



# Looking beyond Business Disruption: Hong Kong's technology-driven future

*A guide for finance functions to  
strengthen their operating model*

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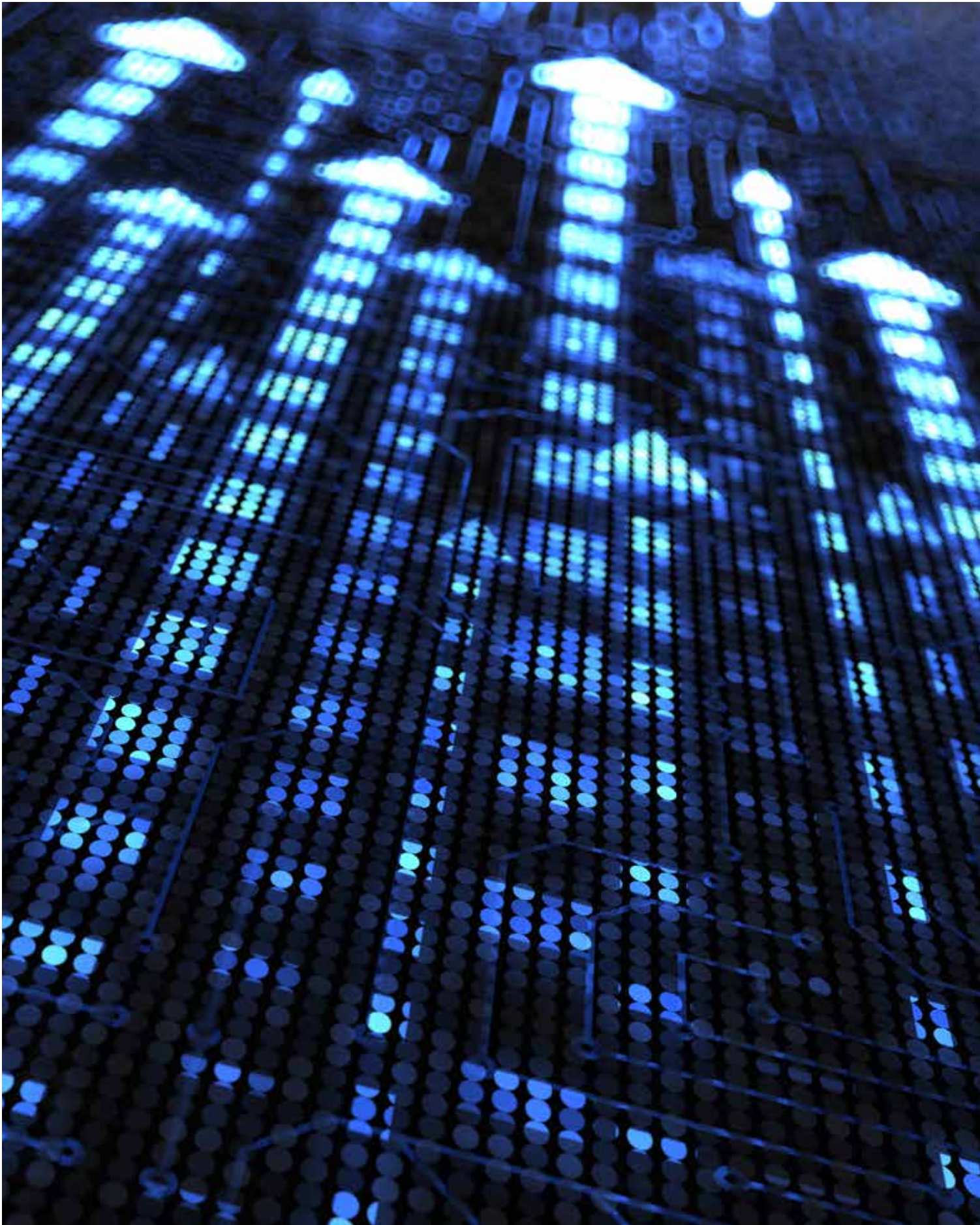






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# Joint foreword

Traditionally, finance teams spend a significant amount of their time on manual and routine activities. To help them work more efficiently, CFOs have started investing in technology to automate manual activities, improve business insight quality and digitalise workflows. The recent prolonged period of business disruption has been a catalyst for finance functions to review their operating and technology strategy. A transformation is required in the organisational structure, people policy and processes to allow finance functions to fully capitalise on their technology investments and manage team welfare.

Since 2018, KPMG China has closely collaborated with the ACCA (Association of Chartered Certified Accountants) Hong Kong to assess the current state and future plans of technology-related investments by finance functions in Hong Kong. This includes Hong Kong's Automated Future (2018), a report on how robotics process automation could be used for manual and routine process, and Hong Kong's Data-driven Future (2019), which explored how finance can leverage analytical solutions to produce actionable business insights more efficiently and effectively.

After these two thought leaderships, we observed a need for organisations to think beyond implementation of individual technologies and take a broader view of the impact on their

long-term operating model. Operating model refers to conceptual representation of an organisation's capabilities, its ways of working, and structures that support it in delivering its vision and strategy.

This report, Looking beyond Business Disruption: Hong Kong's technology-driven future, focuses on how finance functions can refine their existing operating model to cope with trends in increasing technology adoption in Hong Kong, specifically in their service delivery model and people.

Hong Kong's business environment has been significantly affected over the past year, and it is evident there is a need for high-quality flexible and virtual working arrangements. Few companies had practiced these arrangements at such a large scale and prolonged time frame as now. Challenges have surfaced in terms of technical support, employees' readiness for rapid change, and trust between employers and employees. This report analyses the impact of business disruption and discusses how organisations can recover quickly and mitigate operational risks arising from similar disruptions going forward.



**Jane Cheng**  
Head of ACCA Hong Kong



**Isabel Zisselsberger**  
Partner - Strategy & Performance,  
KPMG China

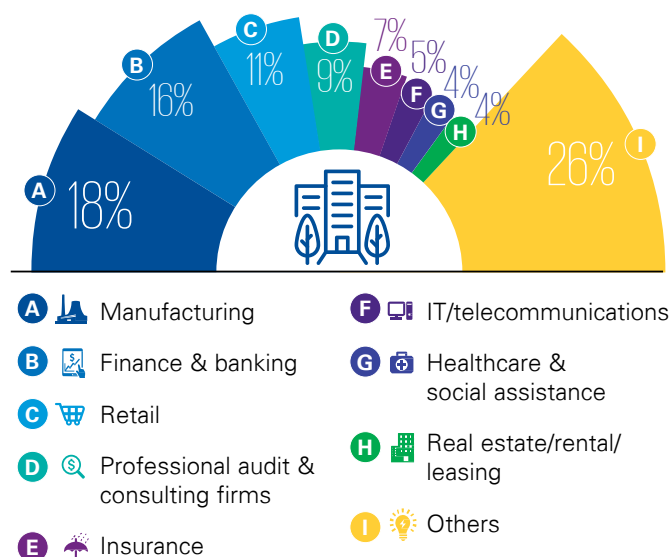
# About the survey and interviews

KPMG China and ACCA Hong Kong jointly conducted a survey and carried out a series of interviews with CFOs in 2020 to understand how finance functions responded and reacted to business disruptions.

The survey elicited over 200 responses, mostly from finance middle management and CFOs. They hailed from a range of industries, including manufacturing (18 percent); banking and finance (16 percent); retail (11 percent); professional audit and consulting (9 percent); insurance (7 percent); information technology and telecommunications (5 percent); healthcare and social assistance (4 percent); real estate, rental, or leasing (4 percent); hotel and food services (3 percent); and education (3 percent).

These organisations comprised all sizes: 25 percent generating annual turnover above HKD 5 billion, 17 percent between HKD 1 and 5 billion, 23 percent between HKD 100 million and 1 billion, and the remaining 35 percent under HKD 100 million.

