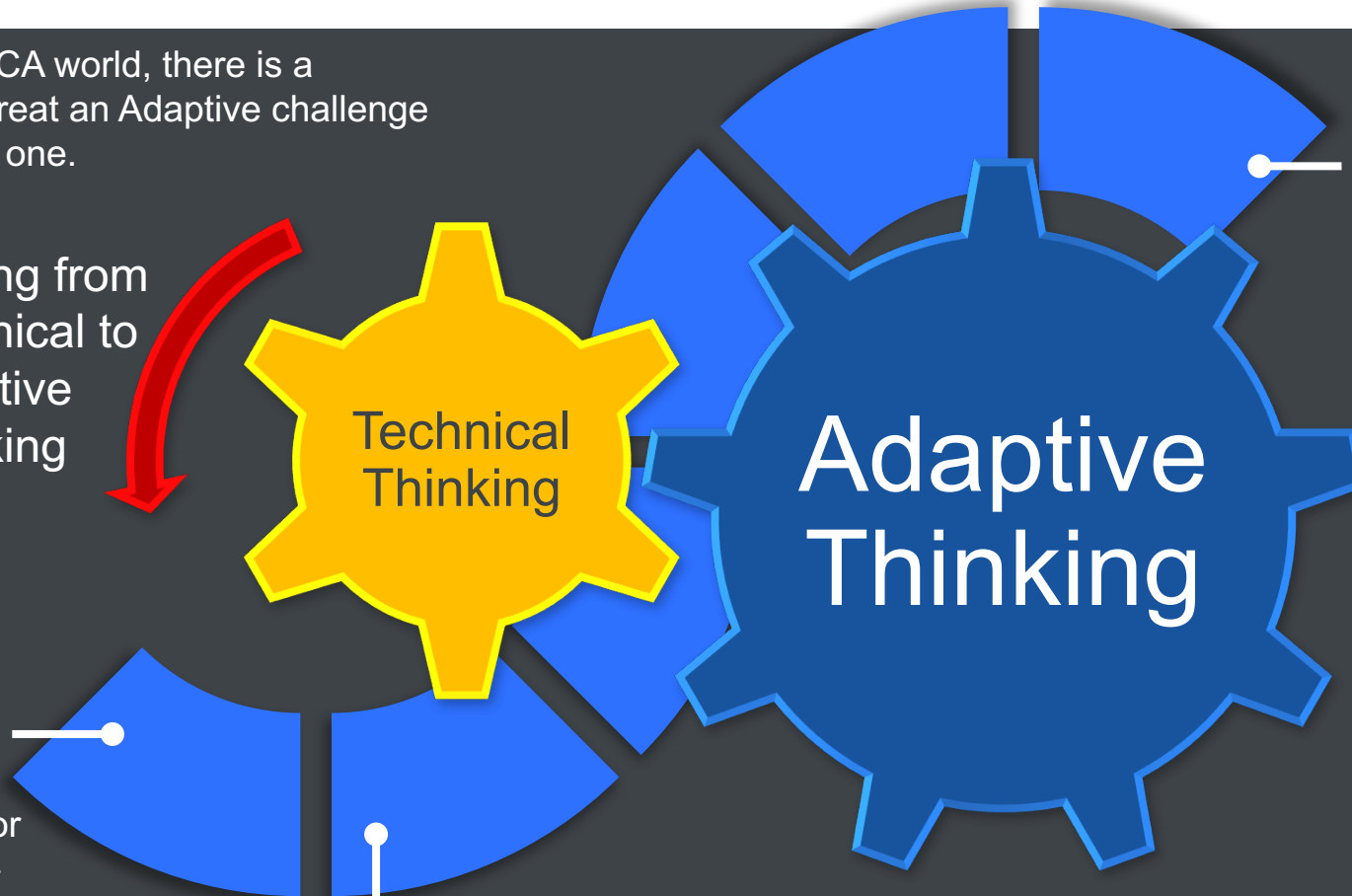
# Leadership Shifts: Shift #2: From Technical to Adaptive Thinking...

- “Myth” – Every Challenge is Static and has a wrong and right answer.

