

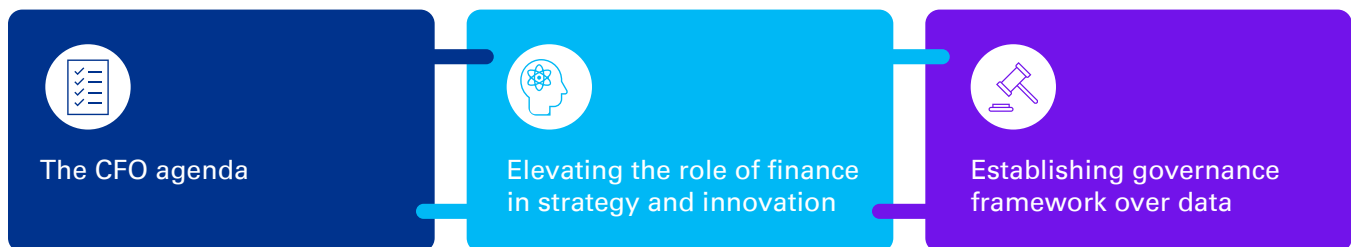
Elevating Finance: Episode 4

October 27, 2022

The demand of the digital economy and the need to accelerate transformation has led to a more strategic role for the finance organization. Organizations are now looking to leverage advanced data and analytics to drive innovation, address business challenges with the aid of new technology, and establish a competitive advantage over peers.

The webcast highlighted ways to unlock the potential of data and discussed how finance can use data intelligence to create value across the enterprise.

The panelists discussed the following topics:



The CFO agenda

The promises of digitized finance are very real: reduced costs, faster reporting, actionable insights, an empowered workforce, and competitive advantage. That doesn't mean they're guaranteed. Effective transformation is built on a multidimensional approach of five foundational competencies, carefully orchestrated to keep finance ahead of disruption.

- **Strategy and innovation:** Leveraging the capabilities of the finance team to preserve and create value through agile, effective allocation of capital and resources can help enable strategic priorities and a culture of innovation.
- **Digital acceleration:** Digital investments must be business led and technology enabled at the core.

Companies need to focus on future-ready digital solutions without losing the human touch.

- **Modern workforce:** Evolving requirements and ways of working are accelerating the need for new skills, competencies, and roles in finance.
- **Data intelligence:** By integrating enterprise-wide data, businesses can leverage advanced analytics and artificial intelligence (AI) to enable better decision power and generate intelligent forecasts that can help unlock new opportunities.
- **Dynamic risk management:** Risk management must support innovation by leveraging advanced capabilities while maintaining compliance to the ever-changing regulatory environment and protecting the trust of different stakeholders.

Disruption is guaranteed

Ever-changing market forces require successful finance organizations to have an informed data strategy, accurate data capture, actionable insights, and comprehensive data governance. Leading organizations can capitalize on this disruption by having readily available data and by taking fact-based action.

Economic headwinds such as the pandemic, rising inflation and its impact on commodity prices, geopolitical instability, and evolving regulatory and social demands are critical macro disruptors of finance. Besides, shifting customer and employee expectations, emerging technologies, and changing workforce dynamics are adding to the pressure.

Data can be crucial in turning disruption into opportunities—to better understand your customers' needs, automate processes, and maximize profitability. There is an increased demand from the stakeholders around the speed and the quality of finance insights. To stay competitive, businesses must prioritize integration of technology, data, and people to unlock new capabilities.

The finance landscape is rapidly changing

- There is an increasing trend of migrating to cloud platforms that are empowering finance teams to deliver more value with less effort, respond quickly to the needs of the business, and truly shift from traditional processing to strategic partnering.
- Organizations are focused on automation and streamlining the collection of enterprise-wide data—both internal and external—and then integrating it into the ecosystem to discover actionable insights.
- Process mining tools can offer businesses real-time analysis of the benefits and the ROI expected from the digital investments.
- Having a harmonized human-centered experience on how to leverage and use these technologies is crucial. Firms must ensure that the employees have the adequate training and resources to use and interact with technology effectively.
- As organizations continue to automate transactional work, they need to rethink their talent management strategies—one that's able to elevate not just the digital fluency within the teams but also data literacy in order to leverage these tools to have more impactful communication.