## Industry breakdown



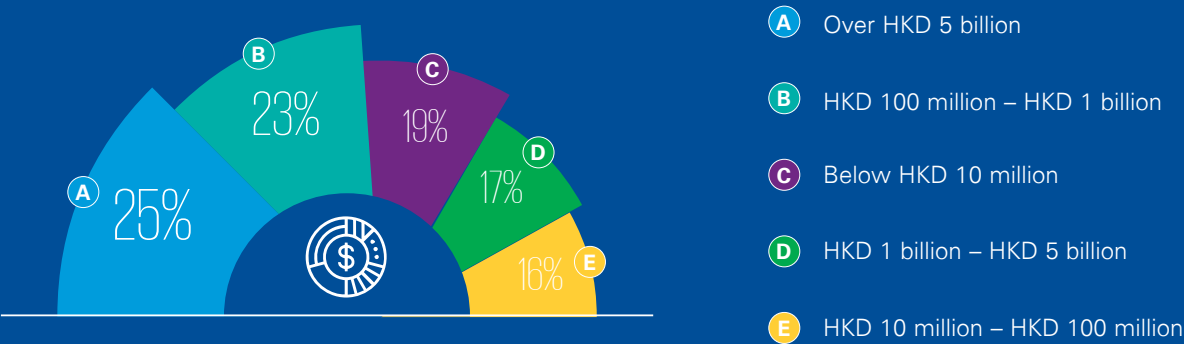
Source: KPMG China and ACCA Hong Kong joint survey



Job roles



Company turnover



Source: KPMG China and ACCA Hong Kong joint survey



# Report highlights

In the last few years, more and more finance functions have adopted new technologies to enable them to deliver more value to their organisations. KPMG and ACCA would like to know how the recent business disruptions impact their plan towards technology adoption through the survey conducted for this publication.

At the same time, we understand that many finance professionals face various challenges when trying to complete their business-as-usual (BAU) activities, while also meeting changing expectations from the business. Examples include insufficient infrastructure support to enable employees to work effectively from home, and deliver faster insights to the business. We would also like to make use of this survey to look at how well organisations reacted to these business disruptions.

According to our survey, the average score for the level of support provided for flexible working arrangements was

**6.6** out of 10, indicating organisations have adequately coped with business disruptions but that there is still room for improvement.

## The most critical challenges for respondents to work remotely

32%

Heavy reliance on paper-based documentation

24%

Unsupportive flexible working culture and policy

## Top 3 initiatives that interviewees' finance function prioritised

18%

Process optimisation

18%

Technology implementation

14%

Business intelligence and data analysis

**35%** viewed future technological changes within their finance function favourably as they believe technology will enable them to complete tasks faster and free them to concentrate on other value-added activities.



Respondents on average gave a score of **6** out of 10 for the level of support their organisations provided them to

- effectively use the implemented technologies,
- upskill for role changes, and
- be aware of new technologies

Over **50%** of respondents believed that SSC/outsourcing is still required despite the presence of technology initiatives. In particular, technology can help improve the efficiency of work (22 percent) and make outsourcing more cost-effective (16 percent); however, a segment of respondents said technology could not replace all activities (12 percent).

**The most important skill sets that finance professionals should possess in the next 5 to 10 years.**

**20%** 

Data analytical skills

**17%** 

Leadership and Project Management Office (PMO) skills

**15%** 

Technical accounting and reporting knowledge

**14%** 

Technology skills

# Impact by business disruption

## Challenges triggered by COVID-19

COVID-19 has brought unprecedented impact and challenges to the global economy. Every element of the business has been significantly affected: rapid changes in customer trends, robustness of supply chains, pressure on managing remote workforce, and the strength of organisations' liquidity and cash flows.

Amid the unpredictability, one key to both business survival and future success is resilience throughout the entire enterprise – namely, having an operating model that is sufficiently agile and effective to cope with all these changes.

Businesses expect their finance team to support them in making agile decisions via faster and more accurate insights. However, many finance teams have faced formidable challenges during the recent business disruptions, preventing them from completely fulfilling these new expectations in addition to their BAU commitments.

These are among the challenges companies must contend with in light of COVID-19:

### 1 Higher pressure to deliver faster and more accurate insights, driven by liquidity concerns

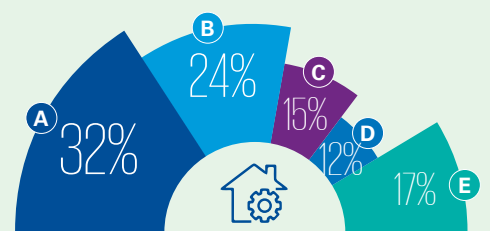
Organisations are facing significant pressures around their liquidity positions, resulted from lowered sales and late cash collections. Finance teams must closely monitor liquidity and working capital on a frequent basis and pay extra attention to manage the account-receivable process. Businesses also expect their finance teams to provide faster analytics to support agile decision-making, such as new marketing campaigns to drive online sales.

### 2 Emerging need to quickly provide and enhance infrastructure support for flexible working arrangements

At the pandemic's outset, many organisations had to implement flexible working arrangements within a short period of time. Our survey revealed that the average score for the support finance staff received to work flexibly was 6.6 out of 10. This shows that organisations have generally coped adequately with these disruptions, but there is still area for improvement when finance staff encounter challenges.

The most critical challenges are deemed to be heavy reliance on paper (32 percent) as well as company culture/policy not supporting flexible working arrangements (24 percent). Other challenges include physical-access-only to confidential information (15 percent) and fundamental technological issues (12 percent), such as existing technological infrastructure that does not support flexible working arrangements (e.g. no laptops, softphones, or VPN).

#### What is the most critical challenge for you when working remotely?



- A** Processes are heavily reliant on paper (e.g. hard copy approvals/documents)
- B** Company culture/policy does not support flexible working arrangements
- C** I work with confidentiality information that can only be accessed physically
- D** Existing technology infrastructure does not support flexible working arrangements
- E** Others

Source: KPMG China and ACCA Hong Kong joint survey

These hurdles pose significant challenges for finance staff to access data and documents needed to complete their BAU work. Under the recent business disruptions, some employees have faced difficulties when working from home due to inadequate infrastructure support (e.g. unstable VPN). However, due to the potential health risks, it also restricts organisations to allow all staff to physically attend the offices to meet the regulatory timelines. Hence, companies had to make agile decisions to implement interim solutions to manage such risks, such as split team arrangements.

### 3 Preference towards the traditional 'ways of working'

That said, even among organisations that have implemented solid infrastructure support, many staff still prefer meeting face-to-face as they consider virtual meetings not as effective for carrying-out discussions vital to finance activities, e.g. month-end closing. The reluctance to change and accept these new ways of working has limited organisations' ability to act nimbly and make rapid operational changes to adapt to 'the new normal'.

### 4 Service disruption due to lockdown of outsourced parties/SSC, and strong reliance on key personnel who may have taken ill

For finance teams and organisational structures that are relatively lean, it is likely that domain knowledge for specific core processes resides with a few key staff. This poses a significant risk to business continuity if these staff become unwell or are unable to travel to work. Smaller finance teams are particularly vulnerable as one team member may hold multiple critical roles.

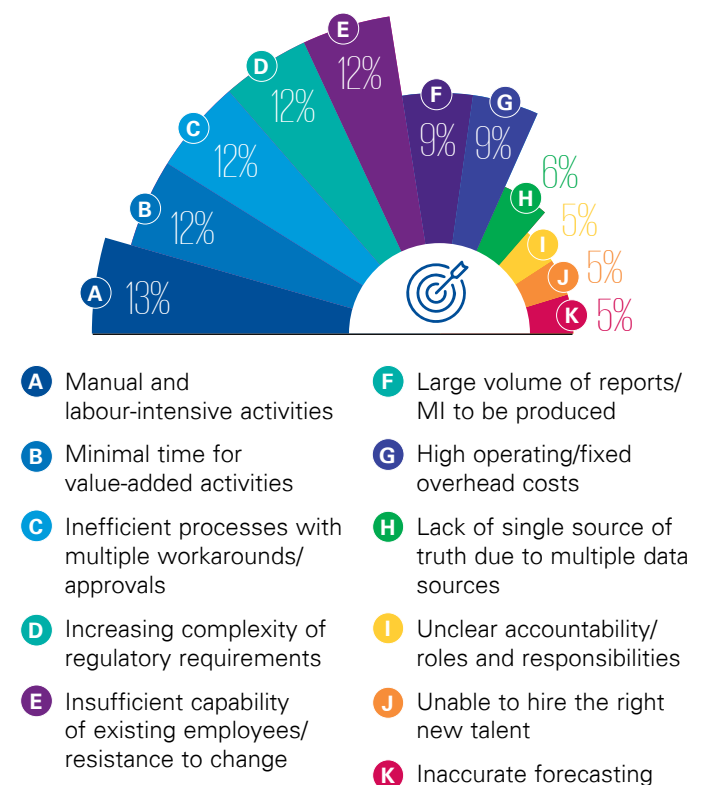
For larger finance teams that have delegated tasks (e.g. account-receivable and billing processes, data transfers) to SSCs or outsourced external parties without proper business continuity planning, their BAU processes may be significantly impacted or even halted when specific locations are on lockdown.

## Challenges beyond COVID-19

Beyond COVID-19, finance staff traditionally have faced challenges in other areas. These challenges combined with the additional impact of the pandemic have affected finance teams' ability to meet their commitments and their businesses' expectations.

