

Podcast transcript

Challenges and opportunities of adopting a new technology program.

Podcast with: David Neuenhaus, Global Head of Sovereign Wealth and Pension Funds, Tax at KPMG International and Partner, KPMG in the US

Musical intro

Announcer:

Hello and welcome to another episode of the KPMG podcast series for tax leaders. For today's episode, I spoke to David Neuenhaus, Global Head of Sovereign Wealth and Pension Funds, Tax at KPMG International and a Partner with KPMG in the US. David has more than 25 years' worth of experience providing planning and structuring services to asset managers and institutional investors. Today, he's focused on advising sovereigns, pensions and consortium's on investments, acquisitions, refinancing and exit strategies across various asset classes. David and I spoke earlier this month and as you'll hear he had some interesting thoughts and insights on the challenges and benefits sovereign wealth and pension funds face when adopting and advancing a technology program. David thanks for taking the time to join me today, to help frame our discussion I think it would be useful if you could start by explaining how you've seen technology changing the sovereign wealth and pension funds tax industry.

David:

So technology is obviously a massive topic and it's had a fundamental change on our sovereign wealth and pension fund clients. From a front office perspective it's allowed our clients to certainly be more efficient in their deal making. It's also allowed them to be much more specific and track the various KPI's in relation to investments that historically had been quite a challenge. From a middle office perspective, it also provides many efficiencies as well as risk minimization for processing the information and documentation relating to investments and interaction with counterparties and deals and as well as internal connectivity within an organization. And then finally from a back office perspective, technology has also been quite helpful in that it allows not only the tax compliance and reporting. But it also allows organizations to receive information about regulations that are going to impact their investments and to be much more tide in and very much real time around law changes that might impact either a future investment or their existing portfolio of investments.

Announcer:

So David, what challenges are you seeing tax leaders face when they adopt and advance a technology program within an organization.

David:

I'm seeing challenges in 2 main areas. Really, the 1st is a cultural challenge in that digitalization and technology implementation projects are really big projects, oftentimes complicated for organizations that are often siloed either by function or by asset class and segment, oftentimes both so you're dealing with matrix organizations that typically have some level of technology in each level of the matrix and really the technology solutions that we're seeing today are to bring together the various technologies and help to support the different silos talk to each other. So culturally you need to have a top down support because there are going to be some bumps in the road and there does have to be a unifying approach across the organization and a commitment to adopt the new technology solutions since they will touch multiple groups within an organization. The second area where we're seeing some challenges from a technology perspective relate to data sourcing and this is really particularly with respect to organizations that hold assets and investments in many different jurisdictions each jurisdiction and geography has its specific tax accounts its specific information and trying to normalize all of that data and bring it into that central point, such that an organization can extract the information have a common data pool. So that it can make better decisions is quite a challenge.

Announcer:

And what benefits are you seeing for organizations adopting technology?

David:

The benefits of technology or just so vast these days that it's really not a decision as to whether or not organizations are going to further leverage and utilized technology. It's simply an imperative for the organization. So we see that first one with just general competitive perspective. There's a lot of competition in the market for each investment and for each deal and being a timely and a well-informed investor really is critically important that you have the right technology in place to support good decision making and good execution. And then if we look just at the tax function itself, we know that tax functions are being asked to do more with less so here again it's absolutely critical that tax functions map out their operating model understand where they can utilize technology where they can utilize bots to help support what they do on a day-to-day basis, so that they can really focus on their areas that are more value added to the organization.

Announcer:

And so David if a tax leader is looking to adopt a technology program. What should they know and how do they prepare?

David:

Organizations looking to undergo technology programs really need to enter the process with their eyes wide open. There certainly is no plug and play available for the challenges that most of this sophisticated organizations are looking to solve for. Each organization is very bespoke making each challenge very bespoke so there's a long process to it and it's a bit of a journey.

In fact, I would highly recommend that organization start really with the technology strategy to really make sure that when they undertake to adopt the technology they're bringing a solution that is valuable and tide into the broader organization and is not an independent tax solution as we do see that sometimes and while it might help in the short term. It turns out that the long-term it's an inefficient approach.

Announcer: And finally David and it's a question we often ask about interviewees. If you could leave the listeners with one piece of advice what would it be?

David: The number one piece of advice that I could give is to make sure that leadership support is align before undertaking a substantial technology program so as we discussed a successful technology program for the tax group really is going to require a lot of planning. It's going to require the input and involvement of multiple functions within an organization from a data sourcing perspective, from a processing perspective, from a reports perspective, and if it's done right it's going to bring value to the organization well beyond the tax group and it's going to bring value for many years, but along the way there will have to be some tough decisions. There may have to be some additional hires and resources and certainly there will be budget discussions so aligning the leadership support in advance of undertaking the program certainly goes along way to ensuring its success.

Announcer:

David, thanks for taking the time to join us today and I'm sure we'll speak again in the future. Join us again next time and please, email us with any suggestions you have for future topics at tax@kpmg.com

Thanks for listening.

Musical exit