What leading finance organizations are doing

The KPMG Elevating Finance survey highlighted the following key facts about the top performers in this space:

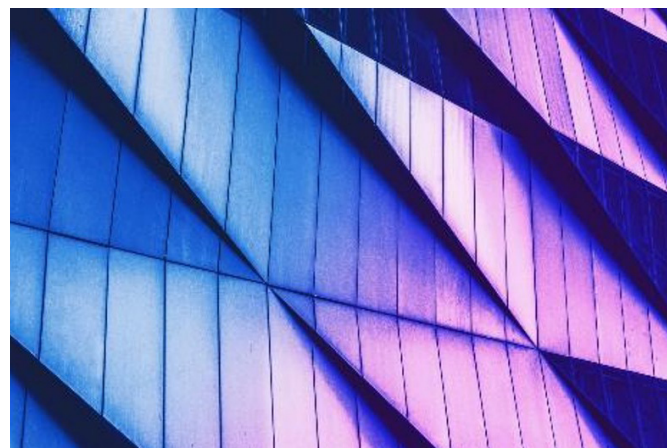
- Leaders are prioritizing investments in digital transformation and people. More than 60 percent of CEOs have adopted predictive forecasting and analytics, and around 70 percent of the transactional processing and core accounting entries have been automated.
- Top-performing firms are focused on increasing digital fluency and empowering their teams. Eighty percent have ESG metrics as a part of their enterprise reporting and data strategy to enable trust among customers and stakeholders.
- Forward-looking finance organizations are spending two to three times more time on analytics and decision support and have the ability to make faster, informed decisions that positively impact the business performance, enabling them five times faster planning and continuous financial close cycles.



Elevating the role of finance in data intelligence

Data drives digital transformation. It is only suitable for decision-making if it is trustworthy, accurate, and timely. As new technologies make enterprise-wide data easier to use, data intelligence is emerging as the key to unlocking business value. The four key elements of data intelligence are:

- **Strategy:** Finance plays a major role in unlocking the value of data—being the custodian of enterprise-wide data, effectively allocating capital and resources to enable strategic priorities, and delivering desired business outcomes.



- **Insights:** Enabling tailored persona-based consumption integrating enterprise value levers with financials is critical to trigger actionable insights, allowing leaders to act quickly and take preemptive measures.
- **Governance:** It is the foundation that puts controls in place, establishes accountability and ownership, and detects built-in biases in data sets, ultimately helping to monetize the data and accelerate speed of decisions.
- **Action:** Data intelligence allows leaders to prioritize and execute initiatives that accelerate opportunities and mitigate risks.

Unlock the potential of data

A company's ability to unlock the value of data is crucial for gaining and sustaining competitive edge. The key to success lies in how organizations manage their data transformation journey. An agile, scalable data platform aligned with enterprise strategy and controlled through robust governance is required to accommodate evolving information needs of the enterprise. There are multiple layers to unlocking intelligence from data:

1. **Data acquisition:** It involves collection of data from different business applications, industry-specific operational systems, devices/IoT, and external sources.
2. **Ingestion:** It involves batch processing and stream processing that facilitates integration of data sources to target mapping, alignment of hierarchies, and alignment of the granularity of data.
3. **Store:** It provides the storage layer for data after the balance and control validation activities have taken place. It includes data lake and warehouses and helps process, transform, and analyze large volumes of complex data from a variety of sources.
4. **Augment and refine:** It takes care of data cleansing, unification and modeling, normalization, and anomaly detection.
5. **Analytics and visualization delivery:** This layer includes advanced analytics and intelligent forecasting capabilities while also enabling data visualization and standardized dashboards and reports for consumption.

Potential challenges in development of a fully integrated data strategy

- **Data quality:** Lack of governance, human error, multiple data streams, varying levels of granularity of actual and plan data, and inaccurate allocations can lead to poor quality data. Analyzing the data quality while delivering data visualizations and forecasting is crucial.
- **Business alignment:** Strategic alignment helps integrate each area of a business, such as management systems and resource allocation, to help achieve business objectives. Inconsistent and limited KPIs not tied to enterprise strategy often lead to misalignment between strategic plans and the related data initiatives.
- **Change management:** Adoption of a data-driven culture can be difficult due to lack of knowledge, training, and resistance from leadership. Organizations must understand the impact transformation has on the workforce and have the change management capabilities to address it.