The most common challenge, as revealed by the survey, is that their working process involves manual and labour-intensive activities (13 percent). Employees also find they only have minimal time for value-added activities (12 percent), such as providing accurate insights to the business for decision making. Other challenges include high operating/fixed overhead cost; large volumes of reports to be produced; and an inability to hire talent with desired skill sets.

### What are the top 3 challenges that you/ the finance function in your organisation encountered?



Sources: KPMG China and ACCA Hong Kong joint survey

Many of the challenges are closely tied to the different aspects of an organisation's target operating model (TOM): that is, the technology, people and service delivery model layers, and how they align with the overall business strategy. The following sections address these areas in detail, including the adoption of technology support organisations amid disruptions and change, the required skill sets to align with future role changes in finance, and whether the service delivery model should be reassessed to better adapt to technology changes and disruptions.

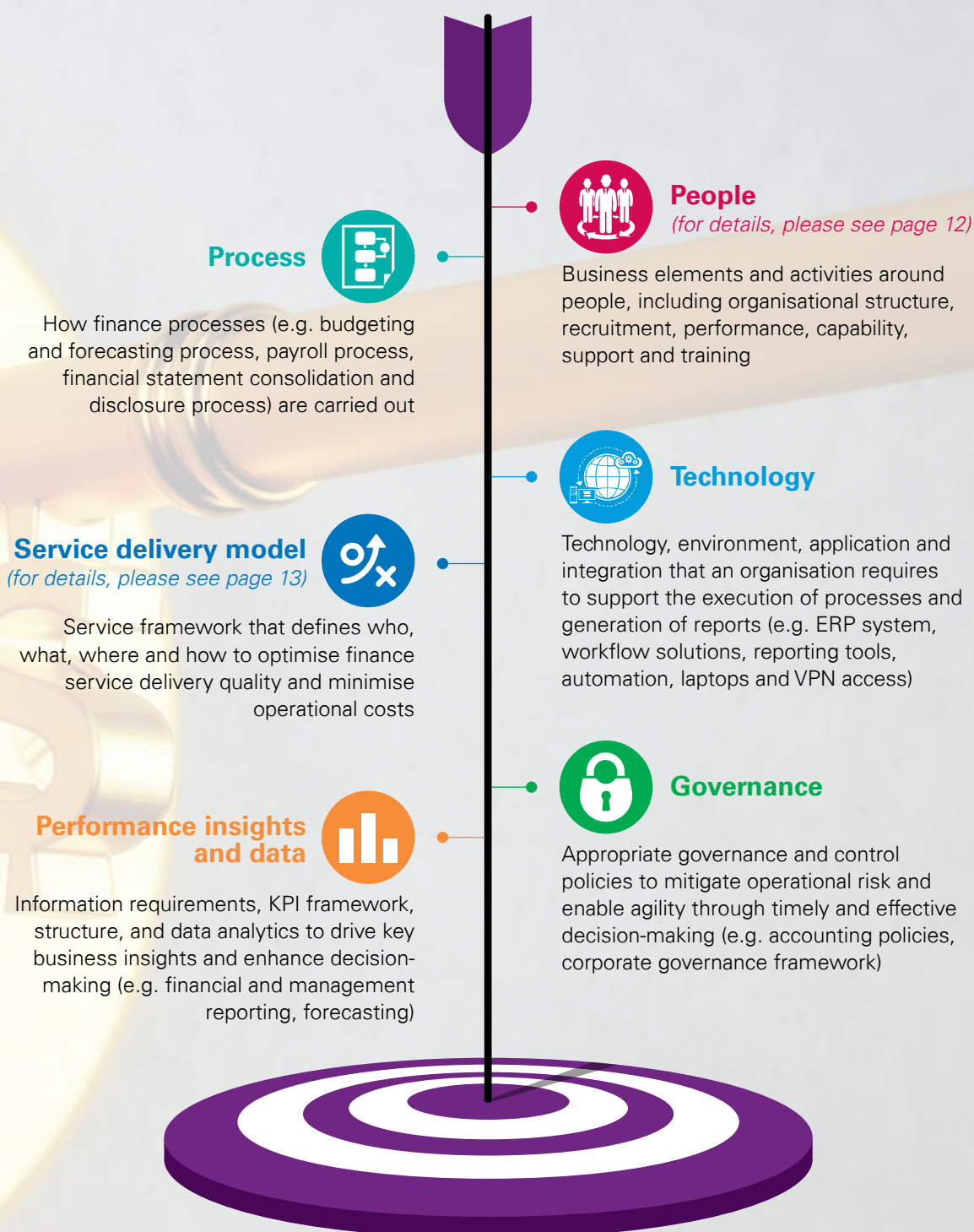
# Key concepts of the finance target operating model (TOM)

## What is a target operating model?

A finance TOM is a conceptual representation of an organisation's capabilities, its ways of working, and structures that support it in delivering its vision and strategy. It helps an organisation understand how to efficiently and effectively deliver its value proposition, maintain governance structure, ensure compliance, and execute its strategic priorities.

KPMG China and ACCA Hong Kong have defined six design layers of TOM that relate closely to one another to create an integrated and highly functional solution for the organisation. For finance in particular:





In the previous published reports, KPMG China and ACCA Hong Kong looked into Technology and Data. Our focus shifted to People and Service Delivery Model in this report – to provide insights on how they connect with each other and affect the other layers to form a complete view of the operating model. We will take a closer look at these two layers in the next sections.

# People

The **People** layer within the TOM defines competencies, skills, culture and performance expectations for the people within the enterprise, including incentives and talent management. The following are the key areas of consideration within the layer:

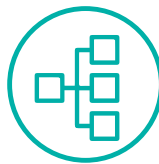
## 1 Organisational structure and roles and responsibilities

A structured organisational hierarchy with clear reporting lines, accountabilities, roles and responsibilities for each end-to-end process. A best-practice hierarchy should consist of the following:



### Process owners overlay

Executive owners responsible for end-to-end process who oversee process performance and governance



### Position to role mapping and sizing by function

Mapping of application access against positions at different working level within the organisational chart

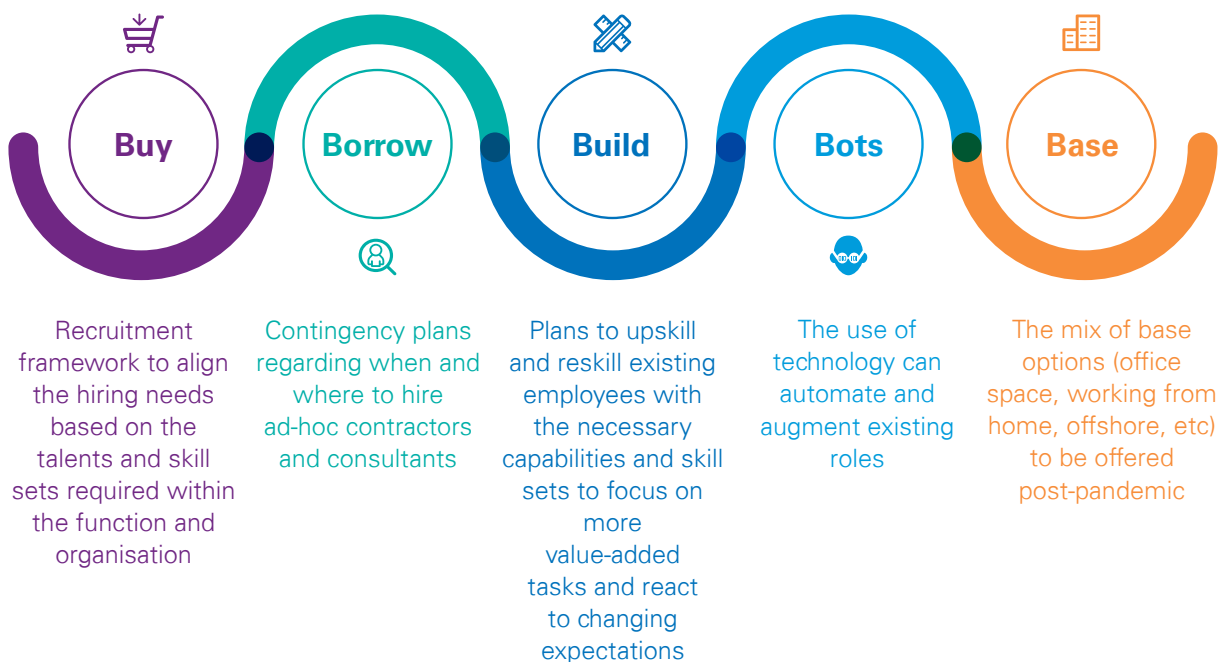


### Functional position job profiles

Job profiles for each functional role which define required skills and capabilities

