



# The Future of Finance: How D&A puts finance in the driver's seat

August 2021

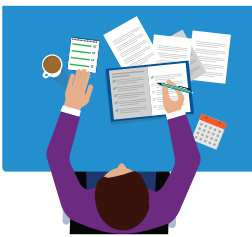
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# Introduction

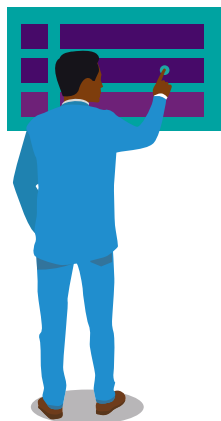
The data-driven organization has arrived. Now it's finance's time to shine.

Most executives understand that the skillful use of data and unlocking powerful new insights from capabilities like machine learning and AI are vital to competitive success. Yet KPMG research shows that many senior executives remain hesitant to trust data-driven information when it really counts—that is, when it delivers surprising information. In one of our recent surveys, just 34 percent of CEOs<sup>1</sup> said they followed data-driven insights when the actions indicated by the data were contrary to their own intuition. At the root is a genuine concern about data quality, transparency, and governance. Who's in charge? And where did that new forecast come from?



## Data strategy and governance:

Better data delivers better insights. Finance must guide the effort to identify and curate the data that is most important for enterprise performance, ensuring that the data is high-quality, highly accessible, and regularly reviewed and updated.



## Business planning and analysis:

Finance must realign its people, processes, and technologies to facilitate the production of forward-looking, data-driven insights that enable finance to serve as a true business partner—and move beyond the old-line mindset of financial planning and analysis (FP&A) of rearview-mirror reporting function to developing integrated business plans and forecasts based on key drivers of the enterprise.



**Intelligent forecasting:** Finance must acquire and develop solutions and techniques that deliver faster and more accurate forecasting and scenario modeling, powered by new capabilities in areas like AI and external data—and in the process, arming business leaders with powerful new insights.

Partnering and collaborating with cross-functional teams will be critical, but finance will need to remain in pole position throughout. Successful DA&I transformations are business-led and technology-enabled, something our KPMG teams have emphasized consistently in all of our related client projects. Within this paper you'll find a roadmap to bring the DA&I orientation to finance teams and empower them to lead the company's transformation to a data-driven enterprise.

<sup>1</sup> KPMG International, Agile or irrelevant: Redefining resilience, 2019 U.S. CEO Outlook

# Getting started with data strategy

“Data is the battlefield of the future,” as one investor told KPMG in a recent survey<sup>2</sup> that captured just how much of a premium investors and analysts place on data-driven companies. Yet the investors we talked to also told us that even as technology adoption speeds ahead, many companies lag on incorporating advanced data and analytics into their competitive strategies.

That’s partly because investment in digital technology has traditionally been the realm of IT teams. Traditionally, functional teams were brought in to ensure that basic requirements were fulfilled, and ensure that testing was completed, but increasingly, our KPMG specialists are seeing that successful enterprise data transformations flip that script. Business-led initiatives, in which core functions like finance drive the technology requirements and solution design, are able to deliver lasting value and higher degrees of adoption by driving broader transformational change.

Finance is unique among enterprise functions because of its distinct role of connecting strategy and operations to financial results. It is why finance is the natural leader to spearhead and champion data strategy for the overall enterprise.

