



Future Ready Finance Survey 2019

**Learn what high-performing
organisations are doing differently**

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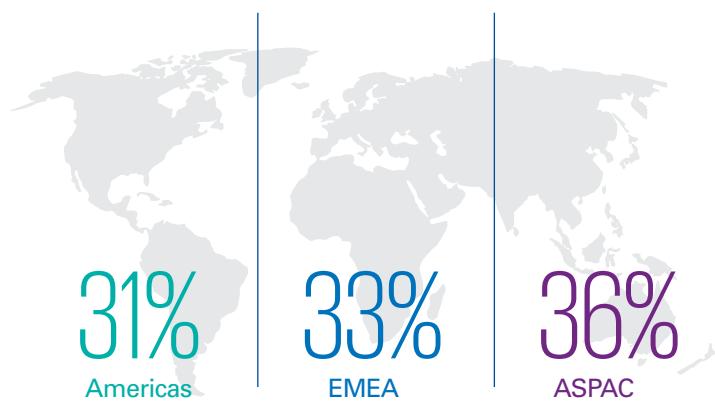
“ Finance does so much with data every day. The way data is structured is one of largest drivers of Finance costs. Manually consolidating and manipulating data in Excel is still far too common and, in many cases, the information is questionable. With all the tools to which organisations now have access, there's simply no reason to perpetuate inefficient and unreliable practices. ”

— Ron Walker, KPMG in the US

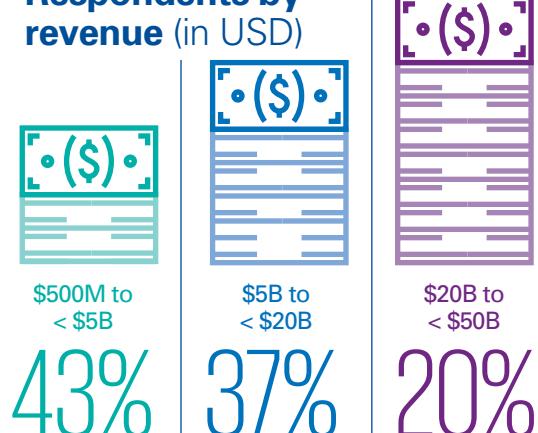
About this survey

Total number of respondents: 859

Respondents by region



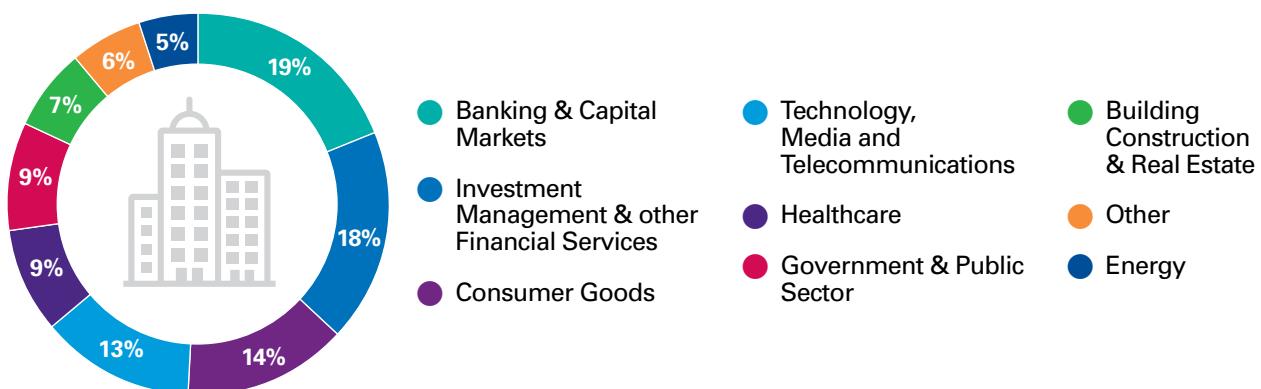
Respondents by revenue (in USD)



Respondents by title



Respondents by industry



Don't gamble on the future. Act now.

Stephanie Terrill, Global Lead of Financial Management, KPMG International

CFOs face a host of forces that have opened up opportunities for Finance to take a leadership role in the enterprise like never before. Factors such as rapid technological advancements, relentless regulatory changes, the rise of agile enterprise models, an explosion of data, and a heightened need for analytics have combined to place an abundance of new demands on the Finance function. While these demands can seem daunting, with the right operating model, tools and talent—Finance can rise to a strategic leadership role.

KPMG's Future of Finance initiative was developed to identify how Finance must evolve to adapt to these forces and take a posture of enterprise leadership. As part of the initiative, KPMG professionals surveyed more than 850 senior Finance and management executives across industries and geographies on their priorities, challenges and capabilities. The data from the survey reveals how Finance organisations are coping with this rapidly changing business environment, and their progress in implementing agile operating models, new Cloud-based technologies, data and analytics, and extreme automation.

The survey results present a mixed picture of the current state of Finance. On the one hand, the majority of Finance organisations are well in tune with the requirements of the new reality, and have sought to balance maintaining their traditional responsibilities as a controller, such as risk management and controls, with developing new capabilities as an enterprise performance manager, such as dynamic capital allocation and planning and forecasting. The real challenge is not forming a strategy, but rather executing this strategy: the survey shows that nearly two-thirds of organisations have struggled to implement their most forward-thinking priorities.



“ The real challenge is not forming a strategy, but rather executing this strategy: the survey shows that nearly two-thirds of organisations have struggled to implement their most forward-thinking priorities. ”

— Stephanie Terrill, KPMG International

Needless to say, the stakes have never been higher. Finance organisations that fail to adapt risk being left behind as their companies lose market share and confidence in finance's ability to accurately report and forecast performance. This often results in shadow finance organisations within business units.

The good news is that success is achievable. Indeed, a small group of Finance functions at high-performing companies¹ have not only been able to adapt to this new environment, but to thrive in it. These organisations are far more successful in executing on their most important imperatives, employing next-generation automation and analytics technologies to provide critical insights to inform business decisions, and becoming a force for innovation within their enterprises.

A number of capabilities distinguish these exemplar Finance functions from others:

- > New ways of working with business partners, utilizing an agile operating model that promotes collaboration and blurs the distinction between Finance and other business functions.
- > An emphasis on predictive and prescriptive analysis and insights to guide forward-looking business decisions rather than simply measuring past performance.
- > Automation of data management, transactional processes and other activities of low strategic value, freeing Finance staff to focus on higher value-added activities.
- > Supporting, and in many cases leading, enterprise-wide innovation through dynamic capital allocation that balances investments in core areas with known technology with riskier, new-to-the-organisation or sector technologies.
- > A relentless focus on talent, ensuring that the Finance organisation has access to the high-level analytical, design thinking, and technology skills needed in the future.

While the forces of disruption are real, so is the opportunity. Finance organisations that can master these capabilities can expect to prosper in the new environment. ●

¹ High-performing organisations are defined as ranking in the top 16 percent on a combined measure of revenue and profitability growth

Future ready finance: the UK perspective

Will UK finance functions miss the opportunity to become a strategic partner?

UK finance functions are more focused on cost reduction than strategic investment and forward thinking - leveraging Data and Analytics (D&A) to meet this goal.

61% of UK finance functions are using D&A to cut down costs, compared to 44% globally. This could be down to Brexit-driven uncertainty - businesses anticipating market disruption want to minimise costs and external uncertainty drives a need to trust in their own data and decisions.

Interestingly, this theme extends beyond the 'here and now'. When thinking towards a reshaped finance service delivery model, only 18% rate 'shifting functional focus to more value-added and strategic activities' as an important capability, underlining the fact that cost reduction (37%) is a stronger priority.

Most important capabilities from a reshaped finance service delivery model:



37%

Increase functional efficiency and reduce operating costs



18%

Shift functional focus to more value-added and strategic activities

Regulatory change could be distracting finance leaders' attention.

Future-proofing against future regulatory change is a key priority for UK finance organisations. Evolving regulation across markets – and the financial risks associated with compliance failures – means finance functions understand the importance of staying ahead of the game.