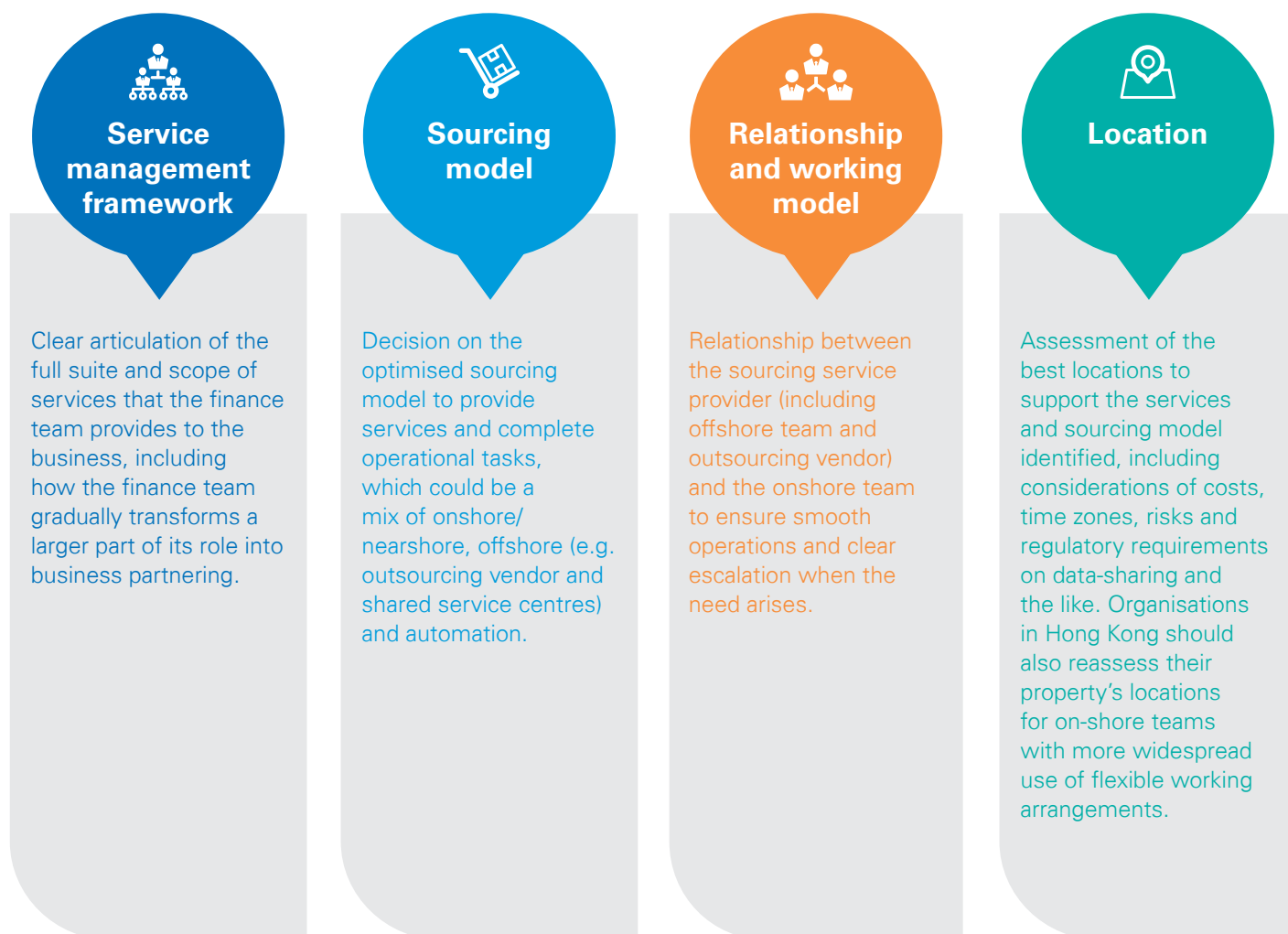
## 2 Talent/workforce management strategies

Talent/workforce management strategies will involve an optimal mix of these five 'Bs':



## Service Delivery Model

The **Service Delivery Model** layer within the TOM defines what work is being performed, who should perform the work, and where it should be performed, including the incremental processes and roles required to manage a shared services centre/outsourced team.



Understanding how all six layers of a target operating model relate to one another is key to creating a highly functional and sustainable solution, especially when there is a need to tackle the challenges arising from business disruption. In the following sections, we examine the **technology, service delivery model** and **people** layers to discuss how organisations can address challenges and disruptions that finance functions face.



# Current state of technology adoption

We have observed gradual improvements in finance functions' technology adoption in Hong Kong over the past year. In our 2018 report, only 4 percent of our interviewees commented that their finance function were highly automated, and in our 2019 report, only 6 percent invested in advanced data analytics. However, when asked this year for the top three initiatives they prioritised, at least 32 percent of all respondents selected technology implementations (18 percent) and business intelligence and data analysis (14 percent). In addition, only 20 percent of the respondents said that they had not invested in any technologies in finance. These results indicate there is a strong appetite for investment in technology, and it is a trend we anticipate will grow in the next three to five years, fuelled by recent disruptions.

COVID-19 acted as a catalyst to significantly accelerate the rate of technology adoption by many organisations. Senior management have to react quickly and ensured that employees were well supported by the necessary infrastructure for flexible working arrangements. This included enhancing the company's internal VPN bandwidth to offer sufficient capacity for most, if not all, employees to log into their internal systems at the same time from their homes, implementing conference-call solutions to support virtual meetings, and providing laptops and headsets to employees who needed them.

Lee of AIA Hong Kong and Wong of Pacific Coffee also believed that the broader adoption of these technologies in the wake of COVID-19 would be irreversible and continue in the future.

Organisations also observed faster adoption by users in other departments and among end-consumers.

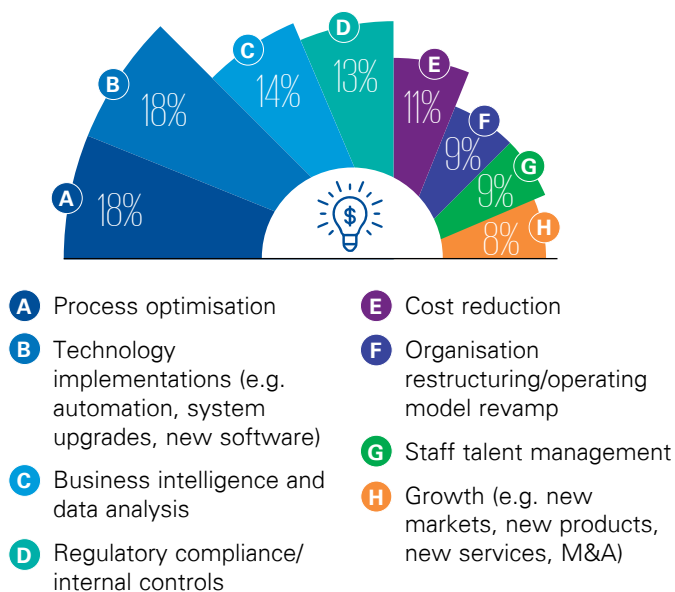


*The company saw a higher proportion of premium collection conducted via electronic channels, especially within Hong Kong. Within finance functions, it is anticipated that more meetings will be conducted virtually in the future, as they are considered to be more effective and efficient than in-person meetings.*

**Myra Lee**  
CFO of AIA Hong Kong



## What are the top 3 initiatives that your finance function prioritises?



Source: KPMG China and ACCA Hong Kong joint survey

With technology acknowledged as integral to the future, it is useful to understand what else finance functions have been investing in. From our latest survey, the top four most widely invested technologies are ERP (22 percent), budgeting and planning tools (14 percent), workflow tools (11 percent), and interactive dashboards (11 percent). This indicates finance functions seek to improve efficiency, visibility, and standardisation of their processes and data. It is also evident that finance functions leverage both larger and smaller-scale solutions designed to resolve issues from different areas. Organisations that invested in these technological solutions would have faced relatively fewer challenges during the recent disruptions compared to others.

Interviewees said their investments in technology before COVID-19 had helped them better react to the pandemic's business disruptions.

