

Future of Finance



Many organizations are embracing technology, such as cloud, automation and AI. But what CFOs need to understand is the business challenge that's driving the need for transformation in the first place—rather than letting technology drive the transformation.

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Famous last words..... As a Business Finance minded consultant, I have always challenged the role of the Finance function, with a firm belief that doing good accounting of Actuals is not enough; always championing more focus on Finance, actively generating value for the Bank through faster forward-looking analytics and agile planning to maximize return on equity. Years of data I've reviewed across leading banks throughout the years continue to support this belief. In fact, most Banks express grandiose statements to that effect in their Finance Vision statements. Yet when the chips are down, the value creation components of programs often get lost in translation and Business Transformation degenerates to value protection oriented ledger upgrades.

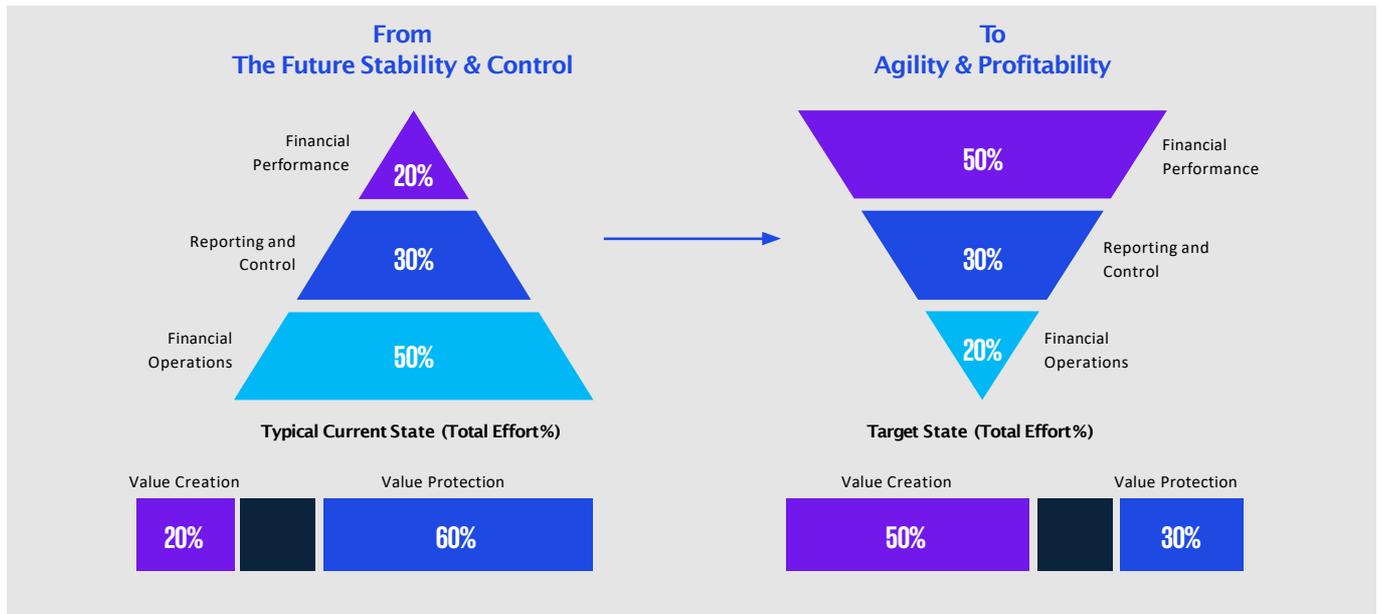
This can result in protracted tech programs that rarely pay for themselves, while often turning off Finance business partners and customers of Finance who see limited direct benefits in the transformation. Programs carrying a 3-5 year horizon, almost always have business transformation planned for at the latter end of that timeframe, to allow the "accounting & data foundations" to be put in place. However, by year 2.5 the program has already tired-out the teams; the reasons why the program started have been diluted to fit the latest priority, the promised foundation is half-way there with bastardized requirements and a waterfall implementation approach to large scale technology. The program is 3 times overbudget and hasty efforts are made to rationalize scope, close it down and call it a success.

In the KPMG 2022 US CEO Outlook (released in Q4'22), the vast majority of global CEOs (86 percent) are convinced we are heading toward a recession in the next 12 months. Moreover, just over one half of the global CEOs (58 percent) believe this recession will be mild and short.