13% rank this as their biggest challenge – more than almost any other country in our survey. As the UK renegotiates its relationships with major trading partners, finance functions may be anticipating the challenge of meeting diverse regulatory requirements.

Interpreting and meeting governance, risk and compliance requirements is a key challenge for the finance function:



Skills shortage are a worry too.

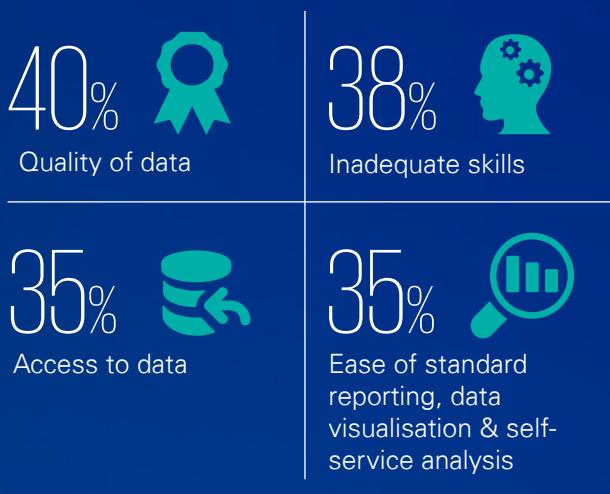
Investing in Data & Analytics (D&A) is a top goal for UK finance functions.

Top priorities for UK companies



38% of UK respondents say inadequate skills among finance staff are a major barrier to leveraging D&A. D&A is key to improving analysis, forecasting and planning capabilities and to enabling the finance functions to become a strategic partner. This barrier demands urgent attention.

Biggest barriers to improving maturity in use of D&A:



“ Finance teams that are not demonstrating strategic behaviours may find themselves questioning their value in an automated world.

With geopolitical uncertainty and emerging risks providing constant distraction, the key is making sure that teams are establishing and maintaining a consistent vision of their future whilst remaining agile in responding to external changes.

Once individual teams are engaged, senior leadership alignment on future-focussed strategies is critical in ensuring that the whole business performs.

Peter Luscombe,
Head of Finance, Transformation KPMG in the UK

And UK CEOs and CFOs are not aligned on key technology goals

Nearly twice as many CFOs as CEOs say investing in data and analytics is a priority. This suggests CFOs understand much more keenly D&As potential to transform the finance function and enable higher-value, strategic activities.

D&A investment is a priority:



CEOs expect IA processes will move to the cloud faster than CFOs. This could be because CFOs with direct experience of migrating systems to the cloud are more realistic about how long this process takes.

Timeframe for IA cloud adoption:



Key global findings

Channeling change



Forward-thinking Finance functions have begun to master the current environment of business disruption and technological change.

These organisations significantly outperform their peers in driving revenue growth and profitability by combining agile service delivery models (SDM), extreme automation using Cloud and emerging technologies, and advanced analytics

to enable data-driven performance management and decision making.

High-performing companies enjoy a success rate of 50 percent or more on almost all initiatives, while the rest typically have a success rate of 25 percent or less.

Pursuing priorities



Most Finance functions, however, struggle to succeed at their most important, future-oriented initiatives.

Less than a third (28 percent) **view their current initiatives as a “great success”** across a range of priorities.

Finance especially struggles at using data and analytics (25 percent success rate) and

extreme automation (22 percent success rate) to increase the quality of analysis it provides.

Finance also falls short at supporting their organisations in **responding to disruption and enabling innovation** (27 percent very strong support), **two of the most critical capabilities** for the Finance organisation of the future.

Extending the edge



Finance at high-performing organisations leads rather than follows on key business priorities.

At most organisations, **Finance overemphasizes operational and cost-reduction** focused initiatives relative to the priorities of executive management, at the expense of higher value-added activities that increase automation and agility.

At high-performing organisations, the opposite is the case, with Finance placing a higher priority than executive management on planning (36 percent vs. 18 percent) and insight generation (47 percent vs. 32 percent), though still maintaining a focus on cost of service.

Dominating data



Dealing with the avalanche of data by solving the “basics” is the first step on the path to enhanced analytics.

Data quality is the single greatest challenge to improving analytics capabilities at non high-performing companies (43 percent), followed closely by difficulty integrating new analytics tools with legacy systems (38 percent).

These two items are critical prerequisites to providing enhanced analytics and predictive forecasting.

High-performing finance functions have this foundation in place, and **have now shifted their attention** to determining what business questions they should answer **to help their organisation remain competitive and gain market share** (39 percent).

Attaining automation



Extreme automation brings both promise and perils for talent.

While **the vast majority agree that automation will allow Finance to focus more on higher value-added activities** and less on transactional ones (78 percent), few have been able to adapt their skill bases to the realities of a more automated workplace.

And, while almost all agree automation will have a significant impact on their overall staffing levels (75 percent), there is no consensus on the direction or magnitude of this effect.

High-performing organisations excel at both anticipating the impact of automation on their talent needs and at reskilling existing staff with exception management and analytical skills so that humans and machines can effectively co-exist.

Accordingly, while high-performing organisations expect a much higher percent of their finance workforces to be impacted by automation (**45 percent expect more than one-fifth of their staff to be impacted** vs. 20 percent of others), they also expect to retrain and retain a much higher proportion of their staff (61 percent retention of 75 percent or more of impacted staff vs. 43 percent).

Insights: ALM Intelligence



“ Forces such as automation, regulatory changes, geopolitical instability and a shift in business models are placing stresses on the Finance function that it has never felt before. **Finance is being reshaped from the outside**, reacting to these forces and demands from the CEO to adapt to them. To succeed in the future, Finance needs to change its mindset from being a reactive problem-fixer to proactively engaging with the business. **”**

— Tomek Jankowski, Senior Analyst, ALM Research

Definition of terms

Intelligent automation (IA) is an umbrella term for software solutions in the form of robotic process automation, cognitive computing, machine learning and artificial intelligence that are designed to transform business processes, customer interactions, and overall competitive edge.

Robotic process automation (RPA) is the application of technology that allows configuring computer software or a “robot” to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses, and communicating with other digital systems.

Cognitive computing (CC) is the simulation of human thought processes in a computerised model. CC involves self-learning systems that use data mining, pattern recognition, and natural language processing to mimic the way the human brain works.

Machine learning (ML) and artificial intelligence (AI). Analogous to cognitive computing is ML and AI that encompass the capability of a machine to imitate intelligent human behavior. ML is more “trained” cognitive computing while AI is more “self-taught” cognitive computing.

Core financial systems are comprised of areas such as accounts payable, accounts receivable, general ledger, fixed assets, close and consolidation and the like.

Peripheral financial systems are comprised of areas such as time and attendance, expense reimbursement and the like.