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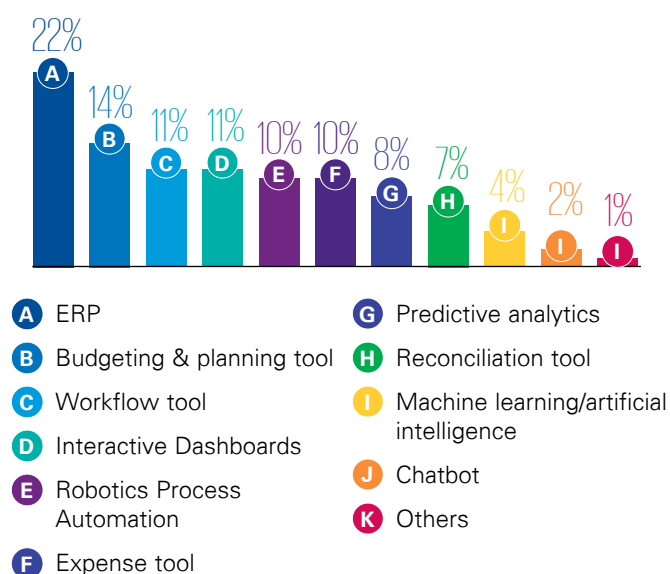
*We have integrated multiple data sources and enhanced the reporting module in our ERP. It generates insights that enable us to react quickly to different challenges that our various business units with diversified business models are facing.*

**Hamilton Cheng**

Executive Director, Finance and Operations, Chow Tai Fook Jewellery Group

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### What technologies have your finance functions invested in?



Source: KPMG China and ACCA Hong Kong joint survey

\*This chart excluded 20 percent of respondents that selected "Not Applicable", indicating that the Finance functions in their companies did not invest in any technologies above

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*We have previously rolled out the digitalisation of our A/P process, but witnessed significantly improved rates of adoption by front-end users during COVID-19. We expect that this trend will continue and substantially reduce the team's dependency on hard-copy invoices.*

**Janice Wong**

Finance Director of Pacific Coffee Company Limited

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*In recent years we completed several projects to streamline and digitalise accounting operation processes. There is increasing focus on e-collection and e-payment. These efforts in combination with proper crisis management and contingency planning have helped organisations significantly reduce the impact caused by the recent business disruptions.*

**Kim Man Wong**

Chief Financial Officer of HK Electric

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## Case study - virtual close

Under the prolonged business disruptions, global workforces are forced to work remotely. Issues arise due to a lack of hard-copy files, high-speed scanners, VPN and steady internet connection at their employees' disposal. These can negatively affect coordination and productivity.

Finance teams are struggling to prepare the month-end closing with an entirely remote workforce. This case study illustrates how KPMG helped one of its clients prepare a period-end closing under the above challenges and obstacles.

### Background

In less than 30 days before its first-quarter-end closing, a global 100 company realised its workforce was incapable of performing and delivering at full capacity remotely. The company had to access its record-to-report process, anticipate and mitigate potential issues, and determine if its business continuity planning was addressing the constantly changing uncertainties amid disruptions.

### Outcome

Using a well-developed business continuity plan and assisted by subject-matter experts, the company was able to overcome a series of challenges and successfully complete its quarter-end closing. With their finance team being able to fully perform, deliver and execute in a virtual environment, the company now has a robust blueprint for future virtual month-end and quarter-end closings.

### Key areas of consideration

To ensure the finance team could produce the required deliverables to achieve the virtual closing on a tight schedule in a precise sequence, KPMG highlighted the following five key areas:



Yet with technology comprising a larger portion of organisations' daily operations, people-related challenges have emerged during and in the post-implementation phase, such as a resistance to change. The next section delves into this area in greater detail.



# People

Companies have been investing into more advanced technology to optimise the operation within finance functions. It is observed that companies that implemented technology are at a better position at tackling the challenges encountered during COVID-19. However, companies should also consider the impact and change required for its people and service delivery model such that the technology can be implemented and adopted successfully.

While organisations may often make training available when implementing new individual technologies, they can still encounter resistance to change from employees, resulting in low utilisation. This can be spurred by several reasons: employees' negative past implementation experience; uncertainty about potential role changes and future job security; and excessive reliance on existing technologies they are more familiar with. These factors, amplified with peer pressure, can steadily result in a culture that is averse to technology. This section offers insight into how organisations can help employees cope with technological changes in both the short and long term.

Cheng of Chow Tai Fook said internal staff acceptance or resistance to change is instrumental to the outcome of the investments made. He believed that employees may prefer the usual 'ways of working' and sometimes feel threatened by newly implemented technologies, and a reluctance to use the technologies hinders the return on investment and expected improvements in efficiency. In addition, Cheng observed that senior leadership are often supportive of the idea of introducing change, but do not know how to either execute the particulars or understand the challenges employees face, as they are often not the first-hand users.

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*'T-shaped' talents – referring to talents that have broad knowledge across different industries or areas and remain in-depth knowledge to their own specialised field – will be more popular as they have broader knowledge and skill sets to accommodate the business needs, and maintain their specification in their domain knowledge at the same time. This allows employees to view tasks from different angles and see that they are less likely to be replaced by technology.*

**Hamilton Cheng**

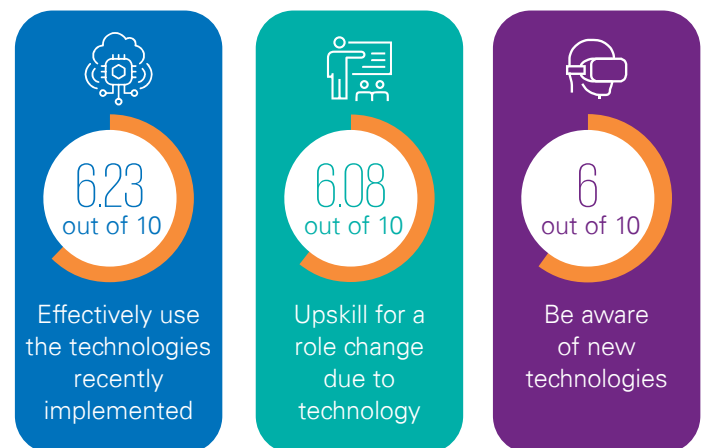
Executive Director, Finance and Operations, Chow Tai Fook Jewellery Group

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## Potential opportunities – how companies can support their staff

This survey reveals there is room for improvement in how organisations can support finance staff in the face of technological change. For the level of support respondents received to effectively use the technologies recently implemented, upskill for a role change due to technology, and be aware of new technologies, they gave ratings of 6.23, 6.08 and 6 out of 10, respectively. These results indicate the current support provided to employees, while satisfactory, could be considerably improved to increase employees' acceptance of technologies as a part of daily operations and their better utilisation of them to achieve corporate objectives, such as enhanced productivity, reduced errors, and a stronger bottom line.

### Level of support for finance staff



Only a third of the interviewees believed technology could help them complete tasks faster and allow workers to focus on other activities. The remaining respondents had either a neutral or negative view of impending technological change. This underscores the importance of senior management leading by example and initiating cultural and mindset changes within the organisation via education. The key message should focus on how technology can help finance staff complete their mundane and repetitive tasks, allowing them to leverage their technical expertise (e.g. process expertise, technical accounting) to provide actionable insights for the business.

Organisations could also arrange tech talks and workshops for their employees to highlight "the importance" of upskilling themselves; improve the awareness of technological changes ahead; and provide opportunities to try the new technology and let them understand it is meant to help and not replace them. Some organisations have implemented internal reward schemes to motivate and reward staff that bring new and innovative ideas to their daily work, such as identifying which parts of their processes could be automated and/or streamlined with technology. These efforts could help effectively break the misconception that technology is a threat to replace people.

Going further, it is also important for CFOs to assess and plan for the combination of team members and core skill sets needed in their future finance team to effectively develop along these business and technological changes.



*People challenges are always the most critical when organisations try to initiate change. It is important for senior management to understand the root causes leading to employees' resistance to change and gradually articulate and demonstrate the pros & cons of these new solutions.*

**Kim Man Wong**

Chief Financial Officer of HK Electric

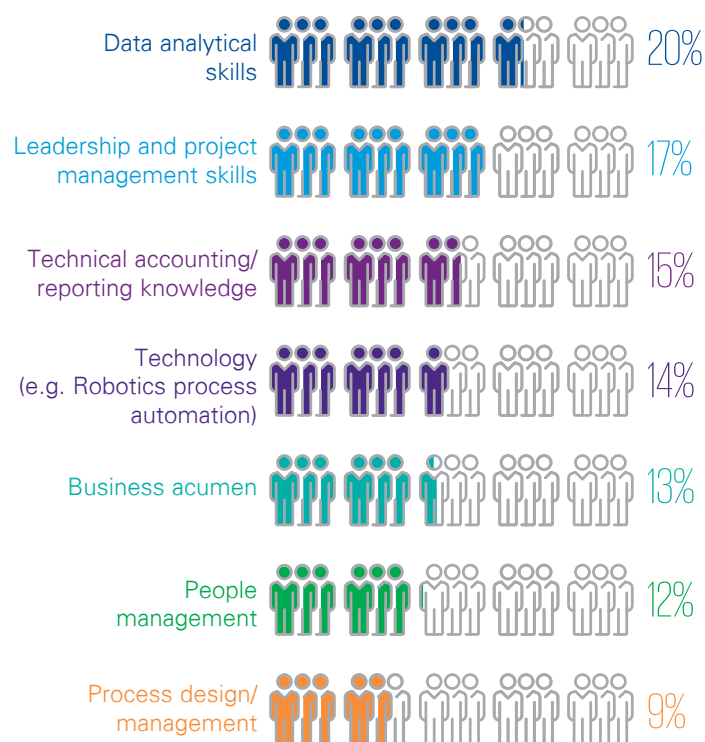


Previously, Wong of HK Electric Company, who has led multiple implementations, had brought employees to have experience sharing with staff in other organisations that implemented similar solutions, and appointed representatives from the team to lead these transformation projects and subsequently share their positive experiences within company.