How to develop adaptive Thinking; Ask the following:

- What is really going on here?
- What is it we need to learn?
- How shall we achieve that learning?
- Who needs to be involved in this conversation?
- What is the loss being experienced. (Finacle Example).

- Adaptive Challenge
  - “Knowing what to do when you don’t know what to do”
  - “Problem itself requires learning and stepping back” – Finacle Example



Moving from Technical to Adaptive Thinking

Technical Thinking

Adaptive Thinking

- Within this VUCA world, there is a temptation to treat an Adaptive challenge as a Technical one.

□ Technical Challenge

- Headache: Consult Doctor – Diagnosis – Brain Tumor (Problem Clear)

- Recommends an Operation (Known Solution).
- Problem solved with experience.

“Leaders and Teams who are not “Learners” are in trouble. Experience cannot solve this.

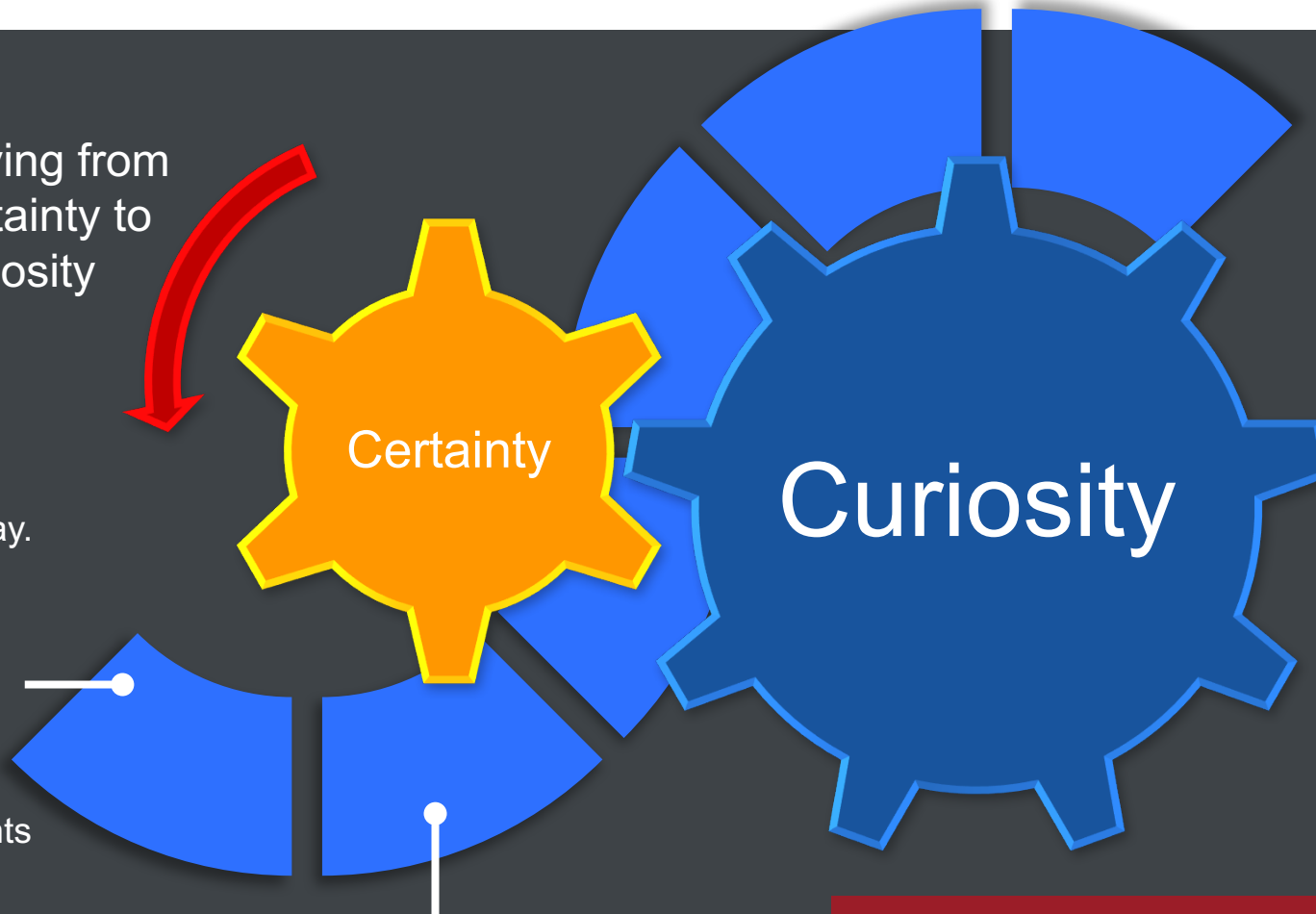




# Leadership Shifts: Shift #3: From Certainty to Curiosity...

Moving from  
Certainty to  
Curiosity

- Certainty is in short supply today. Think of Brexit
- Futurists believe that 75% of our “tomorrow's” will be shaped by Novelties – Events that cannot be foreseen or predicted.
  - Detailed CFO planning in such a scenario makes little sense unless you are ready to shred your plans at a moments notice.



“Stay with Questions; Ideas and Curiosity”

How do you build curiosity?; by asking yourself;

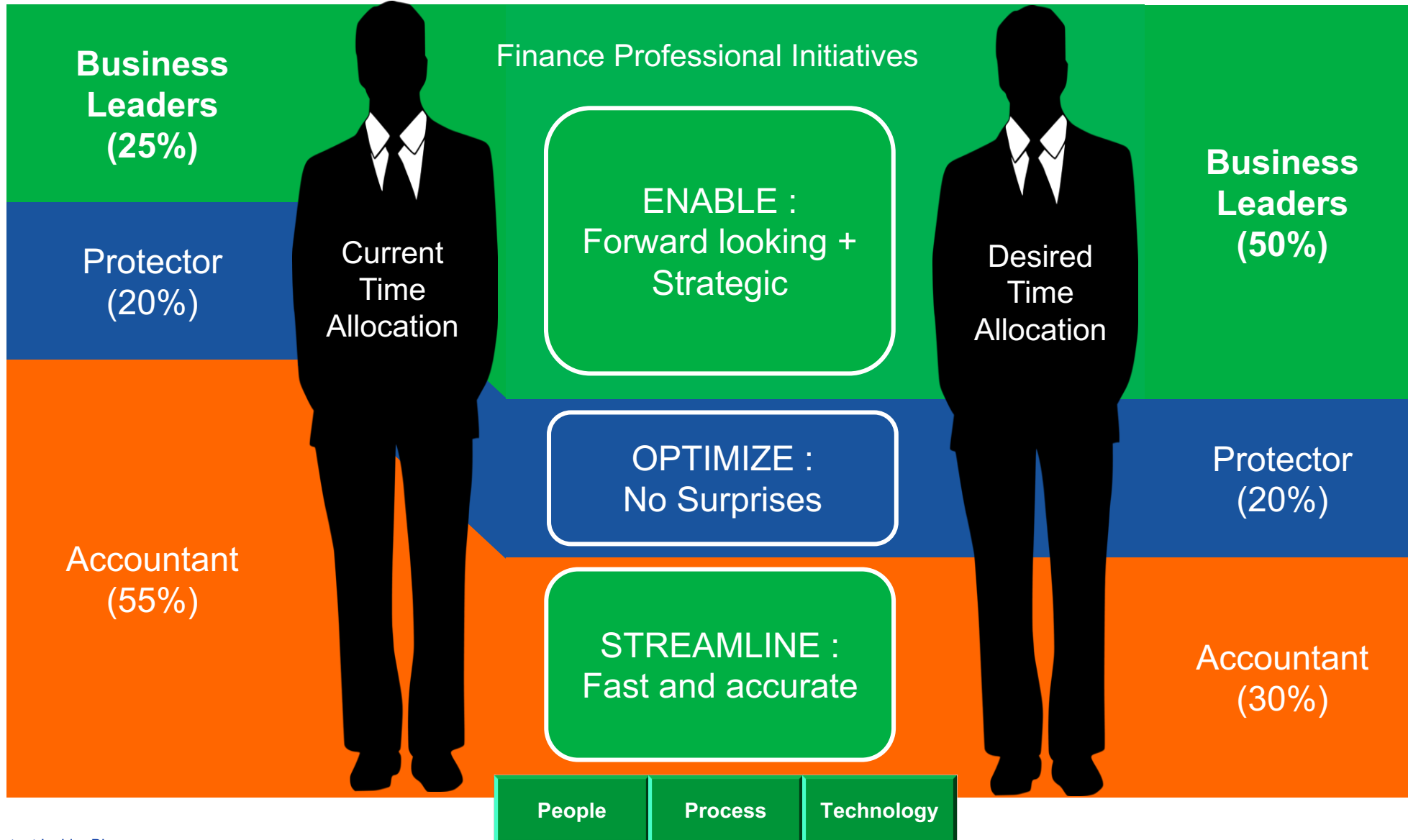
- What are the questions you should be asking about your strategy that you are not?
- Avoid getting pulled into operational concerns and a “fix it” mentality.