The performance payoff

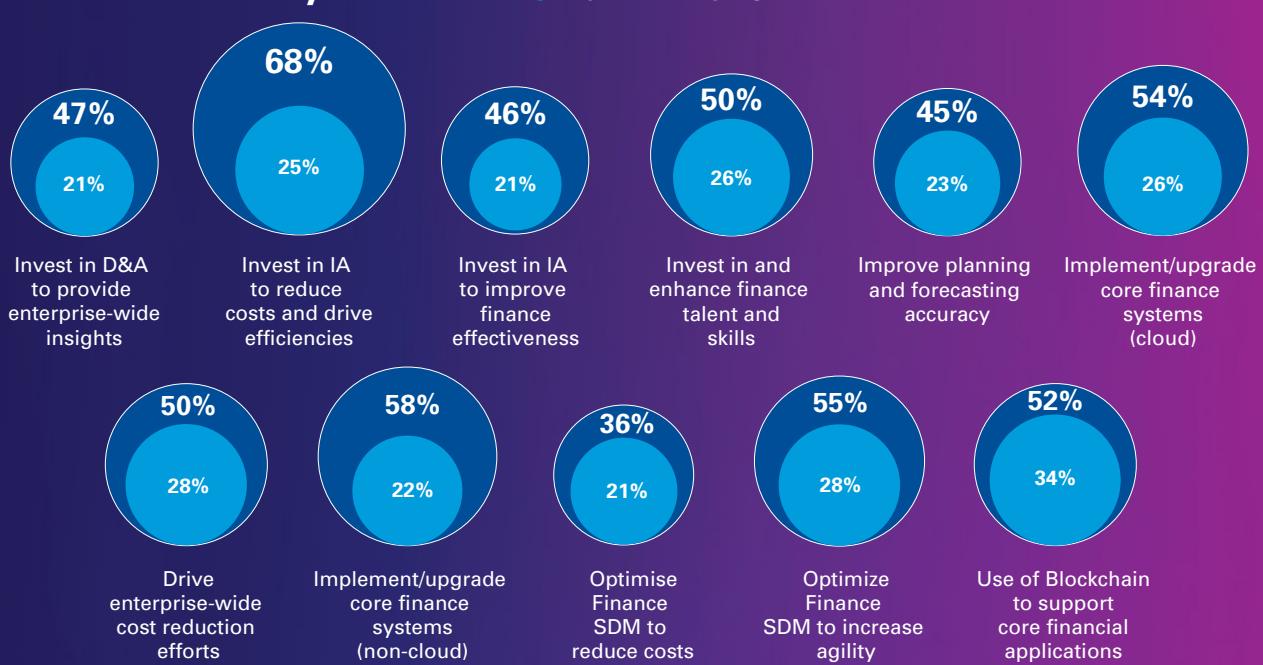
While the survey results show that success in executing Finance's most important initiatives is elusive at many organisations, they also show that it is more than possible to prosper in achieving next-generation priorities. A small group of high-performing companies significantly outperform their peers, harnessing extreme automation and data and analytics (D&A) to drive better business performance. While these organisations, defined as ranking in the top 16 percent on a combined measure of revenue and profitability growth, are more concentrated in industries such as financial services and technology, they span all regions and company sizes.

Execution is the gold standard

What makes high-performing organisations different is not their priorities. What makes them different is that they are dramatically more successful at executing on those priorities. High performing companies enjoy a success rate of 50 percent or more on almost all initiatives, while the rest typically have a success rate of 25 percent or less.

High-performing organisations enjoy the greatest relative advantages in critical areas such as using extreme automation to reduce costs and drive better analysis, utilising cloud-based systems, and optimising service delivery models (SDM) to be more agile.

Success in Priority Initiatives

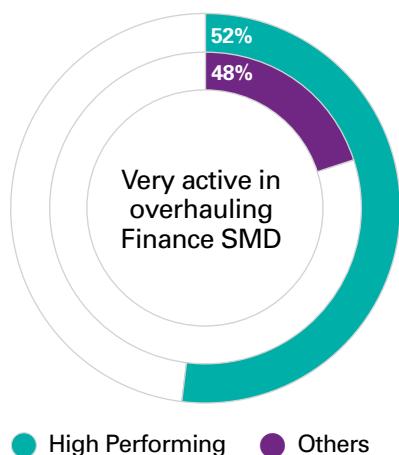


Source: Future Ready Finance Survey 2019, KPMG International

Institutionalising agility

Another area in which high-performing organisations excel is in deploying agile operating delivery models to adapt to changing business models and taking advantage of new technologies. Their success in this area compared to others once again confirms that while execution is critical, it remains a challenge for most finance teams.

SDM activity

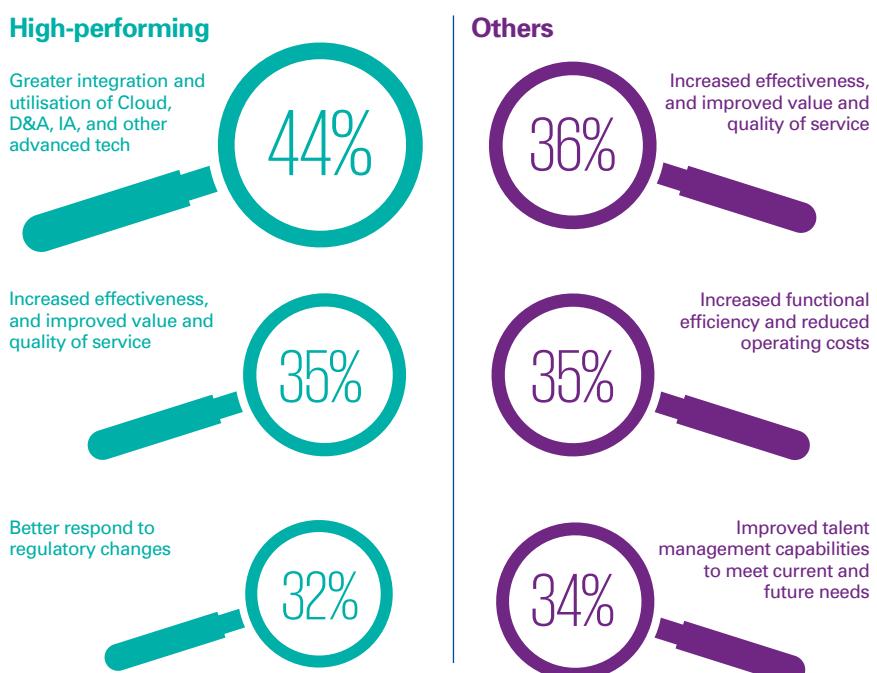


Source: Future Ready Finance Survey 2019, KPMG International

In the past, Finance has sought to balance the benefits of centralisation – such as the ability to enforce a consistent strategy across the enterprise, reduce costs through economies of scale, and leverage scarce skill sets – with the flexibility and local responsiveness of decentralisation. Centralisation will still often prove to be an important

element of future operating models. The impetus of these centralised models, however, are expected to increasingly shift away from cost reduction, with digital technologies and the availability of data making value creation the primary focus of operating model redesign.

Top three SDM capabilities



“ Extreme automation is expected to dramatically change the size, structure, and delivery model for Finance. As robots take over transactional tasks, Finance teams can be smaller and focused on exception management and insights. Geographic and functional silos become less relevant, and the emphasis will likely shift to partnerships and collaboration. ”

— Nikki McAllen, KPMG in Australia

High-performing companies have recognised the implications of the shifting technological landscape for their operating models, and have taken actions to match: they are more than twice as likely to be very active in overhauling their SDMs. What's more, they view the desire to fully utilise Cloud, analytics, and automation technologies as by far the most important rationale behind their SDM redesign initiatives. Non high-performing organisations, on the other hand, tend to overemphasize improving talent capabilities when redesigning SDMs, indicating that they face greater skills issues than their high-performing peers.

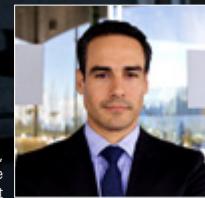
Centers of Excellence (COEs) will also play an important role in the Finance delivery models of the future. As more sophisticated systems are able to extract key data for analysis, Finance will not need to embed as many staff in business units and geographies. These COEs, equipped with intelligent automation (IA) and concentrated expertise in analytics, should help guide the business in such areas as forecasting and capital allocation decisions.

As the function continues to evolve, Finance organisations will likely grow smaller, with a primary focus on governance and exception management. As automation becomes more sophisticated, even exceptions should be rare as predictive analytics will increasingly be able to minimise them. Reporting should be real-time, self-service and flexible enough so that users can get to the level of detail they need to support decision making. Global teams should be fully supported by a service catalogue, with standard KPIs focused on both financial and operational excellence. ●

Case Study

Nissan Motor Co.,Ltd.

Roberto Delgado,
VP of Global Revenue Management



Nissan Motor Company (Nissan) presents a compelling example of the benefits of automating manual processes to reduce labor hours and increase output quality. The company recently undertook a technology-enabled redesign of its monthly process for calculating the profitability of its products by model and operating region, leading to enormous benefits.

"We used to do everything manually," says Hao Qian, GM, COP Reporting and Industrial Strategy at Nissan. "Our regions would send hundreds of spreadsheets to our head office, and data was not always entered consistently. We would spend an enormous amount of time manipulating the data, and then would manually distribute reports in an inflexible format."