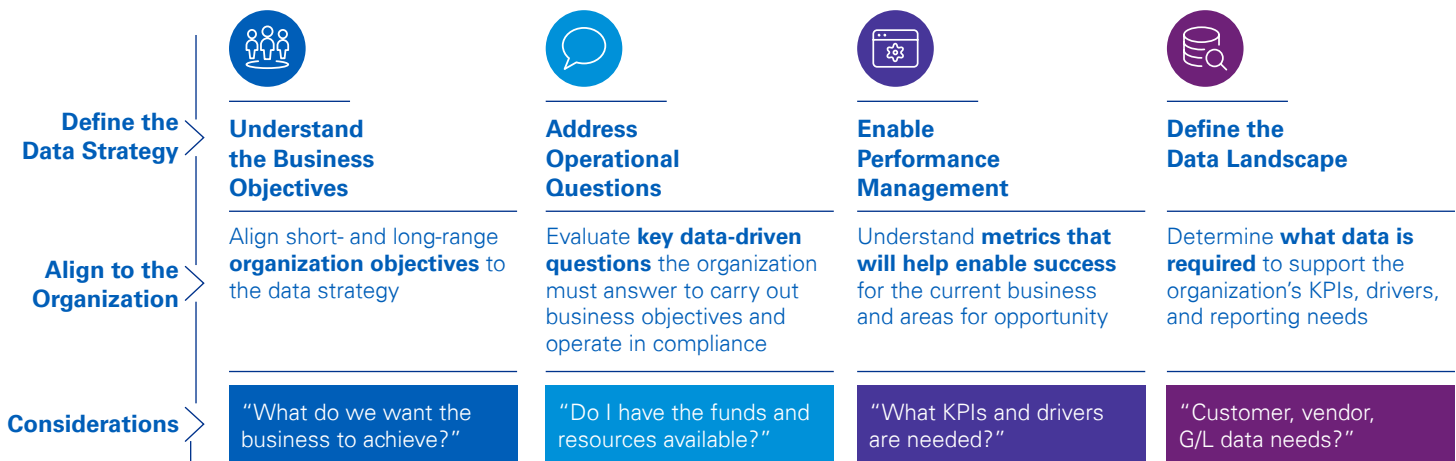
So, where to start? An essential first step is to take the time up front to align data strategy with corporate strategy. It’s tempting to jump right into the tactics of, say, choosing the “best” new software, but tools and solutions on their own will not deliver value if they are not part of a data strategy that reflects the company’s overall growth agenda and goals. Instead, take a step back and ensure there is always a through line from corporate goals to the underlying data objectives. For example, a corporate objective about becoming a more sustainable company will need to tie back to specific key performance indicators (KPIs) outlined in the data strategy.

With corporate and data strategies aligned, now the team can get more tactical, looking at operational questions like funding and staff needs; enabling performance management by identifying success metrics; and then defining all of the data that will be needed.

Ultimately, sound data strategy is based on identification of the appropriate KPIs, business drivers and reporting needs, and the key data sets required to track them. A winning data strategy also will need input from all required stakeholders as well as buy-in from leadership who ultimately define what success means to the business.

## Align to a Data Strategy

### Data Strategy is...



### Underpins the Insights & Analytics Framework

<sup>2</sup> Strategy lags as companies aggressively move to develop technology

# Laying the foundation with data governance and management

Of course, none of this works without the right high-quality data. That's why overall data governance—identifying, curating, managing, and governing the data on an ongoing basis—is another critical function for which finance will play a leading role.

In addition to owning and organizing all of the financial data, finance can also take the lead by monitoring the quality and governance of other data that impacts enterprise performance, including commercial and operational drivers.

To spearhead this, some finance teams are establishing internal centers of excellence for enterprise analytics. These centers oversee sourcing, integration, governance, and reporting of data as well as evaluating advanced analytics technologies. Another approach is to establish cross-functional data management working groups to regularly review the master data model. It's even possible to use AI to monitor key elements of data and improve it as it moves through the data pipeline.