Finance Fit for the Future

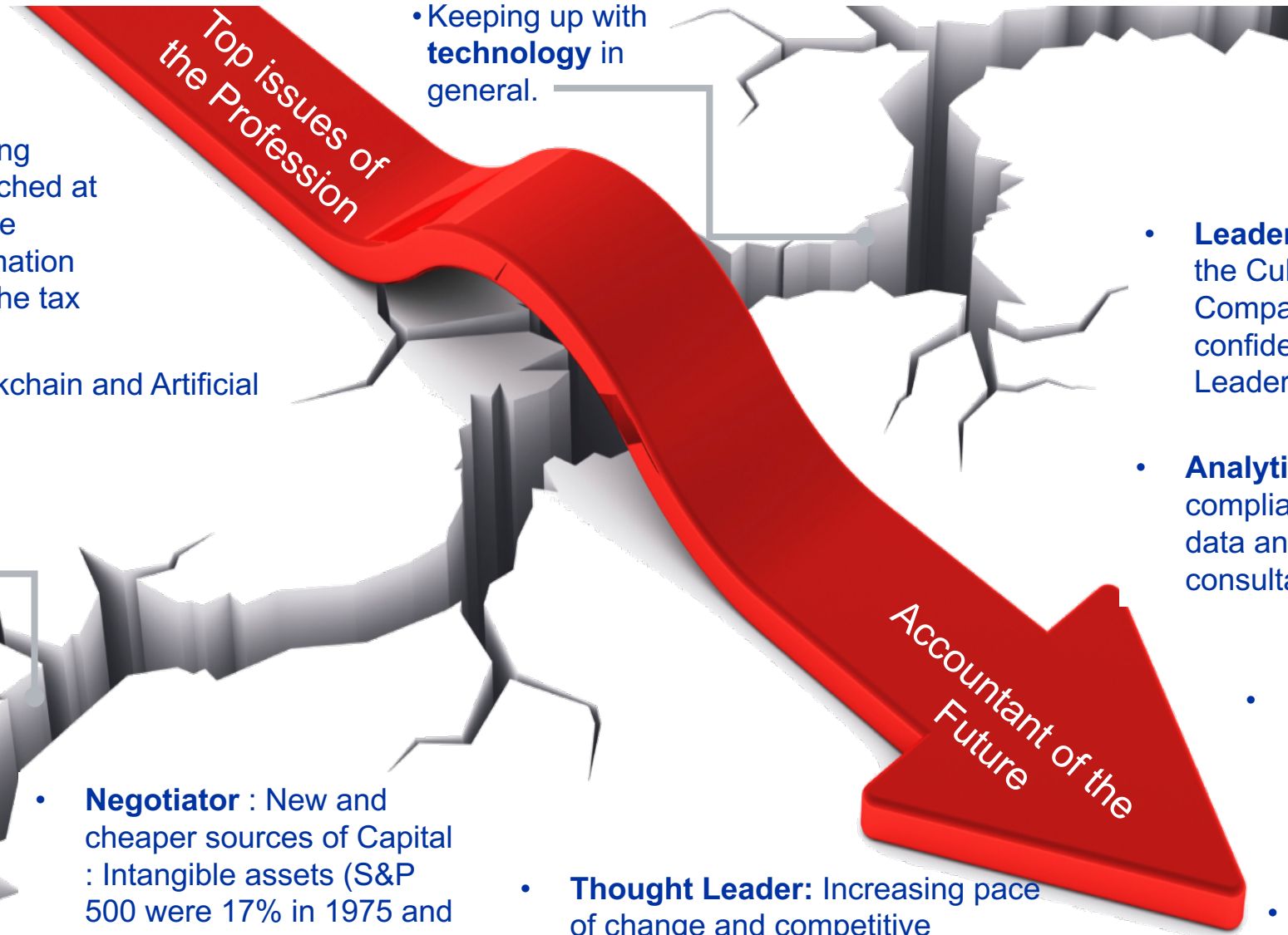


# Finance Fit for the Future : Transition from Traditional to New ways of Work...



- ❑ The Future organisation is expected to be driven by Technology and better optimised allowing for the CFO to focus on more strategic issues of the Organisation.
- ❑ Will need to be innovative and Agile.
- ❑ Will need to effectively deal with Ambiguity and rapid change.

# Finance Fit for the Future : The Accountant of the Future...



- **Cybersecurity** : Accounting firms continue to get breached at an alarming rate due to the personal identifying information that they maintain within the tax software.

- Impact of Blockchain and Artificial Intelligence.

- **Negotiator** : New and cheaper sources of Capital : Intangible assets (S&P 500 were 17% in 1975 and 84% in 2015).

- Keeping up with **technology** in general.

- More Dynamic, More varied, More exciting.

- **Leadership Skills** : Appreciate the Culture and Strategy of the Company and engage confidently with Business Leaders.

- **Analytical** : Less need for compliance skills, more for data analytics and business consultancy.

- **Critical Thinker** : Tax reforms, Increasing requirements on non financial information.

- **Thought Leader**: Increasing pace of change and competitive dynamics.

- **Economics** : The rise of Globalism.





# Finance Fit for the Future : “VUCA” happened to Blue Apron...

CFOs need to help CE’s Navigate Emerging risks : Stress Testing should become the norm...

KPMG survey of 19 SIBs globally : Actions taken as a result of stress testing (% of banks agreeing)

