

**Audit Committee News**

Edition 66 / Q3 2019 / Corporate Reporting

# Looking at the future of Finance





### **The impact of technology disruption, today and in the future:**

Disruptive technologies are transforming finance. Companies need to develop a long-term digitalization and automation strategy that is aligned with the enterprise strategic vision.

*“There’s no longer business strategy and technology strategy. There’s just strategy – driven by technology.” – KPMG – The Future of IT*

### **Technology disruptors are making game-changing impacts to finance**

Finance must embrace the disruptors of today to transform their own operating models and unlock an environment of automation and digitalization.

We see the following eight technologies having a major impact today and on the future of finance:

- **Robotic Process Automation**  
Rapidly scale finance-related workloads thus dramatically reducing these by eliminating repetitive, rules-based processes that still require human intervention
- **Machine learning**  
Boost underlying automation by deploying adaptive technologies to make fact-based decisions that will eliminate the need for manual interventions in any process sequence.
- **Natural Language Processing**  
Access information from unconventional sources without constraints thus improving business outcomes in real-time.

- **Blockchain**  
Augment information authenticity to enhance security, shorten transaction cycle times, and eliminate the need for reconciliations, for good.
- **Cognitive automation**  
Get electronic brains to challenge accounting opinions, acting as scorekeepers and providing in-depth analytics; leaving humans to generate dynamic insights
- **Cloud ERP and EPM**  
Build best-in-class application solutions and standardize end-to-end global processes, once and for all.
- **Data management**  
Implement progressive data management and mine untapped data sources to create a springboard for elevated discovery agility and prescriptive insights.
- **Digital analytics and delivery**  
Provide on-demand, customized insight delivery that will enable finance to transcend the role of historical scorekeeper and become a strategic interpreter.

The impact is apparent through accelerating innovation, competition, and new platform models. Incumbents are challenged to rethink what is possible as well as existing business models and operating models.

A strategically architected use of disruptors will have a synergistic effect that will amplify the benefits of automation, enabling a high degree of automation. Automation is driving rapid scalability, drastically reducing workloads, thus transforming the financial operating model. Workloads can be reduced by up to 70% while still delivering business value and global risk management.

### Disrupting the finance operating model

Digitalization and automation will influence many aspects of the current delivery model and other aspects of financial service providers, as set out below:

#### Where work gets done – “Geography no longer matters”

- Digitalization and automation is challenging traditional sourcing models, moving more towards virtual delivery centers (“no shore”, rather than off-shore or on-shore) with reduced labor requirements and globally controlled and centralized end-to-end process management

#### What kind of works gets done – “Higher value services”

- Sophisticated data modeling and virtual visualization will provide enhanced information and insights. Human work will shift more to interpreting the analyzed real-time data.

#### How work gets done – “Changing the service delivery model”

- Back, middle and front offices will be combined to improve speed and agility through the increased utilization of robotics and artificial intelligence that allows instant scalability and higher agility through “everything as a service” architecture.

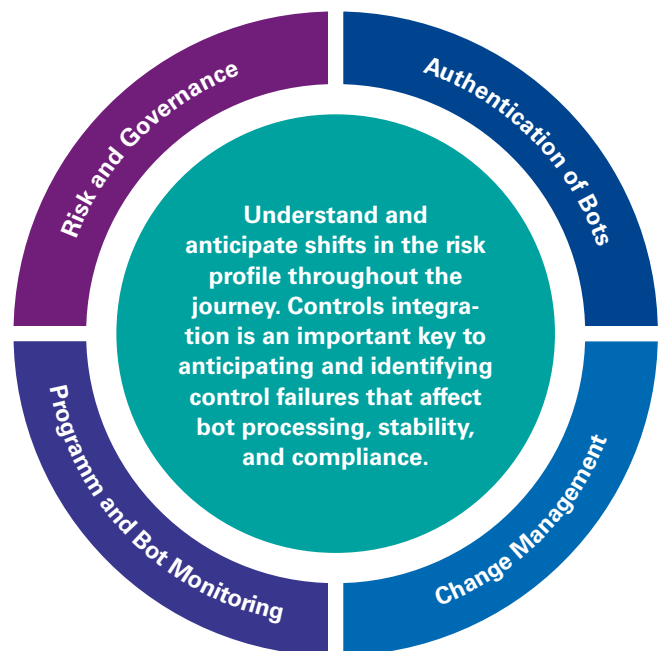
#### Who does the work – “Reshaped support structure”

- Emphasis is on partnerships, collaboration and reducing silos, for instance, through language neutralization due to technology. An automated governance created through built-in financial controls will support innovation hubs and CoEs. This drastically mitigates risk, reduces governance costs and enhances visibility and governance of end-to-end processes.