## Future skills – what will be most important in the next 5 to 10 years?

Respondents cited three types of skills as crucial for finance staff in the next 5 to 10 years: data analytical skills (20 percent of all responses), leadership and project management skills (17 percent) and technical accounting and reporting knowledge (15 percent).

### Most important skills or knowledge for finance staff in the next 5 to 10 years



Source: KPMG China and ACCA Hong Kong joint survey

These insights reiterate our view of the future of data-driven finance. According to KPMG's report *Future of Finance: the CFO agenda for a radically different tomorrow*,<sup>1</sup> the skills and capabilities needed to support future finance organisations include data analytical skills, behavioural management skills and finance technical skills. Organisations are inclined to look for talent specialising in data analytics, technical finance knowledge and management skills.

The combination of talent and skill sets needed in finance has gradually evolved. Technological changes have automated and accelerated various routine processes such as data transfer between multiple systems, invoice preparation, and the generation of journal entries and reports. These improvements enabled organisations to work more efficiently and effectively, but also altered the skills required or preferred as an employee over time. It is impossible to predict the exact type of skills that will be most critical in the future market, hence it is important for companies to constantly reassess their human resources and provide trainings or amend their recruiting progress.

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*In addition to enhancing finance teams' knowledge and skill sets, it is equally important that IT teams update and refresh their knowledge of new technology solutions available in the market. Successful technology implementation requires close collaboration from both the business and technical teams. Organisations should think beyond today and understand the skill sets they will need in the future.*

**Kim Man Wong**  
Chief Financial Officer of HK Electric

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## Skills and capabilities needed to support future finance organisations

### Analytics, Technology and Data

- Analytics and insights
- Visualisation
- Data modeling
- Robotic quotient (RQ)
- Programming expertise



### Strategic

- Strategic thinking
- Research capabilities
- Program management
- Ambiguity and white-space



### Behavioral

- Relationship management
- Impactful storytelling
- Feedback, communication, and negotiation
- Influencing and inspiring



### Finance Technical

- Business modeling
- Core financial driver analysis
- Process design and navigation



<sup>1</sup> Please refer to the link provided for reference: [here](#)

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*We are looking for employees with better understanding of the social environment and changes in customer behaviour, and those who can effectively drive behavioural change in operational processes, specifically with the use of technology, such as delivering better customer experience by using electronic payment channels.*

**Myra Lee**  
CFO of AIA Hong Kong

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*In future recruitments, we will look for candidates who are more curious about business. The new generation cannot just follow history and need to be sensitive to changes of the world.*

**Janice Wong**  
Finance Director of Pacific Coffee Company Limited

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Understanding that finance professionals need better support in the face of technological changes, ACCA offers various support to help finance professionals broaden their knowledge of the latest digital technology in order to help their businesses improve efficiencies, reduce costs and lower risks. These include but are not limited to the following:

### ACCA's support on digital technology knowledge



**Certificate in data analytics** – demystify analytics and empower finance professionals with the knowledge to make data-driven decisions in complex business issues.



**Machine learning:** introductory online course for finance professionals online course, empowering students with knowledge in machine learning, its application, ethical considerations and implications for future skills.



**Robotics in finance:** a future online course to build understanding of how robotics will shape finance teams and the wider business, and enabling insights into automation options and learning from early adopters.



**Cybersecurity:** online course on the role of finance professionals, learning about cyber risk, the nature and impact of cyberthreats and attacks, and gaining an understanding of good practices on prevention and response.

# Service delivery model

Over the last decade many finance functions in Hong Kong have established or are leveraging shared service centres in lower-cost locations. In some cases, organisations use third-party providers. In the first half of 2020, finance teams were generally concerned whether their shared service centres or outsourcing vendors would be able to support their onshore teams in completing routine finance processes, especially the month-end closing process. Similar to many other organisations, shared service centres and outsourced service providers faced challenges around operational resilience related to accessibility and technology availability for their teams to work remotely. Experiences in this area have varied, with some service centres requiring more support to get back online compared to others. Regardless, operational resilience is a clear investment priority for many organisations.

Beyond COVID-19, the increasing availability and adoption of technology has already driven senior management to question and reconsider the role of shared services or outsourcing. Going forward, organisations will need to weigh up the opportunity to automate, alongside process location and the best ways to achieve resilience.



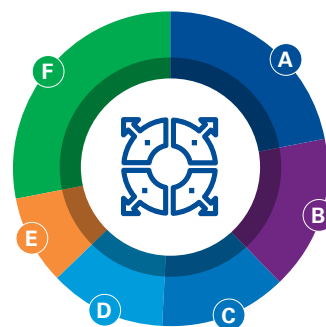
*Understanding pain points and the rationale for initiating change is important. Outsourcing was assumed by many to be an easy way out. But, in many cases, outsourcing may not resolve the fundamental issue. With the latest developments in technology, automation can be a better solution for the company now.*

**Kim Man Wong**  
Chief Financial Officer of HK Electric



Nevertheless, 59 percent of surveyed finance professionals still identified shared services or outsourcing as required given increasing technology adoption. Of these respondents, 22 percent believed technology would improve the efficiency of shared services or outsourcing; 16 percent said it would be cost-effective; and 12 percent stated technology could not replace all shared services or outsourcing activities.

## What do you feel about the role of SSC/outsourcing with technology changes?



- A** 22% SSC/outsourcing is still required and technology will improve its efficiency
- B** 16% SSC/outsourcing is still required from a cost-effective perspective
- C** 13% SSC/outsourcing is no longer required as technology can streamline and automate existing on-shore activities
- D** 12% SSC/outsourcing is still required as technology could not replace all activities
- E** 9% SSC/outsourcing is still required but the role will be reduced
- F** 28% Not applicable – my organisation hasn't set up an SSC/leveraged outsourcing for the finance function

Source: KPMG China and ACCA Hong Kong joint survey

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*For some countries we had to quickly apply for special approvals to work in offices, while for others we immediately arranged necessary infrastructure to support flexible working arrangements. It is more challenging for Hong Kong to practise social distancing as offices are smaller in size compared to other markets.*

**Myra Lee**

CFO of AIA Hong Kong

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These respondents also said technology could bring the following benefits to existing shared services or outsourcing processes: reduced turnaround time of tasks (27 percent of all responses), reduced dependency and operational risk (27 percent), and improved quality of work (21 percent). This shows that technology improves processes for teams that are onshore as well as offshore.

### How do you feel about technological changes within finance?

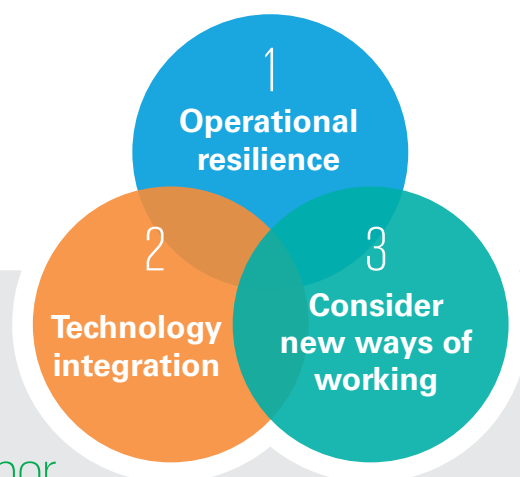


- A** 27% Reduced turnaround time of tasks with improved efficiency
- B** 27% Reduced dependency and operational risk
- C** 21% Improved quality of work
- D** 16% Better transparency of work progress
- E** 7% Better communication
- F** 2% Others

Source: KPMG China and ACCA Hong Kong joint survey



It is therefore recommended that organisations review and revamp their service delivery models to accommodate market changes and ensure they are aligned with their overall business strategy and need for resilience. Efforts should be directed towards making shared services or outsourcing more efficient and effective through technology.



