

Life Sciences Chief Financial Officer vs Chief Digital Officer: The Battle for Data in the Asia-Pacific



Planning. Budgeting. Forecasting. Reporting. A never-ending cycle that consumes Finance functions (among other departments) for Life Sciences companies. Meeting growth and shareholder expectations is a top priority, and much of the responsibility in the current context falls upon Finance.

Yet things move more quickly in the Asia-Pacific region. New medical innovations, regulatory pathways, and forms of competition require Life Sciences companies to be agile. There is tremendous pressure to achieve business targets while also keeping a tight bottom line. Questions are arising about the evolution of the prior decade's constructs of offshored shared services. And, most importantly, Finance leaders who are stuck in day-to-day operations may be missing a much larger opportunity to be providing more strategic value to the company.

"Every company is trying to map 'digital' into their business," said Jasmine Zhong, Asia CFO at AstraZeneca. "Thus far a lot of emphasis is on the customer-facing side, yet operations can be somewhat fragmented in the middle and back offices. Ultimately it's about how well we partner together across the organization." Most Finance leaders we spoke to agree that the future will be different, the pace and breadth of which are up for debate.

According to one Life Sciences CFO in the region: "Technology enables the speed of change, but it's the knowledge, skills, and culture that will determine success. Putting all of this together is what truly impacts the business model."

At the KPMG Digital Ignition Center in Singapore, we've now hosted a number of sessions with Life Sciences leadership teams on the "Future of Finance" topic. The following article contains the key insights learned therein.

How Does the Business View Finance?

KPMG, in conjunction with the Association of Chartered Certified Accountants (ACCA) and INSEAD as well as with contributions from Life Sciences companies (among other sectors), produced a report looking at how Finance leaders need to adapt in order to thrive in the digital world. One of the immediate topics of interest in our sessions for Finance leaders was – what does the business think?

The results were mixed – while a majority of CEOs think technology will have the greatest impact on the Finance function, <50% see Finance leaders actively embracing the shift. In fact, a majority of CEOs believe Finance could become even more important in the digital future; yet 1 in 3 CEOs do not consider Finance leaders to be up to the challenge. And while nearly all CEOs think that attracting and retaining top talent is a key enabler of corporate strategy, again only 1 in 3 CEOs believe that Finance leaders are doing an adequate job of skills management.

When asked about the timeframe of "digital transformation" investments, CEOs in the Life Sciences industry expect to see ROI in three years or less. So the internal race is on for a champion to emerge. Given these opinions, what then is the future role of Finance especially in a world of increasing automation?

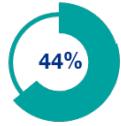
Pathways for Finance to Respond

Data, and therefore automation, is a primary driver of the digital Finance shift. According to KPMG research, the ripest processes for automation based on percentage of the activities that can be removed from human intervention are listed below:

Source to Pay



Quote to Cash

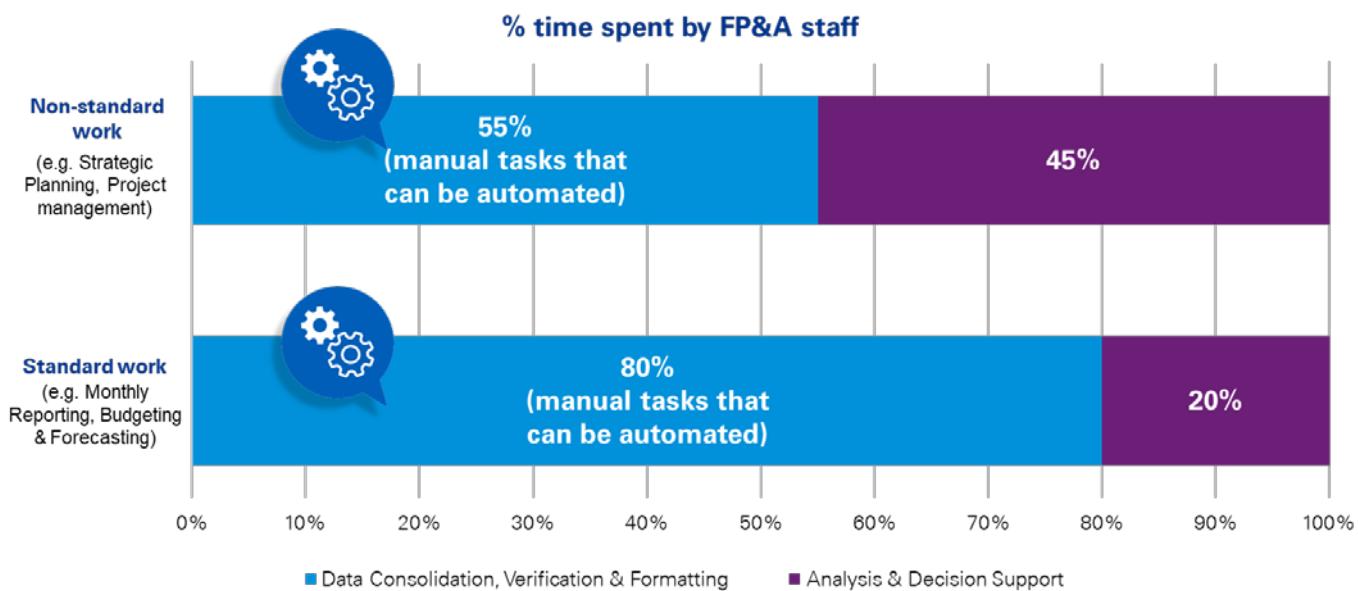


Record to Report



Source: KPMG research

But the news is not necessarily negative. Rather, such automation can free up time that Finance teams are currently spending on manual tasks. For both standard and non-standard work, it is expected that automation would actually remove more than 50% of manual tasks:



Source: KPMG research

"For us, automation starts with a lot of experimentation," said Zhong. "We have global programs in place while also driving innovations for the Asia markets. We look first at the most routine tasks, such as putting bots in place to help with efficiency of transactional activities. It's still early days with concepts like AI forecasting though."

So the opportunity is ripe for Finance leaders to embrace technology head-on, and to pivot into more strategic discussions for the business. We have therefore modeled three possible scenarios for future Finance leaders:

- 1. CFOs cease to exist, and are replaced by other C-suite or robots** – if "data" is the currency by which Finance leaders currently attempt to leverage for value, what happens when Chief Digital Officers + automation capabilities take over?
- 2. Finance-as-a-service** – flexible ways of working + blending of the physical and virtual world = future Finance teams called upon in more of an ad-hoc basis only when the automation tooling requires human intervention
- 3. Finance becomes relevant and influential** – using not only automation to free up manual tasks and to get more involved in strategic initiatives, but to go even further by harnessing the power of augmented intelligence

"To stay ahead of the game, every day I ask myself – how can I truly influence the P-L?" said Leslie Hsu, Asia-Pacific CFO at Medtronic. "CFOs must strategically contribute to growth opportunities and to improving the margin, otherwise our jobs may very well be replaced by robots soon."

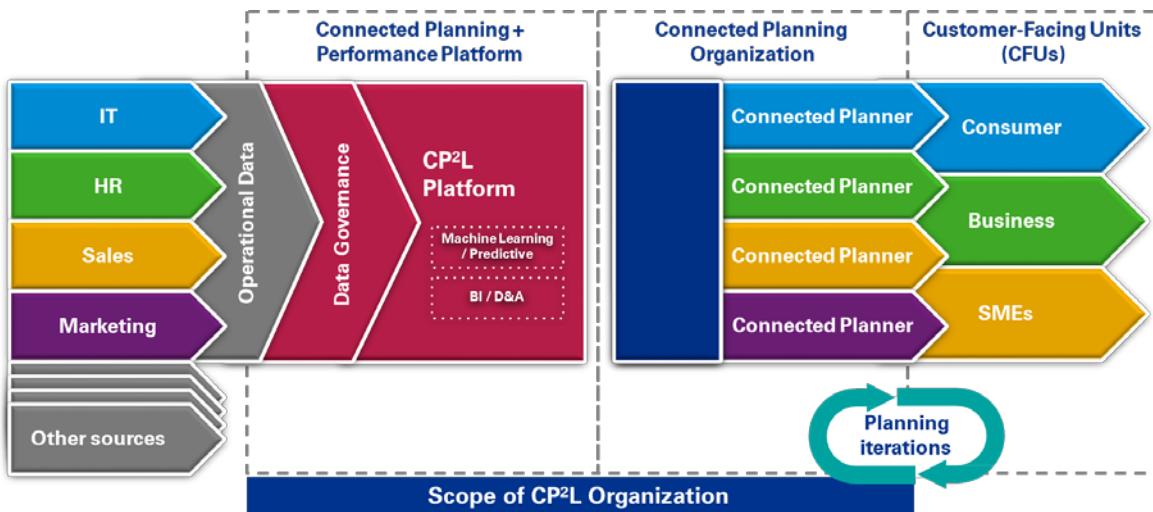
Clearly the third scenario above is ideal for Finance professionals. But if Finance leaders are not at least cognizant of the possibility of the other two scenarios, ignorance may not be bliss. So action is needed.