Relying upon leading enterprise performance management (EPM) software, Nissan compressed cycle times, reduced errors, improved the quality of its reports, and, perhaps most importantly, freed its headquarters staff to concentrate on value-added analysis instead of data processing. Rather than looking to headcount reductions with the hours it saved from implementing the new process and technology, it moved three of the 19 staff members involved in the financial consolidation process into full-time data analysis roles. Nissan is now undertaking a similar redesign of its sales and marketing reporting.

"Don't start with the current process and think about how you can improve on it," advises Roberto Delgado, Nissan VP of Global Revenue Management. "Instead, identify the end state you are trying to achieve and think backwards. Having a vision of the ideal process is the only way to identify the best possible scenario given resource constraints."

Succeeding where it matters least

As part of the Future of Finance survey, KPMG professionals asked executives both what initiatives they are most focused upon and how successful they expect to be with them. Consistent with a desire to increase the value provided by the Finance function by enabling better business decision making, the most commonly cited high-priority initiatives focus on utilising D&A and automation to increase the quality of insights and improving planning and forecasting accuracy. Yet these initiatives are precisely the ones with the lowest success rates, while lower priority ones such as deploying blockchain show much greater success. Becoming a leading Finance organisation will require the CFO to invert these results by devoting outsized resources to these highest-priority, hardest-to-execute activities.

The quest for quality

A majority of organisations, in fact, struggle to successfully implement most of their initiatives, with less than a third of respondents calling any a “great success.” And, while Finance organisations have increasingly been called upon to improve the quality of insights they provide, they continue to struggle in this area, with the largest gap between ambition and success lying in using IA to improve analysis quality.

A number of challenges stand in the way of implementing advanced D&A and automation:

Achieving Capital metric thresholds. Unlike cost reduction initiatives, it can be difficult to quantify the benefits of better analysis and better decision making. Finance needs to go outside of its comfort zone to allocate capital using a portfolio approach which includes investment dollars for innovation and emerging technology.

Integration with existing systems. Although a host of new tools provide proven benefits in automating manual tasks and increasing analysis quality, it can often prove challenging to integrate these platforms with existing legacy systems and move data between systems.

Data quality. Organisations too often look for quick fixes from their technology solutions, but avoid the “heavy lifting” necessary to properly address the quality and consistency of its data. While technology can enable better business outcomes, if you don’t get data right—nothing else matters.

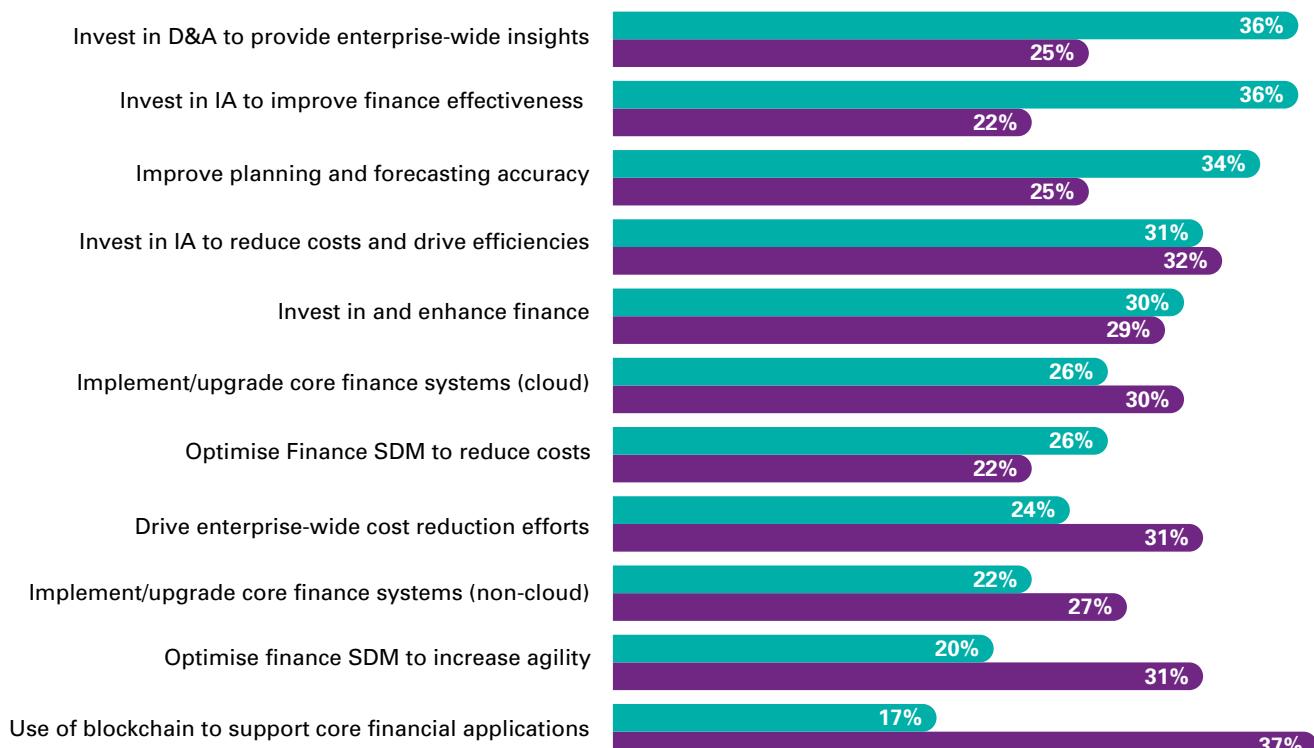
Process redesign. Enabling poorly designed processes with a new technology platform is a recipe for investing significant capital without achieving the anticipated return in revenue enhancement or cost reduction.

Organisations have proven somewhat more successful with cost-focused initiatives, including those involving automation. Technologies such as Robotic Process Automation (RPA) in core Finance processes are more mature, and generally easier to implement, with cloud

and managed services offerings often presenting an easy implementation path. Deploying blockchain to support core financial applications enjoys the highest success rate, though it carries the lowest priority of any initiative.

Initiatives: Priority vs. Success

■ Priority ■ Success



Source: Future Ready Finance Survey 2019, KPMG International



“Finance needs to move away from being perceived as the people who tell the business what they can and can’t do, and instead be viewed as a trusted advisor on the best way to deliver strategic outcomes. Making this shift not only requires the capability to provide data-driven insights to the business, but also changing the “control” mentality among Finance staff to one of leadership.”

— Peter Luscombe, KPMG in the UK

Case Study

WNS Global Services



Sanjay Puria,
CFO of WNS

The finance function of WNS Global Services, a leading business process management company having its presence in more than 13 countries with more than 41,000 employees, has made a concerted effort to expand its role beyond its traditional control and reporting responsibilities to become a value-added business partner. Its experience helps to illustrate some of the challenges and benefits of this journey.

"Typically, finance functions toggle between the transactional and strategic aspects of handling change and transformation", says Sanjay Puria, CFO of WNS, "which is why we went beyond mere financial decision-making in shaping our global strategy. In close collaboration with the business, WNS' finance function is focused on enabling holistic business transformation.

"Our finance function stands at the cusp of digital inflection enabled by a robust operational arm," says Puria. Accordingly, WNS is developing three broad capabilities—domain expertise, technology and analytics—as it concentrates on non-linear growth, people development, location expansion and maximizing billability. WNS has implemented automation technologies in multiple areas including performance reporting, treasury, seat capacity management; created a data warehouse; and undertaken a comprehensive change management and retraining programme to upskill its employees and instill an analytics-based culture.

One of the greatest challenges that WNS Finance effectively managed, says Puria, is the cultural transition of their staff and business partners. "Whenever you automate a process, employees will naturally wonder what's going to happen to their jobs. You need to give your team the comfort that you are willing to invest in them to make them future-ready."

This cultural shift involved resetting expectations among members of their function regarding the types of information they needed to deliver. "We let them know that simply comparing budget versus actual is not analysis," he says. "Instead, we emphasize aspects such as outliers, early warning signals, and trend analysis including descriptive and predictive analysis."