What are the key considerations when organisations decide to revamp a service delivery model to either embrace technology or face the challenge of business disruptions?

## 1 Operational resilience

Organisations should consider the resilience of their services. Each company needs to assess the risk of any shared service or outsourcing operations. Resilience and continuity plans can then be put in place to ensure that disruption to critical services is managed.

As the ownership of outsourced tasks remains with onshore teams, it is important for them to understand the processes should the offshore teams experience difficulties in performing BAU tasks during a local or regional lockdown. This can be achieved by introducing regular rotational programmes and knowledge-sharing programmes. During the time of business disruptions, organisations should be able to either re-assign critical processes to onshore teams, or consider hiring flexible workforce, such as consultants or temporary contractors, to complete critical processes.

Organisations should also consider minimising operational risks by contracting vendors or developing in-house shared service centres in multiple locations around the globe. This effectively maintains a substantial level of service even during lockdowns. Such an approach allows other shared service centres to pick up the affected tasks easily and minimise the impact of future business disruptions.

## 2 Technology integration

With the operational risk diversified by multiple service providers, it is critical for organisations to build an interlinked system architecture, including potential integrations or pooling data into a single location (e.g. cloud) for retrieval. It is important to ensure staff have the appropriate tools to access data remotely and that controls are in place to secure any data transfers.

## 3 Consider new ways of working

With increasing adoption of automation technologies, it is anticipated that the role of shared service centres will gradually reduce and that organisations will need to consider new ways of working in the long run. This includes the adoption of more fluid workforce options, such as part-time staff, shared roles and flexible working arrangements.

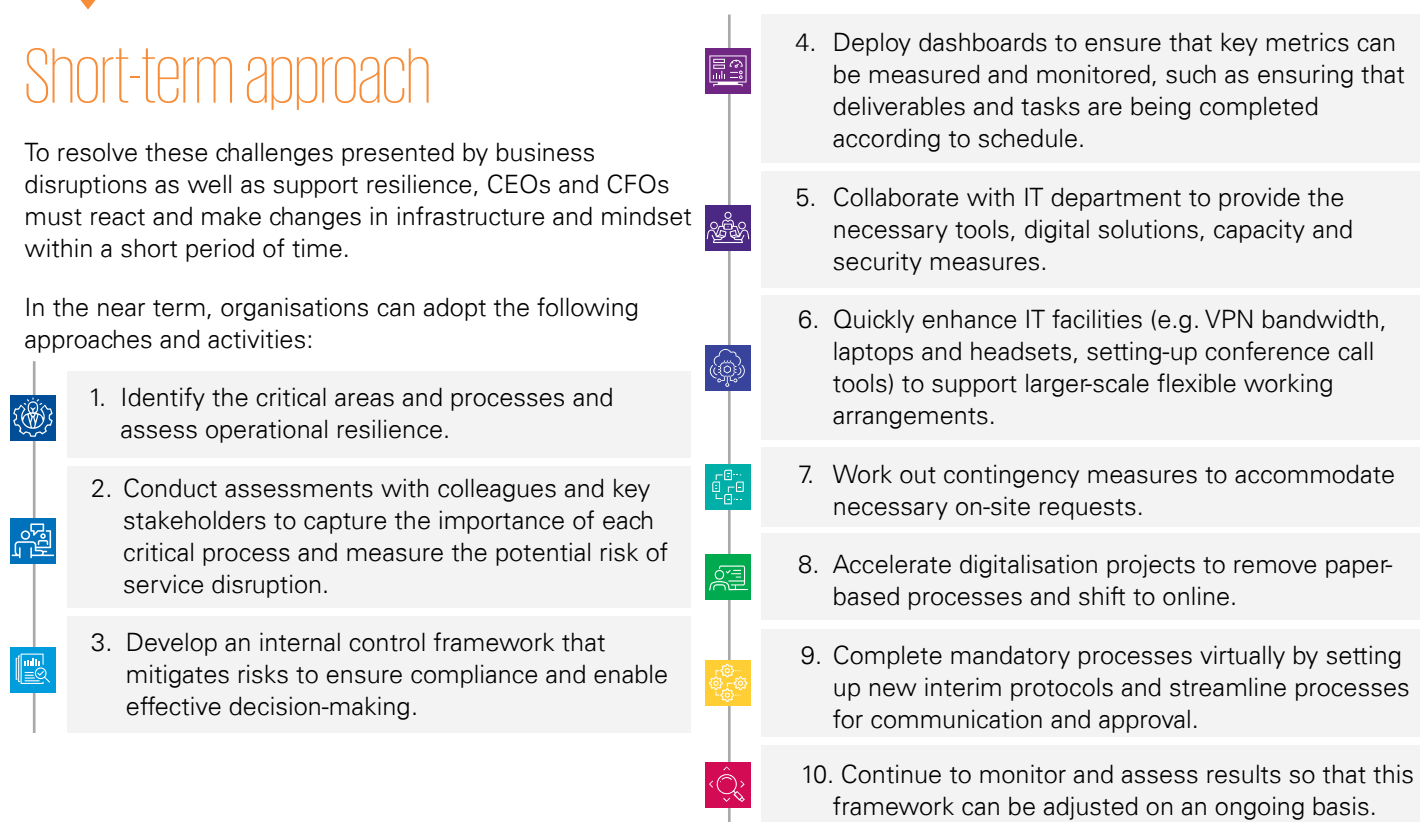
# Finance operating model transformation and optimisation guidelines

## Solution: a review of the finance TOM and role of finance

### Short-term approach

To resolve these challenges presented by business disruptions as well as support resilience, CEOs and CFOs must react and make changes in infrastructure and mindset within a short period of time.

In the near term, organisations can adopt the following approaches and activities:



## Long-term seven-step approach

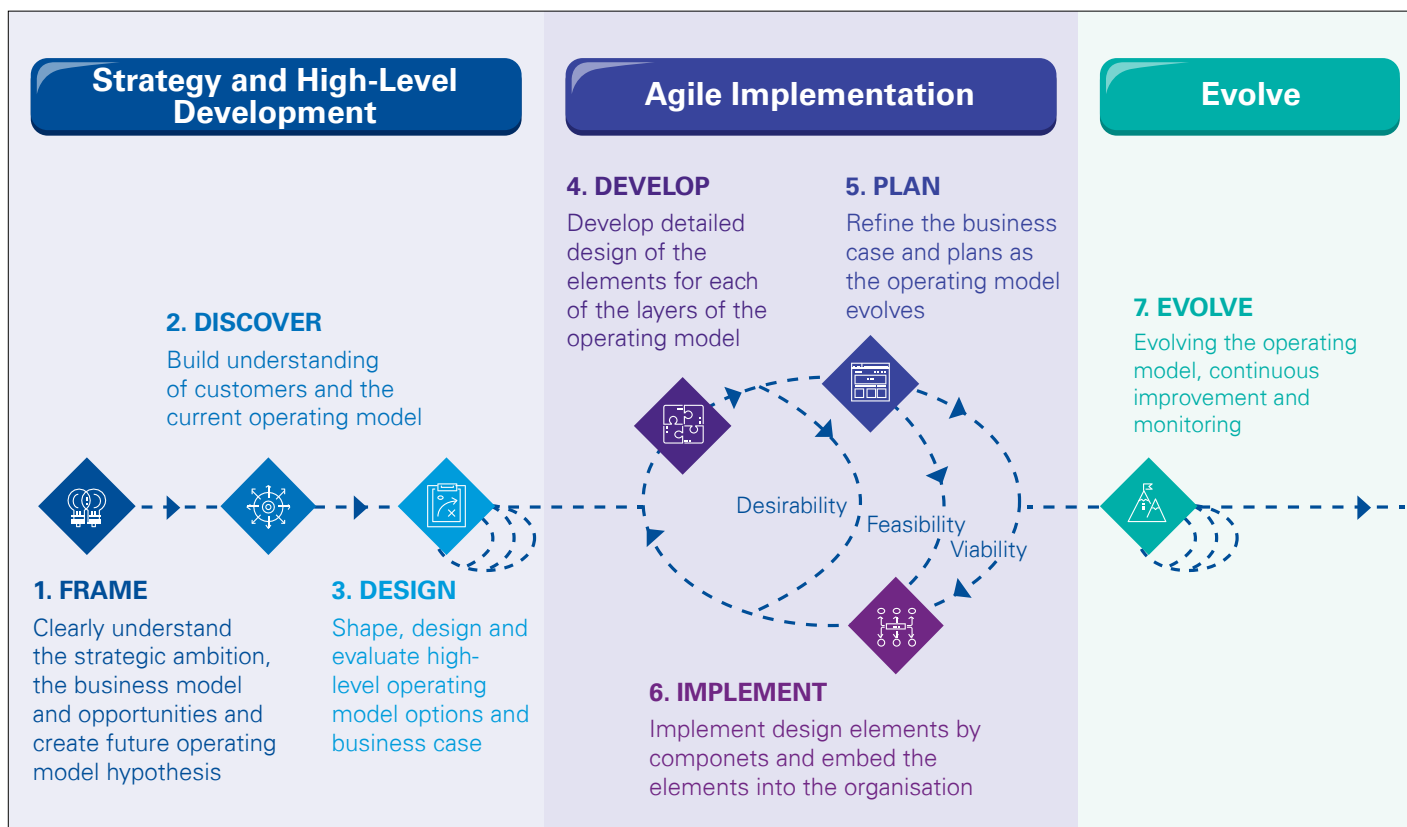
Looking beyond the near term, the root cause of many of the challenges and trends mentioned in previous sections is tied to the underlying operating model. Organisations and finance teams often implement new initiatives including technology, but subsequently lose track as to how they align with the longer-term strategy for finance and the business. As markets remain dynamic and business disruption accentuates volatility, it is crucial for CEOs and CFOs to be agile and continuously assess whether changes are required in their current operating model.

