



Current state, target state, steady state

Finance teams rethink data quality and digital integration

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This is the third of the KPMG series, which examines key steps on the journey to digital Finance transformation.

This article builds upon our flagship whitepaper, [Getting There, Staying There](#), which outlines foundational strategies for customer-centric, digitally enabled Finance functions.

As we've suggested previously, the rapid pace of change in digital technology has forced Finance organizations to rethink their end-to-end digital integration strategies. Digital integration at these firms can no longer be a point-in-time event, but rather must be a continuous process that anticipates change, welcomes flexible digital solutions that can evolve, and embeds the organizational capacity to absorb new tools and methodologies. In this new thinking, the formerly distinct digital-maturity constructs of "current state," "target state," and "steady state" take on more fluid meanings suited to each company's unique strategy and circumstances.

The new long-distance thinking puts Finance organizations in an even stronger position to influence their company's digital path forward. The traditional role of Finance as the enterprise steward of operational- and financial-performance reviews has already put CFOs and their teams at the logical intersection of data flows, from both inside and outside the business. They generally have recognized early the promise of a data-driven strategy, and have been early adopters of specific digital innovations such as the automated tie-in of ERP to Finance reporting. Other areas of the business are in effect catching up, in cumulative experience, adoption of fact-based decision-making, and appetite for digital innovation.

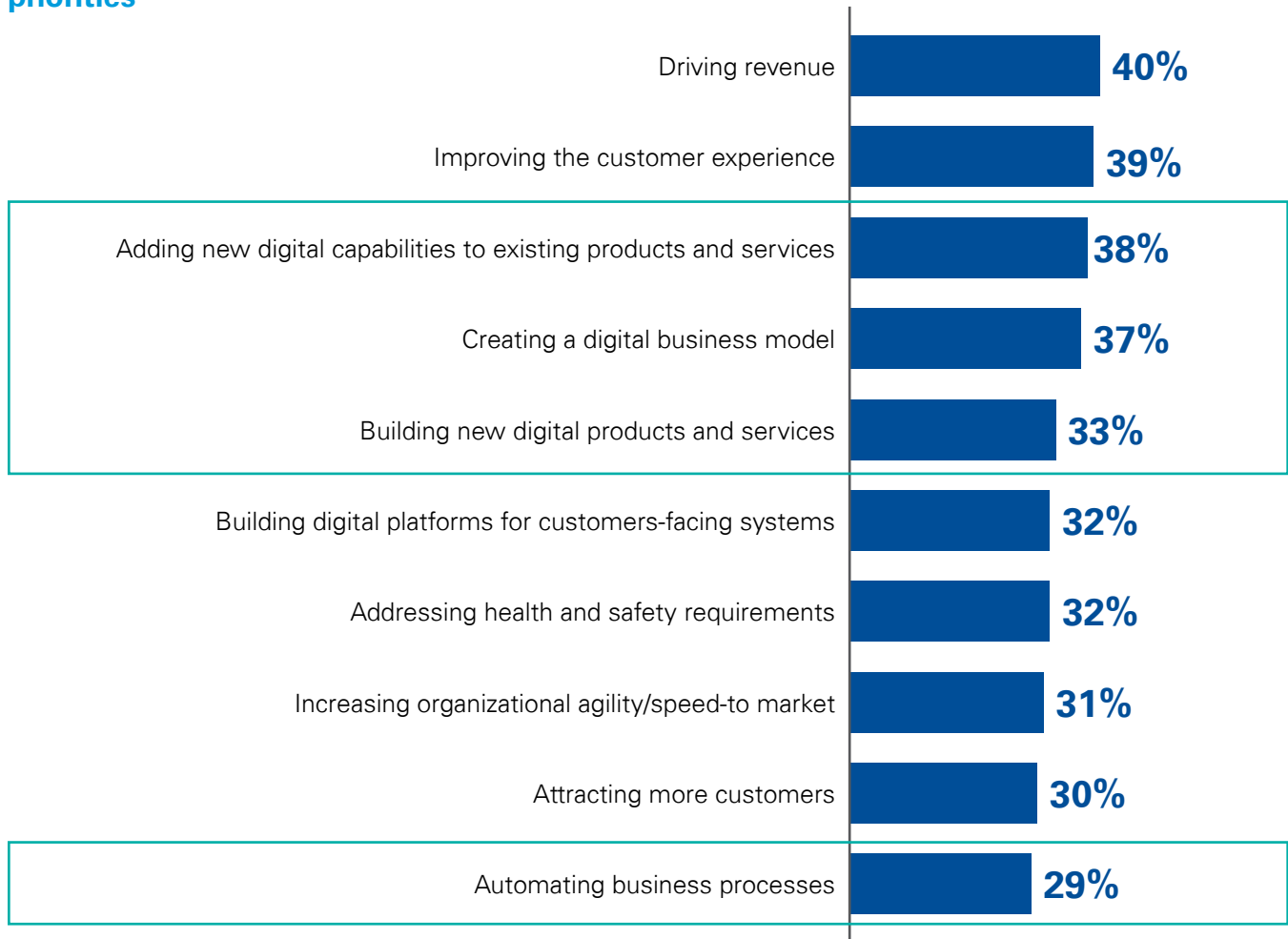
Not just digital—connected digital

In our field research, as well as anecdotal conversations with Finance leaders, two broad issues surface as consistent next-step challenges: better data quality, and better digital integration of that data across technology platforms, business processes, and organizational barriers. These priorities make sense, given the widely accepted notions that data is the fuel of the digital enterprise, and harnessing its power requires unimpeded flows of relevant, accessible, and reliable information to decision makers, whether they are customer-facing service reps, product development teams, or the C-suite.