One key to success, Puria says, is collaborating with business partners to define new analyses and business performance systems. "We have a complex structure, with a mix of industries, services and geographical presence from the delivery perspective. Different constituents want to look at their business in different ways," he adds. Appropriately, WNS' finance team designed a partner toolkit with automated budgeting, pricing analytics, 'what-if' analysis, and accurate revenue forecasting systems. Other innovations include next-generation asset and capacity management, smart receivables and treasury management, and end-to-end accounts payable

automation. It is, as Puria describes, "a total transformation to insightful action boards."

While Puria acknowledges that there is some work left to be done, WNS has already seen tangible progress on its efforts. "The traditional approach in Finance will no longer work" says Puria. "To succeed, we need to make ourselves future-ready. This will be a two-to-three-year journey, but we are already seeing results in driving revenue and profitability growth and helping our business partners make better decisions. The big differentiator," he adds, "is that it has been a structured journey rather than a big bang implementation."



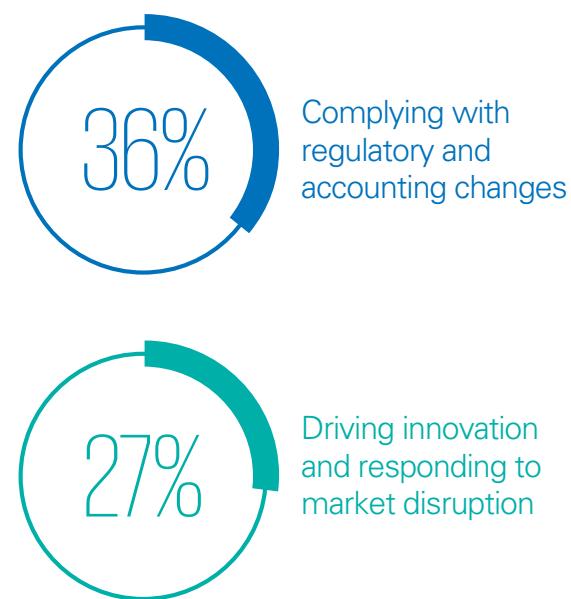
Innovate or depreciate

Finance functions do relatively well at the traditional core imperative of complying with regulatory changes. While this capability is an important part of the Finance function's basic responsibilities, in the age of technology-led disruption, it is increasingly viewed as low-value "table stakes." The Finance organisation of the future will be measured on its ability to respond to market disruption and drive innovation both within Finance and enterprise-wide. And, the survey results reveal that most Finance functions do a relatively poor job in these areas.

Given its expertise, Finance has a natural lead role to play in capital allocation decisions, a critical component of innovation. In order to succeed at enabling innovation, however, Finance must move away from its traditional "control" mentality and think more like a venture capitalist, leading agile new funding approaches and spreading bets across riskier investments, quickly discontinuing projects that do not succeed and doubling down on those that do. ●

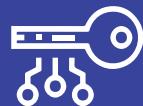
Level of support for goals and initiatives

(Percent who expressed very strong support)



Source: Future Ready Finance Survey 2019, KPMG International

Key actions



How to think like a venture capitalist

Utilise an agile, dynamic funding model. The annual budgeting process, one of the most commonly used mechanism for capital allocation decisions, is often inadequate to accommodate a rapidly changing business environment. A more dynamic model, governed outside this process, allows for small, quick, ongoing decisions that can be revised as needed.

Have a portfolio view, balancing ongoing investments in core areas with riskier, cutting-edge ones. In many organisations, there is a strong bias to build upon legacy initiatives rather than deploying new investments that may be viewed as risky or unproven. Overcoming this bias requires a new approach to risk mitigation and new investment criteria such as urgency, competitiveness, feasibility, and strategic fit.

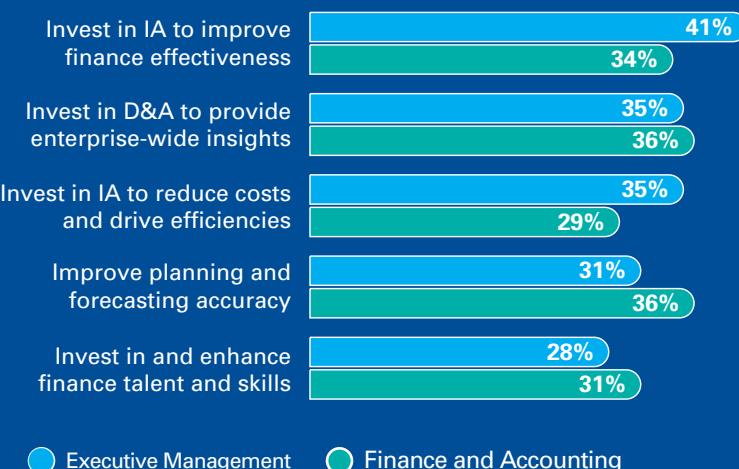
Enable a "test-and-learn" approach. A test-and-learn approach involves experimenting with new ideas in a limited fashion and observing the results of those experiments, then quickly scaling up if successful or discontinuing if not.

Look beyond ROI to measure success. Simply looking at how much a project increases revenue or decreases cost will often be inadequate to measure the benefits of many technology implementations. In addition to "hard" measures, focus on more difficult to quantify benefits such as increased customer satisfaction or more timely, higher quality analysis.

The CEO-CFO alignment imperative

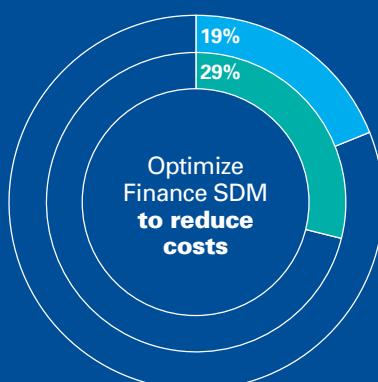
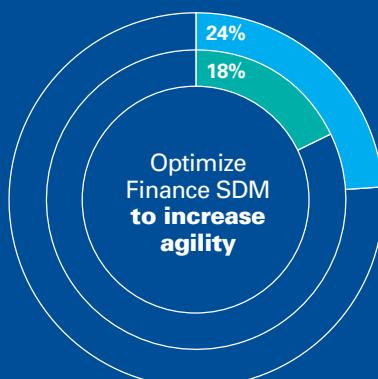
KPMG's Future of Finance survey included responses from senior professionals both in executive management and in the Finance function. Comparing the responses of these two groups provides valuable insights on the degree of alignment between Finance priorities and overall business strategy. While the priorities of Finance staff and executive management broadly reflect one another, they differ in several important areas. Most significantly, Finance remains more focused on traditional operational and cost-focused initiatives, and less focused on the use of advanced technologies, than executive management.

Top 5 goals and initiatives (All organisations)



Source: Future Ready Finance Survey 2019, KPMG International

While both groups are equally focused on investing in D&A, executive management places a higher priority than Finance on investing in automation technologies, both to drive better insights and analysis and to reduce costs. And, when optimising service models, executive management prioritises agility, while Finance stresses cost reduction.



Legend: Executive Management (Blue), Finance and Accounting (Green)

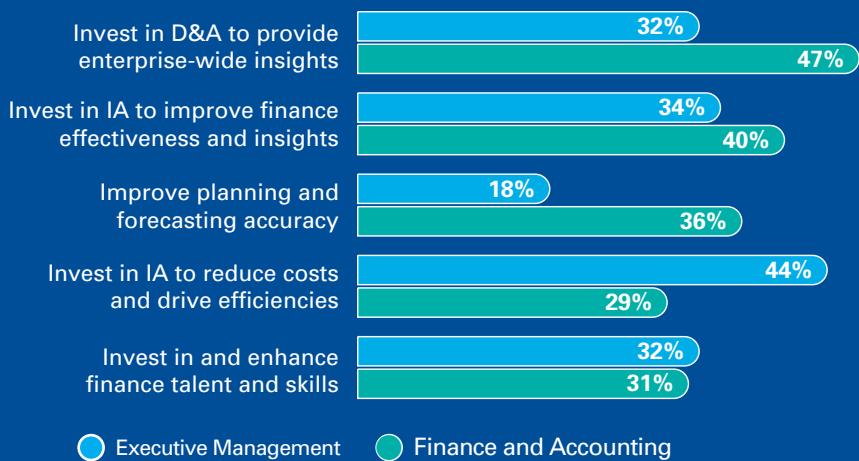
Needless to say, if Finance wishes to move beyond its historical core role as a control and transaction-processing function, leading rather than following in these areas is imperative.