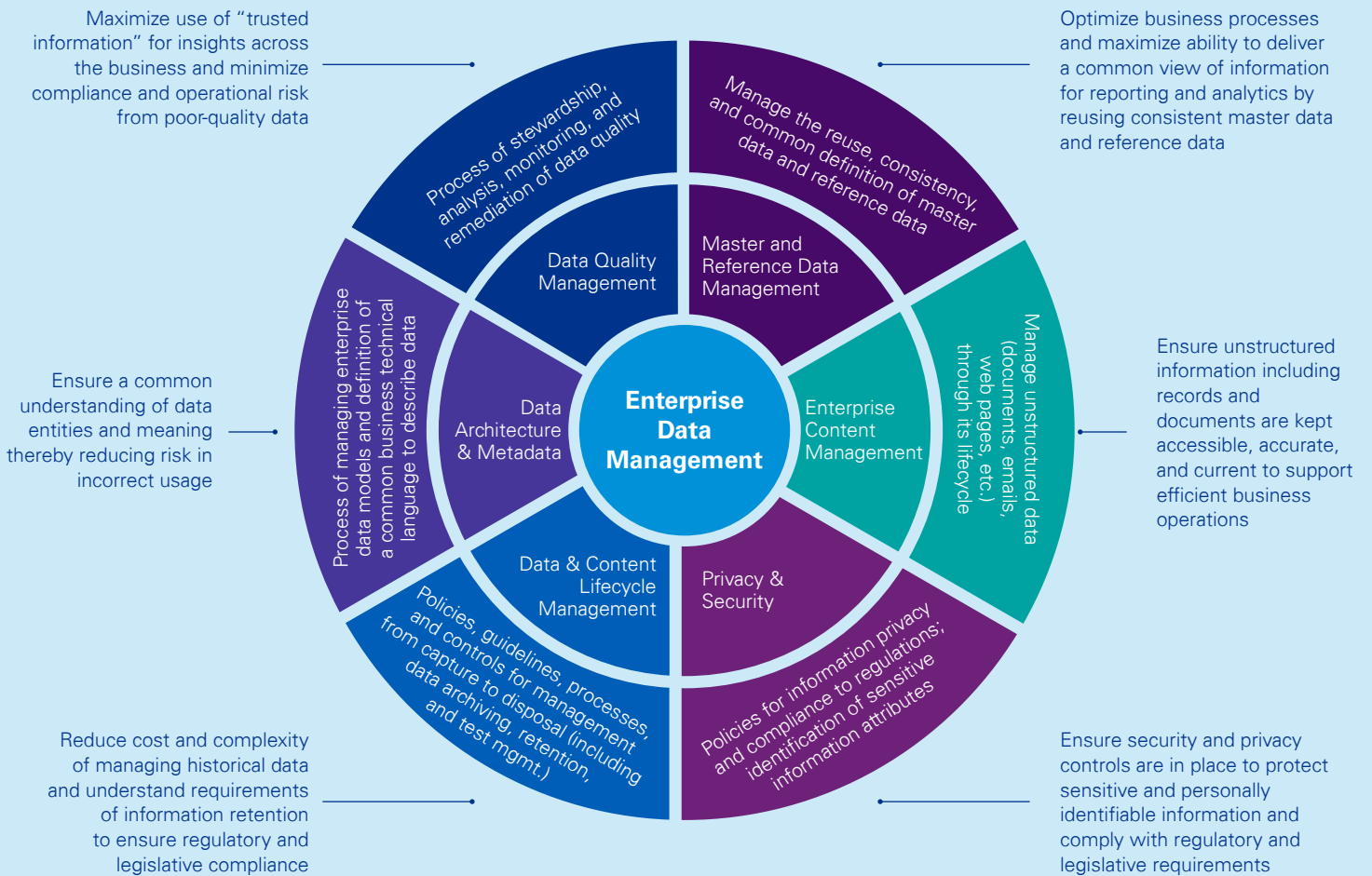
KPMG helps clients establish data governance and management through its Enterprise Data Management (EDM) framework. The EDM framework is designed to help define and enable core data standards and management processes that enable effective business operations, financial planning and management, and minimize customer impact. We are able to accelerate our clients' data transformation initiatives with an EDM framework that includes well-established data standard designs and globally tested templates, allowing our clients to quickly define key areas like master and reference data, architecture, lifecycle, and security.

Well-planned, well-executed data governance and management is essential because it establishes the foundation for the new level of confidence, speed, and breakthrough insights that data-driven companies demand. Data that is standardized, controlled, and accessible will yield better decision-making and forecasting and, ultimately, more opportunities for success across the business.



# Enterprise Data Management framework

The KPMG EDM framework is designed to help define and enable core data standards design and management that enable effective business operations and financial planning and management, and minimize customer impact. Our delivery approach is typically underpinned by this methodology and accelerated with the application of better practice data standards design and globally tested templates.



The KPMG Enterprise Data Management framework

# Transforming into a business partner

With a robust data framework firmly established, finance now has the opportunity to bring new data-driven insights and reporting to the entire company. It's a critical inflection point: Finance can move well beyond its traditional "scorekeeper" role and become a true partner in enterprise business planning.

Delivering on that opportunity will require more than just acquiring new tech tools, adding external data sets, or even hiring a few data scientists. Finance must transform its processes, its talent, and its technologies, and generally move from back foot to forward stance on data and analytics. Here are just a few examples of where and how that transformation might play out:

— **Augmenting fiscal-year-based budgeting with continuous forecasting.** The traditional approach to the annual budget can hamstring managers or force them into reactive decisions. But continuous forecasting ties back to specifically defined business drivers—5 to 10 core inputs, for most companies—whose impact can be regularly tested and validated using both internal and external data. This allows for more speed, accuracy, and transparency in the ongoing reports and forecasting.