In addition, finance functions have traditionally focused on more operational roles such as processing transactions, preparing standard reporting and budgeting. However, with increasing adoption of technologies to automate manual and routine processes and amid changing expectations from the CEOs and the business, the role of finance has gradually transformed into that of a performance driver and strategist. Apart from producing reports and completing day-to-day

operational activities, they are now expected to be agile and provide timely insights to support management in making decisions. This notable change in the role of finance leads to questions around how the finance operating model should be refined.

Therefore, finance functions are strongly recommended to perform a comprehensive assessment to review the finance TOM. Specifically, the interlinked components should be reviewed and longer-term trends should be reassessed. The assessment should look at operational maturity and its effectiveness in achieving the organisation's strategic ambition, followed by implementing key initiatives to transform and optimise the operating model.

Transforming and optimising an operating model requires clear understanding of an organisation's long-term and short-term operational strategies and current operational maturity. An effective approach can help prioritise these opportunities such that the most benefits can be realised in a shorter period of time. It involves three stages: strategic planning, implementation and evolution.



## Strategy and High-Level Development

### Step 1: Strategic Planning - Frame

The 'frame' phase aims to create a hypothesis that takes into consideration an organisation's strategic ambition and business model into its future operating model. This phase establishes a solid foundation and direction for the operating model, clearly defining the design principles to be assessed against when the design is developed.

In this phase, the objective is to understand the financial and non-financial strategic ambition as well as the organisation's value proposition. It is critical to understand the triggers for the organisation to transform and optimise its operating model, such as organisational restructuring, delivery model transformation, and change in future strategy.

This information will then be translated into design principles such that the organisational capabilities required for delivering and driving the strategic ambition can be identified at an initial stage. Expected performance outcomes and metrics are also clearly defined at this stage.

### Step 2: Strategic Planning - Discover

The objective of the 'discover' step is to build a comprehensive view of the organisation's current operational maturity. This helps to understand and establish a baseline of the current operating model and ultimately to develop an improvement hypothesis to describe the expected impact and levers.

To build a rounded view of the organisation's customers and current operating model, a qualitative understanding is required from various levels of working staff on the current operating model and pain points they have encountered. It includes conducting market and industry research as well as workshops and walkthrough sessions. These inputs will then be considered for evaluating the current operating model and performance alongside maturity models to establish a baseline.

The baseline is compared against the required capabilities to identify which capability among the six dimensions needs to be improved and enhanced.

### Step 3: Strategic Planning - Design

The last step in strategic planning is to shape, design and evaluate several high-level operating model options and conclude a business case to obtain management buy-in.

Using the six design layers, this stage starts with designing high-level options for a service delivery model to ensure that the interdependencies between layers are being considered. With the high-level operating model options, a business case can be proposed, including the opportunities prioritisation, cost and benefit matrix, and metrics for the implementation. The business case also sets out the implementation direction and scope.

The operating model options should be measured against the initially agreed design principles and presented to management to confirm the scope and plan of implementation.

## Agile Implementation

### Step 4: Implementation - Develop

After obtaining sign-off from management on the implementation direction and high-level operating model options, the 'develop' step aims to begin the implementation itself for creating a detailed operating model blueprint using the six design layers.

The blueprint includes a detailed process architecture, with other layers being designed to support the processes factoring in the interdependencies between layers. The blueprint is then further expanded to consider IT system architecture and governance, organisational structure and roles and responsibilities, performance measures and reporting, as well as policies and governance framework.

### Step 5: Implementation - Plan

Considering the extent of effort required to implement the operating model, available resources will be identified and implementation roadmap will be set out in the 'plan'.

Some organisations prefer an agile implementation to roll out different parts of the operating model in multiple swift sprints. They can also opt to conduct a pilot run within a function or division to test the changes and adjust the implementation details before scaling up to the entire organisation as the transformation progresses.

## Step 6: Implementation - Implement

The 'implement' step aims to test, refine and launch the operating model elements in order to achieve the future state. This step includes various kinds of implementation activities: for example, creating the standard operating procedures and conducting staff training for the processes to be changed. Monitoring the implementation activities is also necessary to ensure the transformation is progressing as planned and the benefits are realised progressively by tracking the effectiveness and efficiency of the operating model.

Changes need to be managed throughout the entire implementation such that all affected functions and staff can be well informed and supported to adapt to a new way of working. Workshops, training sessions and firm-wide communications are several actions the organisation could take.

## Evolve

### Step 7: Evolve

The last step aims to evolve, continuously improve and monitor the operating model. It focuses on ongoing improvements to ensure the implemented operating model aligns with the strategic ambition of an organisation and that inefficiencies are being eliminated.

Ongoing metrics are required to track the effectiveness and efficiency of the operating model and generate regular reports to management. For instance, regular reviews may be required either after the entire transformation journey is complete for five to 10 years or when significant market and organisational change is observed. The aim is to monitor the effectiveness of the operating model and ensure the designed model is still applicable and relevant for the organisation.

## Benefits of a TOM review

The benefits of a TOM review can be summarised as follows:



### 1 Strategic vision and operational framework alignment

A TOM review, especially when paired with a regular strategic review, helps leadership understand how they are operating so they can diagnose issues, pain points and improvement opportunities to align operations with their strategic vision. With the seven-step approach, the TOM review then provides a structure or blueprint to sustain operations across business and technology domains, which serves as a framework to drive change.



### 2 Executable details for changes

By breaking the organisation and its business down into the six layers, a TOM review forms executable ways to drive change constructively at a detailed level. In implementation stages, results from a TOM review can articulate concrete change requirements and approaches in important and interrelated areas of technology infrastructure, governance, organisational structure, skill matrix, culture and style, and shared values.



### 3 Agility in future changes

The results of the first TOM review build a foundation for future reviews. As the linkages between strategy and operations among the six TOM layers are mapped out, future reviews and changes can be carried out in a more informed and organised manner. Organisations can thus be nimbler, more flexibly evolve, and adapt to new opportunities and challenges.

# Moving forward

Disruptions over the last year have left a lasting impact on organisations. While many organisations in Hong Kong manage to deliver and show considerable resilience, many others identify areas for significant improvement. Recent experiences have forced finance functions to accelerate their technology transformation. Now there is a more urgent need to move faster and not shy away from difficult decisions. The cost of investment in technology will reap financial rewards over the medium to long term. Across all sectors, finance functions can benefit from enhancing their operating model to be more agile and fluid. The 'work-from-home' scenario has unequivocally proved that teams need not work together in person in large single-office spaces to be successful. Organisations have a real opportunity to create a more durable and more efficient operating model that simultaneously gives their teams more of what they desire. All change comes at a cost, but investments will result in medium-term quantitative benefits and improved operational resilience, not to mention the qualitative benefit of a more satisfied team. As challenging as 2020 has been, the best possible long-term outcomes loom for organisations that embrace taking the actions needed to transform and excel.





## About KPMG China

KPMG China is based in 26 offices across 24 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing audit, tax and advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in Mainland China. KPMG was also the first among the Big Four in Mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG's appointment for multi-disciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.

### Finance Strategy & Transformation practice

The Finance Strategy & Transformation practice supports organisations as they deal with the increased complexities and responsibilities related to the role of the CFO and finance functions. The practice helps organisations continually evolve their finance functions: shifting focus from transaction processing and historical reporting to that of a business partner responsible for driving growth and profitability.



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## About ACCA Hong Kong

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