Comparing the priorities of Finance and executive management at high-performing companies shows that Finance acting as a leader on the organisation's most forward-looking initiatives pays immense dividends. At high-performing organisations,

the relative priorities of Finance and executive management look very different than those at others. Finance, in fact, is actually less focused on cost reduction than executive management, and more focused on improving planning and forecasting accuracy, investing in D&A, and using automation to drive better insights.

At these organisations, Finance has largely mastered “the basics” and instead places its emphasis on areas that best allow it to become an enabler of better business decisions across the organisation. ●

Top 5 goals and initiatives (High-performing organisations)



Source: Future Ready Finance Survey 2019, KPMG International

Case Study

Leggett & Platt

As part of a more comprehensive business process transformation, Leggett & Platt, a diversified manufacturing company, has fundamentally rethought its global financial planning and demand planning processes, with a focus on standardisation, increasing data quality and providing higher quality analysis and insights.

Over the years, Leggett & Platt has made a number of acquisitions. As a result, explains Ryan Fathers, VP of Finance, Leggett & Platt Automotive, “Everyone came to their own conclusions on how they should put together their forecasts, annual operating plan, and five-year strategic plan. This lack of visibility into how different units generated their numbers made it very difficult to do any sort of advanced analysis. We had a homegrown, Excel-based approach with no consistency.”

The technological foundation of Leggett’s redesign rests upon a standardised, cloud-based ERP system, a supply chain management platform that incorporates predictive



analytics, and an external market data feed, all integrated with one another to enable financial planning, demand forecasting and opportunity analysis.

“We’ve been a collection of controllers over the years,” adds Fathers. “What we need to do is evolve into a true financial planning and analysis function, where we act as business partners that understand more than just the journal entries and reconciliations, and provide value-added analysis and business recommendations using advanced tools and standardised databases.”

While Leggett & Platt is still in the process of fully implementing its redesign, it has already begun to see a marked change in its culture and the ways it evaluates its business performance. “We’ve seen a shift in mindset on how we should collect our data and analyse it, how to think about our business, and how we talk about it to the investor community.”

The deal with data

As Finance augments its traditional role as a control function and seeks to position itself as a trusted business partner, perhaps its most critical competency is to enable better decision making across the enterprise by providing accurate, timely, and high-quality data analysis. This reality is strongly reflected in the survey results, with investing in D&A capabilities ranked as a top priority among survey respondents across all industries, geographies and company sizes. Improving planning and forecasting capabilities, another top priority, also requires high-quality data and analysis.

Top three drivers for investing in AI and ML

- Improve analysis
- Improve forecasting
- Improve planning



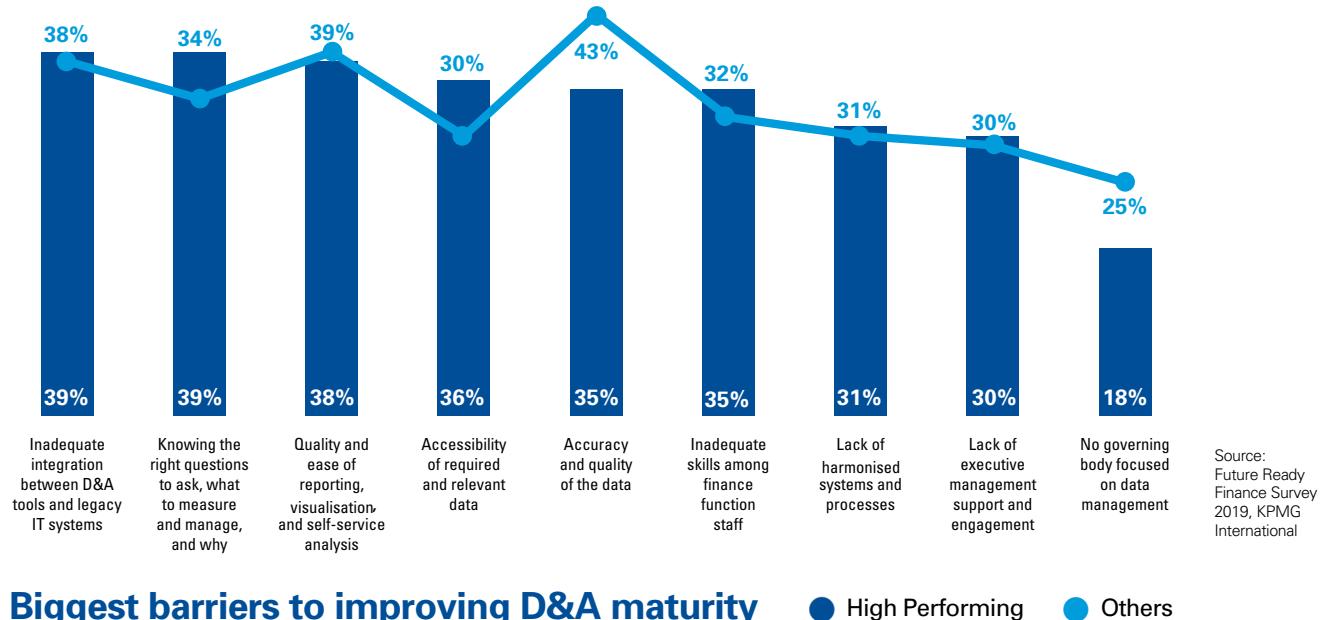
Source: Future Ready Finance Survey 2019,
KPMG International

The primary means through which respondents have sought to improve these capabilities is through the use of advanced technologies, in particular, AI and ML. These technologies place an emphasis on generating forward-looking predictive and prescriptive insights rather than backward-looking descriptive ones.

In the future, Finance organisations likely to be successful will harness data from multiple systems to create automated user-friendly dashboards and reports. Rather than measuring past performance, they will likely rely upon a combination of both external and internal data sources to predict demand, highlight areas of opportunity, and provide critical input on how their companies' most important business decisions are expected to impact the future.

Mastering your data – the foundation is fundamental

A number of challenges, however, stand in the way of improving the quality of insights generated by the Finance function. Foremost among them is issues with data quality. All too often, Finance is presented with data sources that conflict with one another or are inconsistent in format. A lack of clear data standards combined with manual analysis processes leads to analysis and reporting that cannot be fully relied upon. Survey respondents may underestimate the importance of having a strong data management governance structure, which ranks as the least important challenge to improved D&A maturity among survey respondents. Though more immediate, tactical challenges may currently be top of mind, in order to help ensure ongoing success, it is critical to establish the foundation by having clear ownership and expertise in where data should be housed and how it should be analysed.



Biggest barriers to improving D&A maturity

● High Performing ● Others

High-performing organisations have begun to master data quality issues, and see it as much less of a challenge than others: while data accuracy and quality ranks as the top challenge for companies overall, for high-performing companies it falls near the bottom of the list. While high performers still struggle with integrating new analytics

tools with legacy systems, they have largely mastered the data “basics,” and have turned their attention to determining what business questions they should focus on answering, and how to best present and disseminate the results of their analysis. ●

Key Actions: Solving the D&A dilemma



Put in the work to harmonise data sources.

While ensuring data consistency across multiple systems can be a tedious, painstaking process, poor quality data can only lead to poor quality analysis. Organisations need to put in the hard work to create a “single source of truth” that can be relied upon to generate meaningful insights.

Start with the end state, then work backwards.

Rather than resolving to adopt a high-impact analytics technology and then determining where best to apply it, first ascertain what business questions the company most struggles to answer, then determine what data, technologies and other capabilities are required to solve them.

Create non-traditional KPIs to measure business performance.

More sophisticated analytical techniques facilitate the creation of more sophisticated performance measures. Measures such as customer lifetime value and customer experience profitability are being used by exemplar organisations to uncover the true drivers of business performance.