— **Leading the charge to integrated business planning.**

Data-driven companies are increasingly adopting an integrated business planning approach, which incorporates all business units and functions that move things forward. It's a chance for FP&A professionals to build closer relationships with operations and commercial teams, and shift from "reporting up" to senior leaders to "reporting out" to the business.

— **Upskilling and hiring new team members.** Finance operations are actively redefining the types of skills and roles their data-driven teams now need. That might include training on new data analysis technologies, and even hiring data scientists and engineers within the finance organization.

Talent, in particular, is a key issue, including the question of whether to hire, train, or outsource for the skills needed. And with the competition for data-savvy talent now so fierce, any organization that wants to become more data-driven must have a comprehensive resourcing plan in place before the first hire: from building an initial talent pipeline all the way through to onboarding and retaining staff.

Having helped many organizations establish their own analytics centers of excellence, we have found that many companies with successful DA&I capabilities have a dedicated team of IT and data science specialists—but that team never operates in a silo. And whether the dedicated team is formally part of finance or not, it will be up to finance to ensure the data team remains connected with all internal data clients. When the DA&I team stays closely aligned to the business, it goes a long way toward closing that nagging trust gap and giving senior executives the confidence to rely on the team's insights—even when they go against the gut instincts of the C-suite.





Last, new technologies and digital capabilities are key to cementing the business partnership and providing the tools that finance will need to create value-creating, data-driven insights with more speed, quality, and accuracy. This new tech will vary based on companies and their needs, but it might include:

- **Cloud migration**, which allows for consistent data usage by integrating business processes throughout the enterprise
- **Predictive analytics**, which relies on internal and external data sets as well as AI to deliver more accurate forecasts quicker
- **Digital labor**, such as robotic process automation, which automates routine processes so finance teams spend less time developing reports and aggregating data, and more time on analysis and partnership

- **Data visualization and reporting tools** that present data in dynamic and user-friendly ways both inside and outside the FP&A group
- **An accounting hub**, which is a cloud-based solution that helps automate reporting so the finance team can spend more time on analysis.

In all cases, finance needs to be sure that these new technologies and tools are “customer-ready” and easy to use, empowering internal stakeholders to make better data-driven decisions at a time and place of their choosing. That means user-friendly experiences such as dashboards, intelligent assistants, and self-service reporting.

## Understanding today's tech environment

### Leverage cutting-edge technologies to increase speed and quality of insights



#### Data storage and ingestion

Foundational solutions  
Data retrieval and ETL, unstructured data processing  
Gateway to create a new data ecosystem

- Amazon Web Services
- Microsoft Azure
- Alteryx
- Hadoop
- Google
- Cloudera
- Oracle



#### Cloud

Mobile workforce  
Data integration and availability  
Reduction in IT spend and need for redundant backup footprints

- Anaplan
- Adaptive Insights
- Informatica
- OneStream
- Oracle Enterprise Data Management
- Oracle Planning and Budgeting Cloud
- SAP BPC
- Wolters Kluwer CCH Tagetik



#### Predictive analytics

Machine learning/AI  
Identify trends and drivers based on organizational objectives  
Greater insight at a reduced cost

- SAP Analytics Cloud
- Python
- R
- Oracle Analytics Cloud
- Apache Spark
- Databricks
- Palantir



#### Digital labor

AI, cognitive, machine learning  
Enhanced analytics  
Reduced IT programming cost  
Process efficiencies

- Blue Prism
- IBM Watson
- Google Analytics
- Ui Path
- Microsoft



#### Data visualization

New and innovative platforms to view data  
Enables greater insights  
Boosts end-user experience

- ThoughtSpot
- Spotfire
- Tableau
- Tagetik
- Qlik Sense
- Power BI

# Getting smarter with intelligent forecasting

The data strategy is set. The right data has been collected and is being continuously managed and updated. And finance is chomping at the bit to become a true business planning partner. Now enter a key DA&I deliverable: intelligent forecasting.

Business forecasting can—and must—get smarter. As much of the customer-facing world becomes personalized and digitized, executives' expectations are growing about what things like AI and external data signals can do for internal forecasting processes.

Executives are increasingly expecting DA&I functions to tell them not just what happened and why, but also, what will happen and what to do about it. This is where AI-driven advanced analytics shine: wading through reams of internal and external data to spot problems or opportunities, then helping users test out what-if scenarios based on detailed simulations of reality.

