



# Today's CFO. Tomorrow's Chief Performance Officer

For some time now, the finance department's role has been evolving towards strategic performance and decision support alongside the business. For many, though, processes, technologies and skills have yet to catch up.

KPMG Powered Enterprise | Finance

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# It's time for a fresh perspective

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Few functions are evolving as rapidly as finance. From their traditional role of gathering data from across the organization, finance is now well positioned to drive insight-led decisions to sustain the performance of the business. Some have invested in new technologies to drive change. For those who are digital laggards, the pandemic has been tough. It has been a challenge just to track simple financial and operations data to assess the viability of the business.

For others, there are concerns about coming up with a way to scale fast enough and help the business secure the opportunities that exist. Paradoxically, these differing challenges are two sides to the same coin – little or no progress in digital transformation.

Contrary to simple logic, the answer for finance is not necessarily to implement a new technology platform. That will only get you so far, and the market is littered with technology implementations that have not lived up to expectations.

Instead, the key to transformation success is to take a more holistic view of the finance operating model (of which technology plays a critical part) to become fit for the future and a driver of value.

“The challenge for finance teams is to create a structure and environment, and the talent, to effectively use the full capabilities of technology,” says Frank Chow, ASPAC Lead Finance Target Operating Model Architect at KPMG Australia. “If you get it right, it becomes a critical strategic component of the business.”

It also pays to look at transformation not as a ‘one and done’ project, as a way of doing business so that finance can continuously adapt to future demands, trends and technologies that make it fit for the future.

**The task at hand is not just to get from A to B, but to position yourself to get to C, D, E and beyond.**

“There needs to be a permanent cycle of innovation and transformation,” according to Patrick Fenton, Global Head of Finance Transformation, KPMG International. “The mindset needs to be that of continuous improvement and harnessing the skills to do it successfully across all of the finance operations.”



of digital transformation leaders believe **progress towards the creation of new business models and revenue streams** has accelerated or sharply accelerated.

Base: 820 professionals involved with digital transformation strategy decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021

However, it is hard to become a strategic partner to the business as a whole when your resources are mired in dealing with existing inefficiencies. We learned from the pandemic that the finance functions that performed well were best able to handle remote and flexible working, had a high level of automation and a robust control environment.

These are attributes that should be carried forward into the digital transformation of the finance function to achieve high-value priorities, such as:

- Finance cost reductions and performance increases
- Strong levels of automation and innovation
- Serving as a growth strategist through AI-led analytics
- Managing and monetizing data

KPMG Powered Finance can help to put you in a better place by automating routine activities, providing off-the-shelf leading practices via the KPMG Target Operating Model, helping you focus on what is important or different for you. It is designed to enable you to free up precious people resources from managing technology, processes and controls and allowing the finance function to step up and contribute to driving business performance.



# Creating tomorrow's finance function, today

Finance functional transformation is not just about improving and optimizing current operating methods and implementing technology to support them.





To undergo a genuine transformation, finance leaders must look at their end-to-end function and how they build capabilities in a completely different way. Finance organizations that succeed will be those that can transform and continue to adapt to ongoing change.

The opportunity, therefore, is not just to exploit new cloud technologies, but to surround them with market-leading processes, governance, people skills and real-time data-led insights that allow finance to get ahead and stay ahead.

"The key to it," says Fenton, "is to concentrate on delivering lasting value. A functional transformation should begin with an understanding of what you want to get out of it, how you would measure success and how you will continue to measure the achievements of the finance operations on an ongoing basis."

"The critical phase," says Chow, "is setting the vision – to see where you are on the finance maturity curve and, importantly, where you can get to. During this phase KPMG professionals present the model answer for finance, agree which parts of it work for you and set the direction and guiding principles to get there.

There have been so many 'penny drop' moments during the vision phase with executives, particularly when process owners get to understand the 'art of the possible'. As a consultant, it's fascinating and rewarding to contribute to this process."

The Powered Finance approach to transformation is one that helps reduce risk, accelerates delivery and delivers sustainable change and results for your finance function.

## Finance transformation fueled by progressive thinking

The online introduction to Australia's Deakin University says, "At Deakin you won't just learn about the future, you'll prepare for it with real-world learning fueled by progressive thinking."

That kind of progressive thinking led Deakin's leadership to see the opportunity to not only transform the university's finance function technology, but to drive consistency and uniformity across its entire finance processes.

They turned to KPMG Australia, in alliance with Workday, to work with them in tackling that challenge. With a focus on the future, the team used KPMG Powered Enterprise's five-phase approach: first by identifying Deakin's future business requirements, then by helping to transform its finance processes, supported by the right new technology.

A key success factor was how the KPMG team developed a deep understanding of the needs of each stakeholder group and built relationships based on trust. The change implications and training requirements for employees were important areas of focus, resulting in strong employee support.

The team understood Deakin's system architecture and integration requirements, and drawing on KPMG Powered Enterprise's assets, were able to accelerate the transformation.