These two priorities—data quality and better digital integration—emerge regardless of the business’s primary motivation for attaining digital competency, whether it’s operational performance, scalable processes, customer centricity, product and services innovation, or growth.

Post pandemic, digital initiatives will be at the core of organizational priorities



Source: Commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2020

Base: 780 professionals involved with digital transformation strategy decisions

The importance of data quality

As businesses contend with massive quantitative increases in the availability of data, they also face the issue of underlying data quality, which has direct bearing on adoption of and trust in the data itself, and its ultimate impact. While Finance teams quickly grasp the value of a “single steel thread” that ties reporting and analysis to uniformly collected, structured, and stored root data, they may encounter sobering real-world variations in data structure and quality. Cloud migration exercises are often a trigger event: the necessary data-aggregation and integration stages of cloud migration often bring to the surface unresolved, legacy data governance issues, which must be addressed before cloud-powered process automation and reporting can be put in place.

Other Finance organizations may rely upon external data streams—market analytics, for example, which may or may not be structured, and may or may not easily integrate with internally generated data sources. Global Finance teams looking to consolidate data collection and reporting from far-flung market units may encounter similar nonstandardized practices that require extensive manual workarounds.

It may seem axiomatic, but high-quality financial data can vastly improve operational efficiency. For example, closing the books every month, quarter, and year. Leveraging a digital capability such as machine learning to identify areas of need and recommend fixes for parts of the process that are taking up too much time and manual effort during closing can be quite impactful.

Much of the time organizations spend during closing is dominated by activities such as adjustments, cleaning up human errors, reallocations, rule violations, and account mapping, to name a few. Moving toward a digitally enabled, exception-based close using machine learning is another scalable application for Finance. To learn more, read our paper on the [Digital Close](#).

Scaling digital benefits across the business

Companies in general, and Finance in particular, need to think about digital initiatives in the broader context of enterprise-wide priorities and processes. In effect, how different functions, processes, and platforms “talk to each other” using data. It’s not enough to think in terms of a digital solution—artificial intelligence (AI), for example—feeding a single process. It’s important to consider other processes that are yielding related, but different insights that could possibly leverage the same digital solution at scale.

To do that, CFOs must have a solid handle on how digital processes in Finance can be leveraged in other back-, middle-, or front-office function. A good example of how digital functionality can be scaled broadly is cognitive contract management, which uses AI and natural language processing (NLP) to read unstructured data such as invoices, agreements, and other contracts, and then automatically compare that information with broad sets of company-specific reference data to create meaningful categories. This data resides with vendors and strategic partners as well as customers, and can be used to create and market new products and services—a perfect mix for scaling a digital solution across both processes and capabilities.

Follow the North Stars

As a relatively early adopter of both data and digitized operations, Finance has, in many organizations, had a head start on realizing the enormous leaps in capability and sophistication digital technology has made in just the past decade. In a kind of Moore’s Law continuum, solutions that only the most well-resourced companies could afford to build in-house are today widely available to nearly any organization, from a proliferating number of third-party providers at an ever-decreasing cost relative to the power they offer.

In fact, C-suite leaders we speak to are dismayed by the number of tactical data and digital options needed to evaluate, select, procure, and integrate with their existing systems and tech stack. They also voice concern about their organizations’ ability to absorb the steady stream of updates, improvements, and new features, pushed by their technology and software vendors. Further, they speak frankly of their desire for the kind of strategic guidance that could help them extract meaningful insights from the “noise,” as best practices and technology continue to evolve.

In a sea of choices, we’ve seen a number of broad clusters of objectives emerge as valid digital “North Stars,” directional points of reference that can serve as best-practice guides for CFOs and other leaders as they recalibrate their approach from digital to connected digital:

Focus on data quality, as a gateway to internal adoption

- Champion a Finance-led data strategy, coupled with a data governance framework, as the baselines from which to drive standardized, high-quality data collection, integration, and report-outs.
- Use the traditional budgeting levers of Finance to advance data-quality initiatives, first in Finance, then in the SG&A back-office functions of business lines, then across business units themselves.

Consider scalable data and digital models with long-term utility

- Connect and streamline the availability of enterprise-wide operational and financial data models that can grow with the business. Lean on trusted partners to prioritize investments as disruptive technologies emerge.
- Consider financial structures—managed services relationships, for example—that conserve up-front CapEx, provide access to the advanced technology of trusted partners, and allow for predictable year-over-year budgeting.
- Leverage extreme automation to drive speed and quality of execution and continuous course correction.



Conclusion: Internal champions, external partners

From our perspective, the Finance function is ideally placed to be the internal sponsor of the organization's digital evolution—because of its legacy mandates, relative experience with data and digital, and natural role as arbiter in the competition for discretionary investment capital. Whether it's the CFO, Chief Data Officer or another leader, data cannot be a hobby.

Clearly, digital adoption can be daunting for any business. Our experience tells us that the "executive sponsor" role or responsibility cannot be the preserve of segregated teams of data scientists, and may in fact require the creation of new hybrid roles inside and outside Finance that have both data science and functional-specialization skills. CFOs don't have to be technologists per se, but they do need to see the potential of AI, the reach of Internet of Things, the convenience of the cloud, and how they can all work in concert.

CFOs also have a business to run. As much as they believe in a digital imperative for their organizations, they and the rest of the C-suite have core missions, core stakeholders, and core initiatives on which to focus organizational and relationship capital. They are often well served by collaborating with organizations whose primary focus is on matters of data, business process, and digital technology. These professionals bring the stamina, insight, and long-term journey mindset to bear that will keep CFOs, Finance teams, and the rest of the enterprise on point—not just from quarter to quarter, but for years to come.

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