Addressing data strategy

It is important to enable fully integrated plans by tying them to operational drivers and enterprise-wide strategies and objectives. To get started with a roadmap to address data strategy, the following factors are crucial:

- **Business strategy:** To have a data strategy, you need to have a business strategy. Reviewing business strategy, linking the goals to a data action plan, and tying to business performance metrics should be practiced at the initial step.
- **Maturity assessment:** Analyzing gaps in current processes and internal controls and making remediations while building the roadmap
- **Centralized data team:** Establishing a dedicated team is the key to data management including governance, maintenance, and technology enablement.
- **Technology and automation:** Developing a comprehensive technology architecture plan that incorporates data requirements and opportunity for enhanced automation
- **Data governance:** Implementing internal controls and standardized processes to mitigate risk of data quality issues
- **Data insights and analysis:** Adopting data-driven decision-making within all aspects of the business using the established models and analytics.

Finance's role in driving data intelligence

- Finance is the custodian of enterprise-wide data. It must prioritize technical skills, elevate digital fluency, and enhance business partnering abilities to accelerate data distribution. Among the key drivers are:
 - **Mitigating risks and maintaining compliance:** The amount of risk involved determines the intensity of the compliance risk management program. To secure the trust of stakeholders in today's volatile world, leaders must adopt dynamic approaches to risks and regulations powered for the digital era.
 - **Organizing transaction processing and reporting:** Having automation in place to handle day-to-day transactional activities and reporting
 - **Implementing data security and privacy:** Performing data classification at the early stage in the data management lifecycle is critical. It helps an organization to understand the value of its data, determine what's at risk, and implement controls to mitigate it.
 - **Leading enterprise performance through data:** Enterprise performance management (EPM) systems can help companies align business strategy with business execution. The software provides budgeting, forecasting, and financial management capabilities.
 - **Developing dynamic training strategy:** Management teams must engage and drive talent development strategy, focusing on organizational and individual needs by using a mix of training and upskilling tools.
 - **Becoming business partner and change agent:** Finance teams can elevate their roles to strategic business partners by focusing more on activities that create value, such as strategic planning, market analysis, and developing financing strategies.
- There is a need to empower the workforce. The finance organization has an evolved set of skills and behaviors. With new technology and automation driving insights and business value, embracing new ways of working and reimagining talent strategies is critical to provide an exceptional employee value proposition and promote digital fluency.

With redistribution of work, there's also a heightened need for finance to serve as a strategic adviser, expanding the scope of existing roles and responsibilities. Finance functions must assess the expectations of their employees and the effects of emerging technology, thereby realigning workforce and business strategies.

- Modern data visualization and self-service technologies can help finance unlock value from the data faster while also reducing the cost of "reporting the business" and "assessing the results." Digitized dashboards can be accessed from anywhere, reporting is aligned to strategy and performance objectives, and users can easily drill down to underlying detail to generate tailored insights.
- An effective data strategy is critical to mobilize the enterprise to enable strategic planning, target setting, and continuous forecasting, and ultimately drive effective decision-making and action. Actionable insights support both short- and long-term goals of growing top line and increasing profitability.

Establishing governance framework over data

Governance is a business-led data control framework that leverages a clear guiding strategy to support high-quality data, which ensures that data is trustworthy, is consistent, and does not get misused. Here are some of the key considerations for establishing a robust governance framework:

- It is critical to define a "single source of truth" for every master data object to clearly identify the source system and other related target systems. It ensures that businesses are operating based on standardized, relevant data across the organization.
- Communicating and applying consistent data rules and definitions across relevant systems to validate data accuracy, reliability, compliance, and security
- Identifying the right data owner and steward who will drive requirements for each data element and ensure the integration of data maintains alignment to business priorities
- Centralizing operational maintenance activities for master data into shared service centers

- Leading organizations understand holistic impact and dependencies on core master data. They have a strong centralized, top-down ownership and a governance structure for master data management (MDM), enforcing global implementation of compliance with common principles, guidelines, and standards.
- Ensuring the integration and availability of data to the business to guide decisions and run the business
- Having enterprise data governance capabilities in place
- Evaluating how effectively you are monetizing internal data and leveraging external data.

Guiding principles for MDM transformation

- **Process first:** Change management is a critical factor in MDM implementations, because business processes do change as a result of more mature data management practices within the enterprise. Process-based business requirements inform service delivery and organizational design decisions and data definitions and enable development of technology solutions.
- **Master data is foundational:** It is important to establish a common data language across people, process, and technology that integrates with key strategic initiatives and drives operational efficiency within business units.
- **Integrated and governed transformation:** MDM systems play a crucial role in the digital transformation process as they help to integrate data from different sources. Mature governance competence is needed to manage the pace of transformation and ensure cross-functional collaboration to prioritize initiatives while ensuring benefits realization.
- **Technology-enabled transformation:** Finance must work together with the information technology (IT) function to ensure the uniformity, accuracy, stewardship, and consistency of master data assets. Strategic technology initiatives can help provide core process enablement.
- **Future-ready people and operating model:** Footprint consolidation, expanding usage of centers of excellence (CoEs), and a talent strategy are vital to optimize support model and enhance business partnering.
- **Changing how we work:** Leadership engagement and a people-centric change strategy are crucial to continue shifting the pattern.