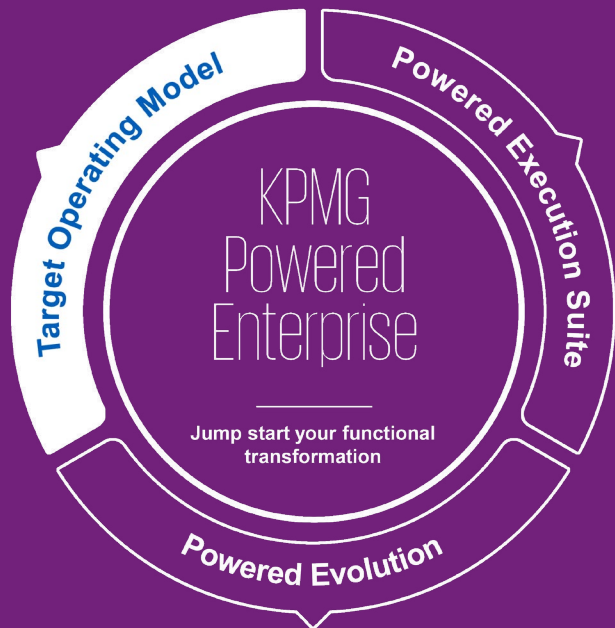
The key outcomes?

- Greater transparency and consistency of data for the finance department.
- Clearer information for reporting and decision making by the university's leadership.
- Prepared for the future.

# A new operating model for finance

The KPMG Target Operating Model is at the heart of Powered Finance; it turns a standard cloud technology implementation project into a dynamic, outcome-focused, functional transformation.





Based on a thorough understanding of how transformation works, backed by KPMG firms' extensive functional expertise and practical know-how, we have defined the **KPMG Target Operating Model** to describe the 'model answer' for how a leading finance function should be. Described in six interlinked layers they work together to help deliver benefits across the finance function.

1. **Functional process:** Hundreds of predefined, leading-practice finance processes, fast-tracking your transformation with proven ways of working.
2. **People:** Who does what, why, and how. Identifying the skills, roles and responsibilities your function requires.
3. **Service delivery model:** Where the work gets done, shared service center, centers of excellence and outsourcing operating models to optimize finance service delivery.
4. **Technology:** The applications and integrations to enable and automate your processes.
5. **Performance insights and data:** Identifying what data and insights are needed to support decisions. Enhanced analytics from which to make confident and effective real-time decisions.
6. **Governance:** Risk and internal controls for every process – who's responsible for what and to define the controls environment and frameworks.

There are significant challenges during any functional transformation process, and the Target Operating Model enables you to get to that 'leading class' design. From the detailed assets that are developed, we are able to articulate the consequential changes of each interlinked layer to allow you to make an informed decision in prioritizing your transformation roadmap. "Success doesn't come from improving only one layer," says Chow. "Success and optimization of your investment is only achieved when all the layers are at a comparable level."

"Effectively, I believe KPMG has built the future with Powered Finance," says Fenton, "It can tell you the level of performance you can achieve across the function. You can also see how automated processes and robust controls can help you overcome the challenges that came to the fore during the pandemic."



# Extreme automation for finance

There is still much to be done in automating the finance function.







of Finance executives believe that automation will enable existing finance staff to **take on more value-added and strategic roles.**

Source: Future Ready Finance Global Survey 2019, KPMG International

The Harvey Nash / KPMG 2020 CIO Survey revealed that penetration of intelligent automation in back-office functions, including finance, is still relatively low at 35 percent. Use of artificial intelligence and machine learning is even lower at 15 percent.

The gains are there to be had. For some clients, Powered Finance-led transformations have delivered a 45 percent cut in the cost of general accounting. While experiences vary business to business, KPMG firms have seen improvements such as a 50 percent reduction in manual reconciliations, an 80 percent reduction in the number of manual reports and a 35 percent cut in finance-related IT spend. One project delivered a 15 percent improvement in working capital.

There are also softer benefits to adopting KPMG's Finance Target Operating Model according to Chow. "Not only do you get to address a CFO's chief concerns of the cost of finance and doing things more quickly, it can help you to leverage people much more effectively.

There's often a retention dividend because finance staff can now see a career path and that they're part of something that's interesting and challenging with potential for personal development.

Beyond that, the robust controls and governance framework of Powered Finance help the function to meet ever-stronger compliance requirements around the world."

But crucially, by streamlining and automating processes that are repetitive and predictable, finance teams can free up time to invest in using the information at their fingertips to greater effect in supporting wider business growth objectives.



# Key takeaways

The time for digital transformation of finance is now. Post Covid-19 there is more urgency to use digital transformation for building greater resilience in the finance function.

1. **Taking a holistic view**, rather than just a technology perspective, will help finance leaders to build a capability that is better able to meet its obligations and opportunities.

2. **By adopting a modern, proven operating model** for finance that has built-in controls and governance, finance can become more robust and confident about what the future may hold.

3. **Powered Finance helps organizations to focus on where the value lies** with the CFO emerging as the 'Chief Performance Officer'.



# Discover more

## How Powered can help:

- 🔗 **A new vantage point**
- 🔗 **KPMG Powered Enterprise**
- 🔗 **KPMG Target Operating Model**

## Insights from KPMG:

- 🔗 **Shaping the future**
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