### Digital finance governance

The convergence of disruptor-enabled digitalization and automation will shift internal audit focus from testing to business processes and compliance enhancements. The scope and delivery will focus on three key areas:

1. Integrating governance, risk and controls considerations throughout the automation program life cycle,
2. Helping to identify opportunities to embed automated control activities within business processes, and
3. Capitalizing on intelligent automation to enable self-learning machines.



**Digitalization and automation delivers benefits beyond cost savings – “scorekeeper” to “strategist”**

CFOs are embracing technology disruption to achieve innovation-fueled growth and accelerate short- and long-term value creation.

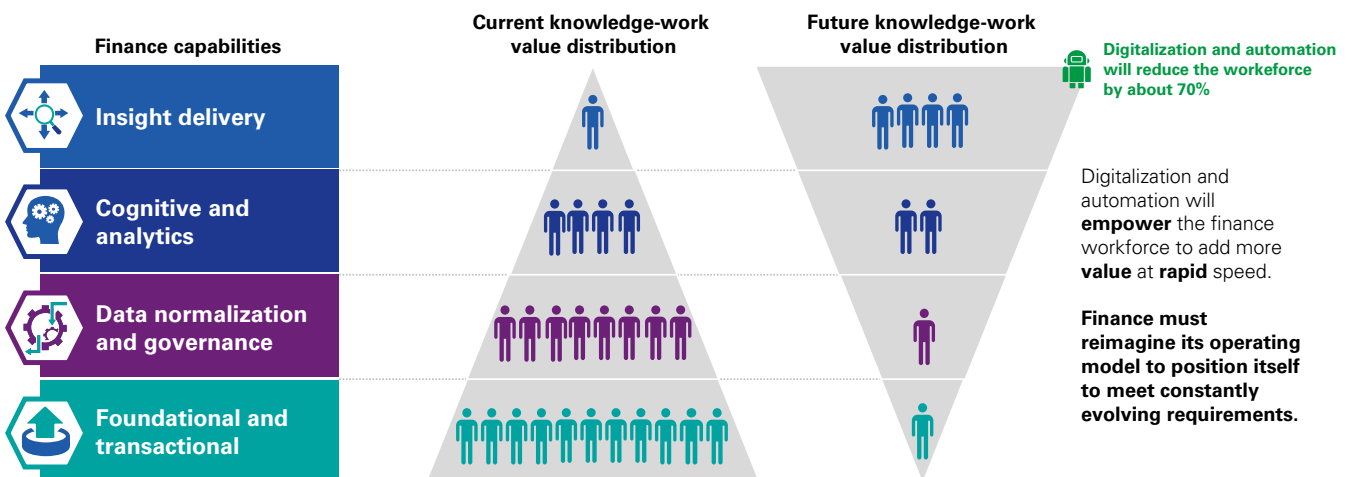
Finance organizations must continually assess the nature of the work that has to be done, and how this translates to the skill sets of their workforce. In an environment of rapidly evolving technology, the finance workforce will require a new skill set, including the following:

- **Thinking strategically** with regards to automation and digital impact, research capabilities, agile program management, and working in the uncertainty of ambiguous white-space.
- **Technical finance requires** changes in business modelling, core financial driver analysis and new process designs and navigation.
- **Analytics, Technology and Data** covers data analytics and insights, data visualization, data modeling, Robotic Quotient (RQ) and programming expertise.
- **Behavioral** changes in relationship management, feedback, communication and negotiation tactics, and influencing and inspiring e.g. through digital platforms.