This cooling of expectations makes sense in turbulent times. Change is constant and disruption is the norm. An ongoing pandemic, inflation, the Great Resignation in an already tight labour market, and the Ukraine Russia war all add to supply chain challenges and destabilized markets. At the same time, we see ongoing evidence of climate change, including a rise in the number of disruptive weather events around the world.

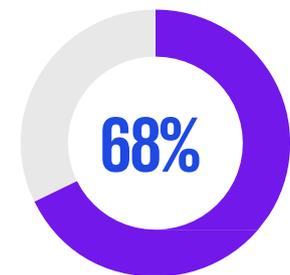
In the midst of these global challenges, leading Finance organizations are leveraging data to help them better respond to a rapidly evolving business landscape.

The Future of Finance is about balancing Finance effort & enterprise value

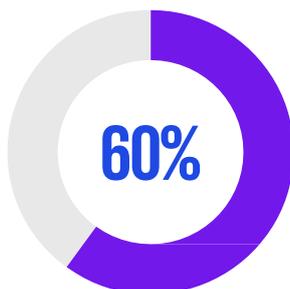


The future has not changed. The way to get there needs adapting

For Banking, the Future of Finance remains unchanged. All major banks participating in BFFB roundtables agree to a customer-centric, data driven and operating model agnostic vision, enabling Finance to become 'Co-Pilots to the Business' (refer to 2021 BFFB report). But when visionary discussions in roundtables conclude, most CFOs and Finance COOs revert to traditional transformation thinking and a lot of Finance executives consider that an approach with even equal focus on Finance for the Business is just a marketing ploy to brand an otherwise traditional program.



68% of CFOs are investing in digital transformation over the next 12 months



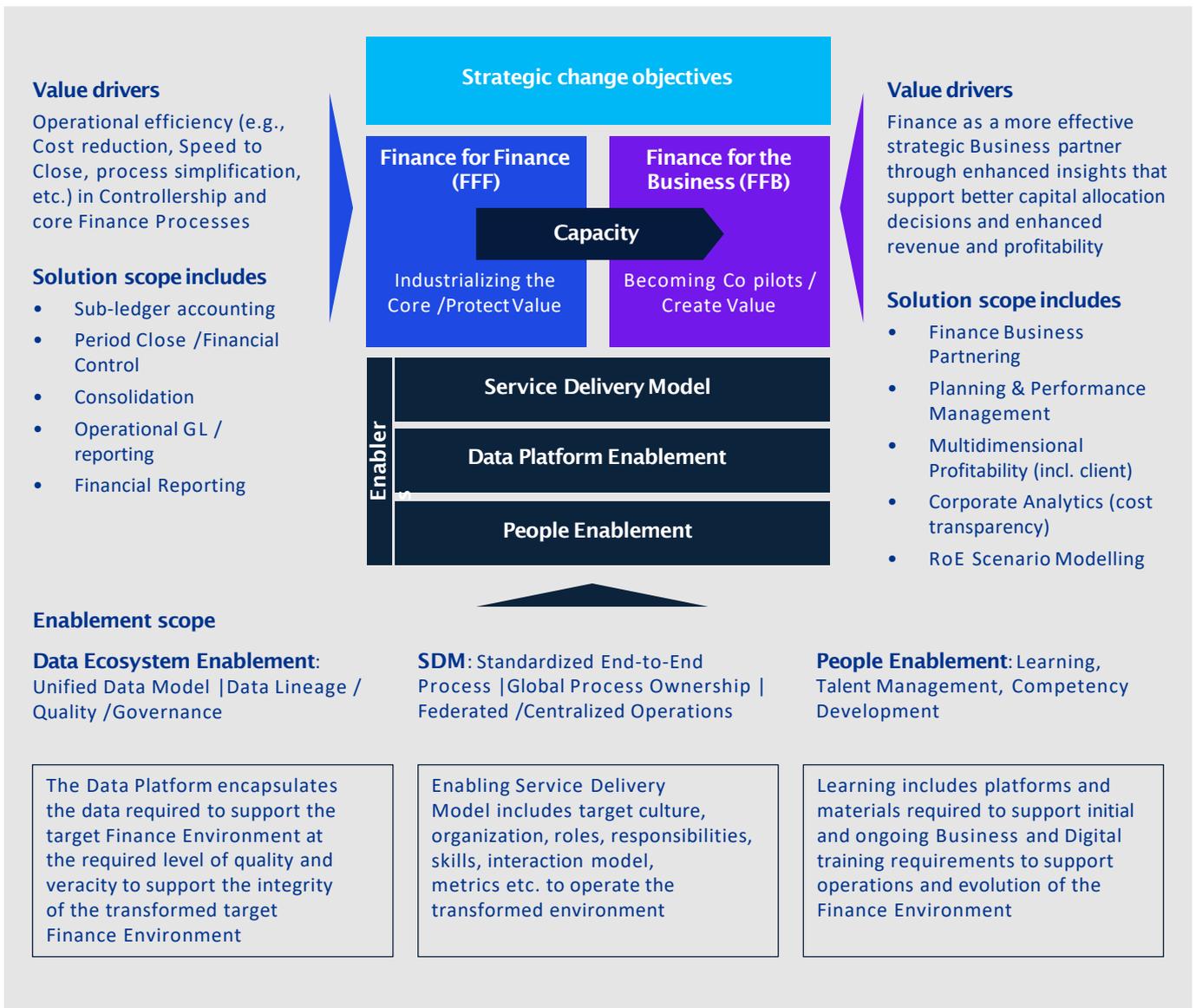
Over 60% of leading Finance organisations have adopted predictive forecasting and analytics