Getting started

Five areas to consider that can truly help elevate the role of finance by harnessing data intelligence:

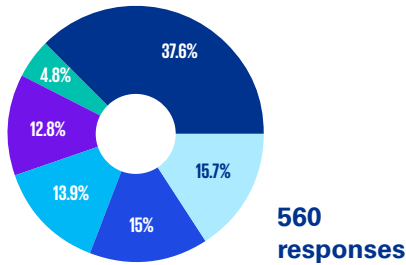
- Aligning your management reporting to the strategic goals of your company
- Understanding the story your data tells of your finance organization and how your strategy impacts this narrative

Closing comments

Data is the core of transformation initiatives. Finance organizations are banking on data to translate actionable insights into meaningful business decisions. Unlocking the value of data requires clearly defined ownership and governance structures across functions and business segments. Sustained involvement from key decision makers, a constant focus on business value throughout the process, and a thorough governance framework will help ensure that your data strategy drives operational excellence.

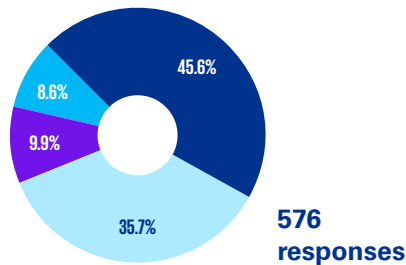


What modern digital enablers does your organization currently leverage (check all that apply)?



- Environment enablers such as cloud ERP and EPM
- Interaction enablers such as chatbots and APIs
- Information enablers such as ingestion, normalization, and integration tools
- Unfortunately none of the above but plan to in near future
- Intelligence enablers such as data visualization and AI-enabled predictive forecasts
- Automation enablers such as process mining and workflow tools

Which statement most closely aligns with your organization’s enterprise data strategy?



- Moderate (Mostly Sufficient)
- Limited
- High (Always Proficient)
- Nonexistent

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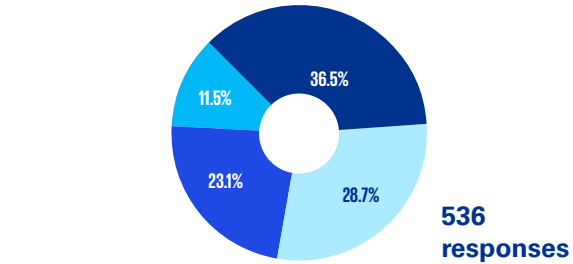
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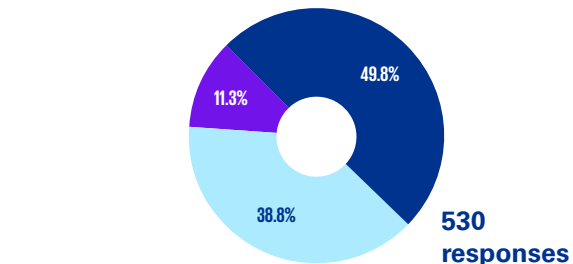
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What is your organization’s biggest challenge around data?



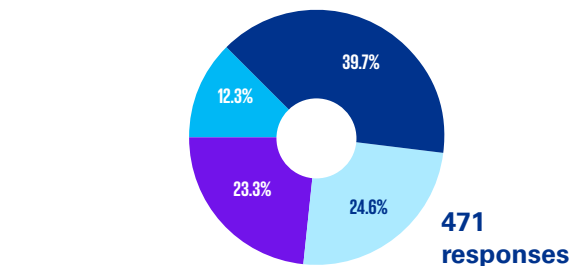
- Too many sources of truth
- Unclear strategy and vision
- Lack of modern skill sets
- Lack of governance

What best describes your organization’s plan and forecasting approach?



- Moving in the right direction – Cloud planning tool leveraging some automation and driver-based planning concepts
- Fairly basic – Mainly off-line models and spreadsheets consolidated manually
- Predictive and automated – Mature process leveraging internal and external signals

How would you describe the data governance approach at your company?



- Fragmented data governance
- Standardized process led by a central data office with business ownership and involvement
- Owned by finance and centered on the COA
- Nonexistent

Note: Percentages may not total 100 percent due to rounding.