Survey Narrative	Internal	External (Regulator)
Stress testing has been used to inform our business planning and budgeting	78%	17%
Stress testing has been used to inform our risk appetite or product pricing	72%	28%
Stress testing has resulted in our firm taking action to strengthen our capital position	67%	39%

Case study of Blue Apron (An Ingredient & recipe meal kit service company in the US – Opened in 2012) : Blue Apron’s shares have tumbled 70% since the Company’s IPO in June’17 (Worst performing stock of all companies that went public in the US this year):

- 2015: Grew by 500% in one year becoming a \$2bn start up in 3 years.
- 2015: CEO Matt Salzgren ranked no.4 on the Silicon Alley Insider 100.
- Dec 2016: 134% YoY growth in revenue (From \$340m to \$795m in 2016).
- Mar 2017: Reached a milestone of 1 million customers (up from 879K in Dec’16).
- Nov 28: Heavy promotional spending digs a deeper hole.
- Nov 30: Blue Apron taps CFO for CEO Position.
- Dec 1: Blue Apron gets a NEW CEO and a much needed Strategy shift.

Date	Market Cap
28_Jun_17	~\$1.9bn
1_Aug_17	\$6,37
1_Sep_17	\$5,22
2_Oct_17	\$5,44
1_Nov_17	\$4,67
30_Nov_17	\$2,99

Market Cap : ~\$1.9bn

Market Cap : ~\$614.2m

What did Blue Apron miss ?

- Many disruptive changes (New food distribution centre, more flexible menu options, reshuffled mgt) at the same time Blue Apron was going public. Companies tend to go public when their businesses are relatively stable and predictable.
- Amazon had spooked the food universe by buying Whole Foods.



# Finance Fit for the Future : Need for Agile thinking ...





# Thank You