If traditional thinking is reversed, what might different look like?

1. Outside-in co-sponsorship for Finance Transformation from the business /functions executive because it addresses their problems, not Finance's problems
2. Focus on business outcomes the customers of Finance want (e.g. Client Profitability, Scenario Planning etc.) rather than solutions (e.g. Oracle, Workday, SAP, RPA, etc.)
3. A portfolio approach with Controllership and Business Finance; each with individual programs with separate sponsors, objectives and speeds, and with data being the common language
4. People being at the heart of the transformation (e.g. new ways of working, digital talent upskilling, etc.) and invested in upfront rather than primarily being the subject of an FTE reduction discussion
5. Not aiming for the bar – aiming to beat it

Finance for Finance & Finance for the Business – A balanced portfolio

It is important that Finance Transformation programs are ran as a portfolio with federated sponsorship for Industrializing the Core and Creating Business Value, with an equal chance on investment.





Outcome driven change, not solution driven

The measurement of success for Finance for Finance (FFF) initiatives is fundamentally different to that of Finance for the Business (FFB) initiatives.

We have seen banks that adopt this outcome-driven portfolio approach truly making transformational strides in a short time, improving Effort and Value KPIs across the board. These programs are sharper, with high business participation and sponsorship.

10-15 pts ROE improvement	15-25% Improvement in working capital	40% Reduction in implementation time & cost
>50% Of Finance effort in value creation and forward looking analytics	35% Reduction in Finance IT spend	80% Pre configured, 20% client specific
95+% Forecasting accuracy	9/10 Average client feedback	25% Reduction in close cycle
2-4% Revenue improvement	30% Reduction in cost of Finance	8 Days to prep forecast and <4 budget iterations (25 days end to end)

■ FFF
 ■ FFB
 ■ Enable

With People Transformation at the core of Business Transformation

Characteristics of a Finance co-pilot



Strong understanding of market trends



Good instincts



Speed of decision making



Courageous and inclusive leadership



Situational awareness

From Traditional

Accounting focused background

Measuring performance with financial metrics

Execute within existing processes and tech

Administrator and controller

Measure results and preserve value

To Co-Pilot

Broad based experience

Ability to link company strategy to financial metrics

Uses new technologies data mining, machine learning

Strategist and architect of the future

Forward looking analytics and create value



With a hybrid and realistic program profile

	Centralized	Hybrid	Decentralized
Scope	Finance wide	Carve outs agreed upfront	Scope evolves in light of circumstances
Nature of financial benefits	Defined strategic outcomes and savings	Mix of cost and revenue benefit, mainly strategic	Mainly tactical initiatives under strategic banners
Branding	Branded programme with clear financial outcomes	Integrated messaging and communication of themes	Run through Business as Usual via a variety of initiatives
Phasing	Traditional 3/4 phased optimisation programme	Phases evolve over time	Top down edict followed by BAU focus and pace
Governance	CEO & CFO led with 'Horizontal' and 'Vertical' owners	Sponsored by Senior Executive within existing business structures	BU's run own cost programmes with light portfolio governance at centre
Tactical v. structural	Major structural change to all components of TOM	Mix but not comprehensive across TOM component	Limited tactical change e.g. process only
Style/culture	Top/down target-led, feet to the fire	Top/down, target-led but targets part of wider KPI's	Bottom-up best endeavours