Consider COEs and other centralized resources to solve governance issues.

Data-focused COEs can provide enterprise-wide expertise on how to source and integrate data, how to govern it, and the methods and technologies to analyse it. The Finance function is uniquely well positioned to create and manage such a COE.

Perspective

KPMG Digital Solutions

KPMG Digital Solutions team offers important insights to Finance organisations wishing to improve their D&A capabilities. Given that more data has been created in the last two years than in the last 5,000 years combined¹, yet only around one-half-of-one percent of it has ever been analysed—it's not surprising that most organisations struggle to determine how best to exploit this explosion in available data.

Don't make it only about Finance. Finance is a back-office function that should serve the front office in helping to deliver new customer experiences. A lot of times the CMO, COO, or Chief Sales Officer don't believe Finance can help them transform and offer new solutions. Show value to front- and middle- office functions and say 'this is how we can help.' This starts with showing the role that Finance should play in a connected enterprise.

Humans, not robots, are the key to better insights and analysis. Simply buying new technology doesn't help you transform; nor does making all of your data available to everyone by putting it in a central data warehouse. While having the right technology tools and a reliable data source are important steps, until front- and back-office staff sit together to determine precisely what data to use and analysis to run, you won't be able to generate meaningful insights.

Focus on people. Make sure Finance staff understand that their role is going to be a lot broader than it has been in the past. At the same time, you can't expect someone who has been working in accounting for the past 10 or 15 years to suddenly take on a project such as helping the CMO deliver new AI voice recognition solutions. Give staff opportunities to learn on the job, reskill and upskill. Create teams where staff with digital, Finance, and sales and marketing expertise can work together and learn from one another.

1. Source: Data, Data Everywhere! KPMG in the US, 2014.



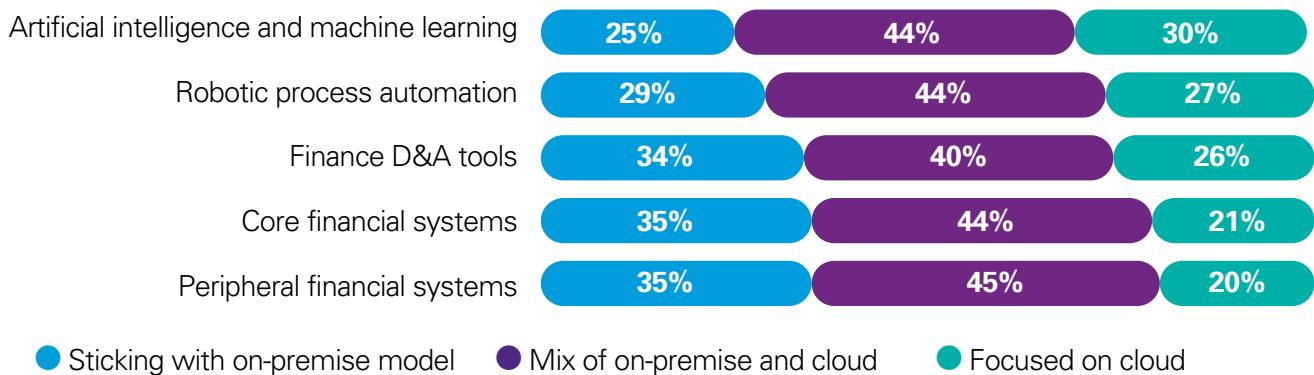
“ The future of finance brings us back to the fundamentals. We are still discussing with our clients the standardisation and harmonisation of transactional processes. Everyone is expecting Finance to bring new insights, but it's often unable to do so. Addressing data quality is the key to laying the foundation for new analytics capabilities. ”

— Andreas Reimann, KPMG in Germany

Coexisting in the cloud

Cloud has begun to reach maturity, with two-thirds or more of organisations using at least some cloud solutions across all major Finance systems. Organisations have most heavily adopted cloud as part of their automation initiatives, while adopting it least frequently for core and peripheral financial systems.

Adoption strategy of cloud-based solutions for the following technologies



Source: Future Ready Finance Survey 2019, KPMG International

Cloud-based, as-a-service software for enterprise performance management (EPM) and enterprise resource planning (ERP) is increasingly being used to enable integrated end-to-end global processes. These technologies can help finance standardise processes and improve efficiency in areas such as budgeting and planning, management reporting, and payroll processing. For example, instead of embedding financial planners in each part of the business, Financial planning and analysis (FP&A) can use advanced analytics and cloud-based EPM to create an integrated view of the front, middle, and back offices.

In fact, as Cloud and automation technologies continue to evolve, there will almost certainly come a time when managed service providers are able to provide “Finance-as-a-service,” running almost the entirety of the Finance function at scale. ●

A future-first workforce

Survey respondents see great promise in automation, but expect short-term disruption as they implement these technologies. Nowhere is this disruption more apparent than in the area of talent. As tasks once performed by humans are increasingly performed by machines, required skills will differ in fundamental ways from those of the past. In addition to traditional finance competencies, future finance teams will require process management and exception management skills to administer digitally enabled processes, and digital finance experts and data scientists to analyse internal and external data to provide critical insights to the business.

This has profound implications for the ways Finance organisations must source and develop these skills. Complicating matters further, respondents indicate that the rapidly changing technology landscape makes it difficult to predict precisely what skills will be needed in the future. In fact, respondents cannot agree on whether AI will create or eliminate jobs in the Finance function.

There is strong consensus among survey respondents that the overall impact of automation on their talent pool will be positive, liberating staff from spending time on manual processes, and freeing them to focus on higher value-added activities: more than three-quarters of organisations expect automation to free staff to undertake more value-added work.

Fully enjoying the benefits of automating manual processes, however, will require having Finance staff with the skills to take on new roles. The Finance workforce of the future will place a premium on broad “enabling” skills that can adapt to a changing business environment rather than more narrow task-specific skills. Some of the skills include:

- **Data utilisation and technology**, including data modeling and visualisation, strategic trend analysis, design thinking, and programming.
- **Behavioral**, including strategic thinking, service management, relationship management, and communications.
- **Finance technical**, including business modeling, process design, and financial driver analysis.

Impact of AI on talent pool



Believe that AI will enable existing finance staff to take on more value-added and strategic roles



Believe AI will eliminate more jobs

Believe AI will create more jobs

Source: Future Ready Finance Survey 2019, KPMG International

Needless to say, most of these skills are in short supply and high demand, as the educational programs offered by universities, other higher learning institutions and professional accounting qualifications continue to focus largely on standards, rules, and technical skills rather than the more collaborative, business-focused skills needed in the future.

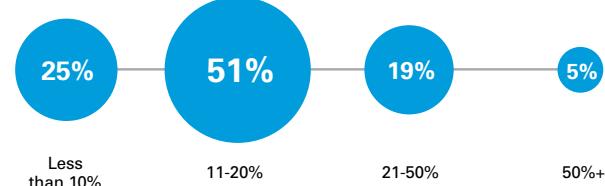
A majority of organisations expect between 11 and 20 percent of their finance workforce to have their jobs redefined or eliminated in the next two years as a result of automation, with overall expectations that a little more than half of staff impacted by automation will be retained/reskilled and the rest made redundant.

While admirable in intent, the expectations that such a high proportion of finance staff can be retrained may be overly optimistic. Although almost every organisation will have a group of high-potential employees it can develop, next generation skills will often be in short supply among existing staff, especially those currently working with transaction-oriented processes that are some of the most immediate candidates for automation.

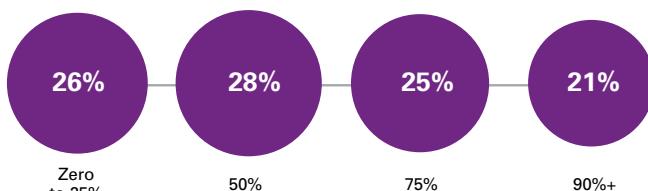
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Impact of AI on workforce

Proportion likely to be significantly impacted



Proportion that will be retrained or reskilled



Source: Future Ready Finance Survey 2019, KPMG International

Key actions

Talent in the age of automation



“Build, buy and borrow” talent through flexible staffing models. The skills needed in the next-generation workforce are in high demand and short supply. Reskilling existing staff and hiring new staff will often prove insufficient to provide access to the required skills. Organisations should look to multiple sources to acquire them. The use of partnerships, contingent workers and managed services, for example, can all help relieve the burden to source skills internally.