Navigating the Way Forward

In an increasingly connected enterprise, the front, middle, and back offices must be more seamless. The Finance

function could play this role, and thus become more of a Connected Planner & Performance Leader (or what KPMG calls a CP²L). "Digital" has typically already been implemented in the customer experience area, and has more recently landed in operations. The next wave will be about all-efficient execution.

CP²L becomes the centerpoint across Marketing, Sales, Operations, external partners and, yes, even the so-called "Digital Transformation" teams. CP²L serves as the facilitator for collaboration in order to drive a healthy business. The new structure could look something like the graphic below, powered by the appropriate technology tooling:



But it's not as simple as just redrawing the org chart. New skills to coincide with core Finance will be required, such as data modelling & visualization, bot management, strategic trend awareness with external research, design thinking, EQ, and storytelling. And underpinning all of this, as indicated in the CP²L title, is a greater responsibility for talent management.

"We are hiring 'digital' people into our business, yet as current leaders we need to become more digitally-savvy too," said Zhong. "We concurrently look more outside our own industry, so as to not reinvent the wheel. It takes time though, a very competitive space out there." Other Finance leaders we've spoken to are building the "digital" acumen into their teams with regular virtual learning sessions, secondments of IT colleagues into the Finance department, and experimenting with new ways of working such as removing reporting lines in order to drive bottom-up innovation.

In an example from a neighboring industry, KPMG was approached by the Finance leadership of Singapore Airlines in order to figure out a way to get ageing loyalty points (which had become liabilities) off the books. But it was not as simple as just removing the points because this could cause disruption in the front office from a customer satisfaction perspective. Ultimately between Singapore Airlines, KPMG, and Microsoft, a novel idea was born – put the loyalty points on a blockchain, which can be onboarded by shops around the city, and then customers can use their points like cash to make everyday purchases. The points get off the books quicker, customers are happy (maybe even happier than

before), and a potentially new business model is created for Singapore Airlines. This is the sort of thinking required in a modern connected enterprise, driven by a CP²L.

"Fundamentally the expectation of Finance (especially for publicly-listed companies) will likely remain heavy in terms of results and reporting," said Zhong. "Digital is a big word with various meanings across the value chain. We must look at the entire business model, including customer connectivity, being active in the ecosystem, and overall better data & analytics for decision-making. The trick is to be forward-looking while also practical."

According to another Life Sciences CFO though, it will still take time to see the real impact to the skills and culture of the organization.

To get going, we suggest Finance leaders ask themselves four questions:

- 1. Is your function seen as of critical strategic value to customers (internal and external)?**
- 2. Have you considered the impact and role of Finance in a more connected enterprise?**
- 3. Are you in control of the organization's most important data?**
- 4. What is your plan for talent management?**

We invite teams for a session at the KPMG Digital Ignition Center to explore further Future of Finance concepts together for the Life Sciences industry.

Authors:

Juvanus Tjandra

Partner

Advisory

T: +65 6411 8415

E: juvanustjandra@kpmg.com.sg

Ashish Dak

Director

Advisory

T: +65 8030 2634

E: adak@kpmg.com.sg

Chris Hardesty

Director

Head of Life Sciences

T: +65 9824 2924

E: chrishardesty@kpmg.com.sg

With Thanks

Leslie Hsu

Asia-Pacific CFO

Medtronic

Jasmine Zhong

Asia CFO

AstraZeneca

Find out more about
our services at
kpmg.com.sg

Join the conversation



[Linkedin.com/groups/10392062/](https://www.linkedin.com/groups/10392062/)

kpmg.com.sg



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 endeavour 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.

© 2021 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.