Intelligent forecasting has the power to shift the CFO's focus from operational efficiency to enhanced data and insights, which can deliver quantum leaps in performance. And who's not in favor of a 50 percent improvement in forecast accuracy and 40 percent reduction in time to create? Those are the kind of real-world results that KPMG has seen firsthand on recent client projects.<sup>3</sup> Here are a few steps to getting your organization there:

**Broaden your data set:** The universe of available data has been growing exponentially, providing tens of thousands of data signals that AI-enabled systems can use to significantly improve accuracy in predictions. While traditional forecasts tend to rely on historical and internal data, external signals may have better predictive value in dynamic circumstances. The KPMG Signals Repository includes more than 60,000 external data signals and allows clients to correlate connections on things like how crime rates in certain areas might affect sales forecasts for the company's stores in those areas.

**Employ rapid strategic modeling:** It's not just the top leadership that needs answers now: Functions throughout the business need real-time, on-demand data. Rapid strategic modeling helps financial professionals tackle a defined problem and use internal and external data to provide short-term and long-term recommendations, often within a day.

<sup>3</sup> Bringing more innovation to the table: client story

## **Use Enterprise Performance Management:**

EPM systems integrate and analyze data from many sources with the goal of monitoring and improving business performance. A powerful tool for linking business strategy to performance, a customized EPM system can amplify the impact of intelligent forecasting throughout the organization. In fact, organizations that establish the right EPM foundation are **1.4X more likely to see an increase in revenue** over the next three years when compared to others less prepared for the future, according to a KPMG 2021 EPM Survey.

**Work on two tracks:** The fastest and most effective way to implement intelligent forecasting is to think short-term and long-term simultaneously. In the short term, finance can empower its teams to experiment with new tools and data sets in rapid pilots that can deliver quick wins and build the case for expanded analytics capabilities. And these pilots are not simply stand-alone proof-of-concepts: They can deliver a single new forecasting function in as little as eight weeks, which can then be scaled out to other appropriate applications going forward. Then in the long term, finance can continue to support the company's overall transformation to becoming a data-driven organization by staying on top of data governance and management, transforming itself into an enterprise business partner and constantly advancing the level of insights it provides across the company.





# Envisioning the future

The factors that matter to your business change every day—so why doesn't your business forecast change along with it? Soon, you'll expect a new forecast each day—and on demand—with data extracted in real time from multiple systems and published straight to user-friendly dashboards available on your laptop or mobile. The data you view—and the scenarios and recommendations it engenders—will be dynamic, predictive, useful, and trusted by everyone in the organization.

The resulting advice will help organizations stay competitive and resilient in a time of unprecedented change. Finance will be instrumental in ushering in this data-driven future. Are you ready to make it happen?



## How can KPMG help?

**KPMG has extensive experience with helping companies transform into data-driven enterprises that use advanced analytics to generate powerful new business insights. The unique mix of our people, technology and methodology helps our clients realize value.**



### D&A Framework

Our data and analytics architectural framework provides the foundation for iterative, long-term scalable growth



### Tested Methodology

Our tested implementation approach (e.g., KPMG Powered Enterprise) allows our clients to see real answers to real business challenges



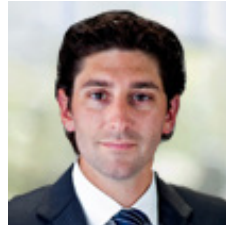
### Expertise

Our industry experience coupled with our suite of accelerators and capabilities helps our clients focus on business insights that drive your business

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# From insights to action

**Our KPMG teams work on a wide variety of finance-led data transformation initiatives. Here are some insights from recent client projects.**

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- #1** We worked with a global quick-serve restaurant operation that had traditionally sited stores far away from a large global coffee chain. We developed a model showing that being next to a high-performing coffee shop was quite good for business.
  - #2** For a major consumer goods company, we deployed machine-learning-based modeling that improved bottom-line margin and earnings forecast accuracy by over 40 percent and reduced the time spent on generating reports by hundreds of hours each year. We also brought in external market signals to improve transparency into the specific drivers of corporate revenue and earnings.
  - #3** Helping a sporting event production company forecast revenue from live events, we found interesting patterns. For example, pricing was the largest single driver of ticket sales, and there was no correlation between sales and whether other professional sports were playing on the same night.
  - #4** In helping a dairy products supplier with its daily revenue forecast, we found unexpected connections between milk sales and weather conditions, and differing sales patterns of expensive versus less-expensive milk.
  - #5** We helped a global wireless service provider generate accurate predictions of subscriber price sensitivity and churn using local housing market data.

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