Be realistic about the extent to which existing staff can be retrained/retained. Loyalty to existing staff and a desire to retain organisation-specific knowledge often leads to a strong organisational bias towards retraining rather than making redundant staff impacted by automation. Their staff, however, tend to be heavily concentrated in transaction-based roles, and retraining them to take on roles with more strategic responsibilities can often prove difficult. Few accounts payables clerks, for example, have the capability to evolve into business analysts.

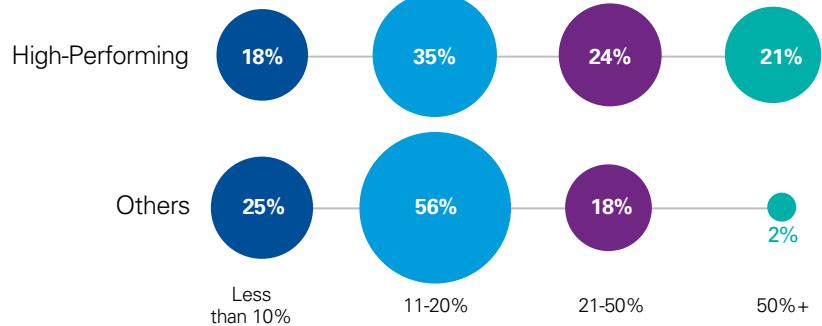
Plan ahead for scarce skill sets. Rather than reactively hiring for new skills, for example those needed for a specific technology implementation, anticipate how the workforce must evolve over time and proactively identify and hire for needed future skill sets. As the precise skills needed may be difficult to predict, focus on high-level “enabling” skills that are valuable in a variety of environments.

Take a portfolio view of skills management, utilising cross-functional teams. Successfully executing on future Finance initiatives requires staff with a variety of skills, some of them highly specialised. These skills will seldom all reside in the same person. To contend with this reality, create teams incorporating individuals with specialised technology, analytics and functional expertise. Rotational programs that place Finance staff in other business functions can also help broaden staff skill sets.

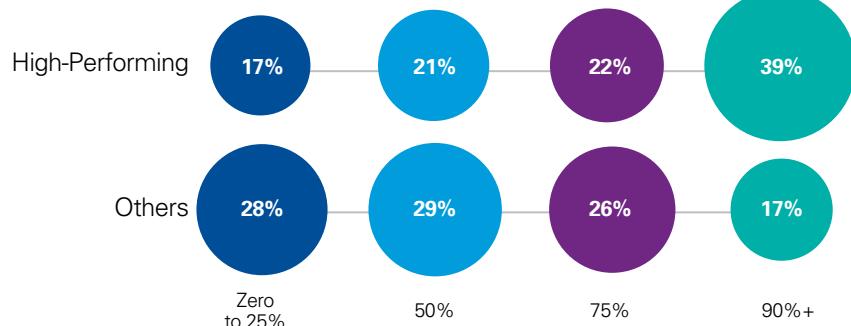
Comparing the outlook of high-performing organisations and others on how automation will impact their talents pools reveals important differences in both expectations and approach. First, high-performing companies expect a much greater percentage of their staff to be impacted by automation. As these companies tend to be ahead of the curve in implementing these technologies, it stands to reason that more of their staff will be impacted by them in the short- to medium-term. However, they also expect to retrain/retain a higher percentage of staff impacted by automation. This may not only reflect high-performing companies having more sophisticated training and development programs, but also more highly skilled employees who are better able to transition from transaction-oriented roles to those with more analytical responsibilities. ●

Impact of AI on workforce

Proportion likely to be significantly impacted



Proportion that will be retrained or reskilled



Source: Future Ready Finance Survey 2019, KPMG International

Insights: Association of International Certified Professional Accountants



“ You can’t just hire new people to fill skills gaps. First, there simply aren’t enough of them. Second, the lifecycle of a skill has decreased dramatically. The idea that Finance people can learn a skill set that can last them 20 years is long gone. There is a need to constantly train: to learn, unlearn, and then relearn, and to have a culture of learning throughout the organisation. ”

— Andrew Harding, Chief Executive, Management Accounting,
Association of International Certified Professional Accountants

Roadmap to a future ready finance function

Transcend Finance's role as a control function to become the enterprise focal point of enabling better business decision-making and driving enterprise performance.



First determine what questions the business most struggles with, then identify what data, analysis technologies, and skills are needed to answer them. Harmonise data sources and establish a single source of truth that can be relied upon for insight generation.

Establish a digitally-enabled service delivery model.



Do not optimise Finance processes in isolation. Instead, design operating models that enable end-to-end processes that transcend functional silos and promote self-service within the organisation while ensuring a strong focus on the customer.

Lead in driving the adoption of advanced analytics and automation technologies.



One of the most critical characteristics that distinguishes high-performing organisations from others is that Finance places an even higher priority than executive management on using automation and advanced analytics to increase the quality of analysis and insights needed to answer the most pressing business questions.

Think like a venture capitalist.



Create an agile programme funding mechanism separate from the annual budgeting process that balances investments in core areas with riskier ones, and relies upon forward-looking investment criteria that go beyond pure ROI.

Take a comprehensive, flexible approach to talent.



Given the scarcity of the most important skills sets needed in the next-generation, focus on developing staff with high-level "enabling" skills that can adapt to the changing technological landscape, and build, buy and borrow skills as needed.

Contact us

For further information about the survey and how KPMG professionals can help your business prepare for the future of finance, please contact:

Stephanie Terrill

Global Lead of Financial Management, KPMG International
Global Finance and Enterprise Performance Management Center
of Excellence Lead, KPMG International
E: sterrill@kpmg.ca

Argentina

Daniel Kislauskis
E: dkislauskis@kpmg.com.ar

Australia

Nikki McAllen
E: nmcallen@kpmg.com.au

Belgium

Rob Steensels
E: rsteensels@kpmg.com

Brazil

Sergio B. Silva
E: sergiosilva@kpmg.com.br

Canada

Chris Moore
E: chrisjmoore@kpmg.ca

Chile

Alejandro Cerdá
E: acerda@kpmg.com

China

Isabel Zisselsberger
E: isabel.zisselsberger@kpmg.com
Kai Cui
E: kai.cui@kpmg.com

Denmark

Bo Johansen
E: bojohansen@kpmg.com

Finland

Erik Renfors
E: erik.renfors@kpmg.fi

France

Guillaume Des Rotours
E: gdesrotours@kpmg.fr

Germany

Andreas Reimann
E: areimann@kpmg.com

India

Sai Venkateshwaran
E: saiv@kpmg.com

Ireland

Kieran O'Brien
E: kieran.obrien@kpmg.ie

Italy

Dario Camisa
E: dcamisa@kpmg.it
Simona Scattaglia Cartago
E: sscattaglia@kpmg.it

Japan

Tomoaki Goto
E: tomoaki.Goto@jp.kpmg.com

Mexico

Manuel Hinojosa
E: manuelhinojosa@kpmg.com.mx

Netherlands

Jark Otten
E: otten.Jark@kpmg.nl

Portugal

Diogo Sousa
E: dsousa@kpmg.com

Russia

Sergey Strelchenko
E: sergei.v.strelchenko@kpmg.ru

Singapore

Juvanus Tjandra
E: juvanustjandra@kpmg.com.sg

South Africa

Kashmira Bhana
E: kashmira.bhana@kpmg.co.za

Spain

Belen Diaz Sanchez
E: belendiaz@kpmg.es

Switzerland

Markus Richter
E: markusrichter@kpmg.com

UK

Peter Luscombe
E: peter.luscombe@kpmg.co.uk

US

Ron Walker
E: rwalker@kpmg.com

Venezuela

Roman Yanez
E: ryanez@kpmg.com

kpmg.com/uk

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