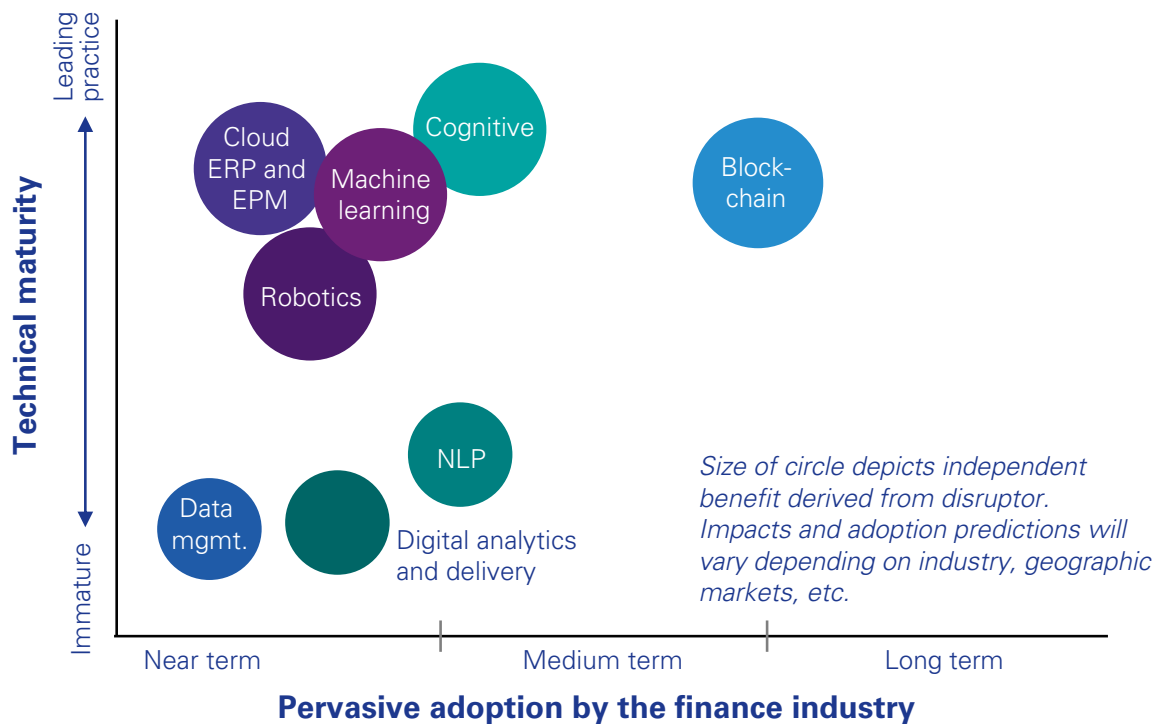
Digitalization and automation will invert the knowledge-work value distribution and challenge existing delivery models, empowering the finance workforce to add more value at rapid speeds. This will be done due to new capabilities starting in the Foundational and Transactional level and all the way up to the Insights delivery level through intelligent automation, automatic data consolidation and alignment, being prescriptive and predictive and empowering human insights, respectively.

Digitalization and automation (including Artificial Intelligence (AI) tools) will inevitably become more ingrained in the organization, which means that board members will also require new skill sets. Indeed, AI can support board members across an array of processes and actions. Board members could apply AI to augment decision making, by having deeper insights more rapidly, and communicating decisions in an increasingly personalized way across a multitude of channels. An example of where AI can support board members is around M&A in regards of analyzing big data (market information, KPI's, etc.) and providing an initial analysis, for further analysis.

**Every company’s journey will be different, but the goal remains the same – what does your design look like?**



## Disruptor-enabled maturity



### What should you consider?

- Technology selected should align with enterprise strategy and target operating model maturity vision.
- The timing of the adoption will play a critical role in realizing benefits. Pervasive adoption indicates the time horizon required for the fully developed technical viability and widespread market acceptance. Companies must define their own short-term and long-term adoption strategies.
- Independent deployment of disruptors will bring individual benefits, but end-to-end integration of disruptors will amplify this benefit allowing financial service providers to reach new heights in operating maturity.



**Jannik Henriks**

Manager - Digital Transformation  
Head of Intelligent Automation, KPMG AG

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received, or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The scope of any potential collaboration with audit clients is defined by regulatory requirements governing auditor independence. If you would like to know more about how KPMG AG processes personal data, please read our Privacy Policy, which you can find on our homepage at [www.kpmg.ch](http://www.kpmg.ch).

© 2019 KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.