

# Digital transformation: Ending the disconnect between finance and operations

Audit committees play a pivotal role to ensure adequate controls and processes are in place to manage the movement of data between different areas of the firm.

*By Chris J. Moore*

Digital transformation remains top of mind for Canadian CEOs. According to [KPMG's CEO Outlook](#), 64% of CEOs believe driving digital transformation at a rapid pace is critical to attracting and retaining talent and customers. But as digital transformation matures, it's becoming apparent in many organizations that there's a disconnect between finance and operations.

This disconnect may mean that finance is using imperfect data for financial reporting, so audit committees will want to address this disconnect with management and ask them what their plan is to integrate data and KPIs between the two functions.

## Silos lead to poor decision-making

As operations and finance each independently implement new tools and technologies, the data models and key performance indicators (KPIs) around how they want to run the business may remain siloed and disconnected. According to [KPMG's Value of Connection](#) report, only 35% of finance and operations leaders are 'very satisfied' with the alignment of objectives and KPIs between the two teams. This makes it difficult to provide consistent reporting across the organization. While it's possible to merge the data, there's additional effort to pull it together, normalize it and link it with the critical performance metrics.

This siloed approach can lead to poor decisions by management, particularly as it relates to the customer experience. For instance, tailoring the customer experience often requires data from both finance and operations; when their KPIs are not aligned, it can hurt processes that involve both teams such as order-to-cash and procure-to-pay. Audit committees will want to ask management what steps they're taking to improve the alignment of data and KPIs throughout the organization.

## Finance and operations need to join forces

To make data and KPIs consistent, finance and operations need to join forces for enterprise-wide transformation. By working together, both areas will



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likely achieve faster, more agile transformation because they will benefit from being able to see the entire end-to-end process. Responsibility for this transformation tends to fall on the CFO because they're in a better position to get an enterprise-wide view of what's happening than other senior executives—and because finance drives many of the KPIs for the organization. Finance, being ultimately responsible for reporting, needs to drive what data it's receiving from other functions and therefore what these other functions are collecting and calculating.

## Building data capabilities for analytics

Both finance and operations are looking to build their data science and analytics capabilities. The skills required for this are hard to find, so it makes sense for these areas to collaborate and build up the data capabilities for the organization rather than do it individually. These capabilities are likely to end up residing in different areas of the company, but there should be a central body to manage and govern them across the organization. Audit committees will want to ensure that management has suitable controls and processes in place to manage the movement of data between different areas of the organization.

The current trend is to move away from in-house solutions to multiple best-of-breed cloud-based solutions. Managing and integrating the data between various cloud applications will be critical to making this work—and governance will play a key role. A system of governance for this data needs to be put in place early in the transformation and maintained post-transformation as the business changes and the data evolves. Audit committees will want to make sure proper data governance is established for the new cloud-based system architecture.

## Adopting a new mindset

Organizations are starting to move away from a function mindset towards process ownership where the end-to-end solution cuts across silos. This is critical during the transformation project but also important to continue with this end-to-end process view post-transformation, as you want to make

## Questions audit committees should be asking:

How are we aligning data and KPIs throughout the organization?

What system of governance do we have in place for cloud-based data and solutions?

How are we ensuring we have the right skillsets and capabilities to manage data going forward?

How are we preparing data and systems for ESG reporting?

What is our strategy for breaking down silos between finance and operations?

sure your processes stay focused on the customer experience. Accomplishing this requires a culture that encourages process ownership and supports this from the leadership level down.

Culture is one of the biggest challenges for functional integration. Within any organization, there are competing priorities and diverging paths, and at the leadership level everyone may want to drive the transformation—which can lead to conflicting priorities. As such, getting alignment and buy-in around the goals for broader enterprise transformation is key. Leadership teams need to collectively define the path forward and get alignment around what role each leader will play.

Beyond leadership, roles will change across the organization. The work environment has traditionally been function-focused. Now, different skills will be required, including more adaptability and better soft skills, to help employees work across functions and collaborate with teams from other areas of the

organization. Management will need to determine what new skillsets and capabilities are needed and what that means to the organizational structure going forward. The audit committee may want to stay apprised of this discussion to ensure that the proper skills are being brought in to manage the integrity of data collection, analysis and financial reporting.

## **Integrating ESG into digital transformation**

ESG should be considered as part of any transformation. At many companies, the responsibility for ESG reporting falls under finance. But to prepare these reports, finance will require data from operations. The two areas will need to work together to determine which metrics are needed and how the

data will be collected. The audit committee will want to question management on what reports are being prepared, what data is being collected to prepare those reports and what processes and controls are in place to ensure the integrity of the data.

The disconnect between finance and operations leads to inefficiencies, poor decision-making and poor employee and customer experiences. But by working together, the two functions can execute an enterprise-wide transformation and end the disconnect. Audit committees can contribute to the process by providing oversight and guidance on how the data is managed and leveraged for financial and management reporting.

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