



# Accelerate competitive advantage, for what comes next in Life Sciences

**KPMG Enterprise Performance  
Management (EPM)**

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# The Life Sciences industry is going through significant changes

**Technology modernization, market economics and scientific innovation are key drivers for change.**

## The view from the top

Today's Life Sciences organizations are facing unprecedented change and disruption. An active deal environment, changing distribution models, workforce demographics, converging industry models, the shifting geopolitical and regulatory environment, as well as the rise of new business models, big data, and emerging technologies are disrupting businesses across all sectors.

### Unique challenges facing life sciences industry



Patent expiry combined with growing dominance of generics



Limited visibility into product profitability



Increased number of SKUs to manage



Increasing regulatory scrutiny and requirements



Diminishing returns from promotional spend and sales force output



Decreasing ability to set and justify prices/Payer pressure



Protection of IP in developed and developing markets



Increasing regulatory and manufacturing compliance



Quest to capture significant value from M&A activity/consolidation



Low R&D productivity and innovation despite increased budgets



In their wake, chief executive officers are looking to their finance function to take on a considerably broader and deeper set of strategic responsibilities than ever before. Indeed, today's finance function must not only ensure the integrity of financial outcomes, but also leverage both internal and external data to provide predictive and prescriptive insights to drive optimal business performance and real-time decision making. Facing the need to evolve their business models, corporations heavily depend on finance to deliver improved quality, process standardization and consolidation, cost savings, as well as identify opportunities for value creation. Additionally, finance is increasingly responsible for driving the evaluation, allocation, and monitoring of new technologies, platforms, customers, and products.

### **Business model disruptors are changing the demands of finance in the life sciences**



**Increase support of innovation**



**Proactively lead enterprise performance**



**Employ 70% less labor**



**Enable business agility**



**Facilitate transactions**



**Increase speed of insight**



**Act as role model of collaboration**



**Improve forecasting accuracy**



**Develop new skills and talent**



**Manage margin pressure**



# How should CFOs respond?

So, what needs to change with finance? In a word, plenty. Chief Financial Officers (CFOs) who rapidly design a more nimble, effective, and technology and data-driven finance organization to address the disruption will be able to change the challenges into opportunities.

The most successful CFOs are transforming their finance organizations by disrupting their own operating and business models.

## Leading finance organizations have developed an agenda to deal with disruption.

### Leading strategy and capital allocation

*Increasing role in innovation:*

- Trends and economics behind disruption
- Approaching disruption at the organizational level
- Maintaining an innovation portfolio
- Disciplined portfolio process and structure



### Intelligent automation

*Integrating new technologies:*

- Cloud ERPs
- Robotics
- Artificial intelligence
- Blockchain
- Mobile



### Insights and analysis

*New insights through:*

- Automated *descriptive and diagnostic* analytics
- New *predictive and prescriptive* analytics
- Integrated business planning
- Local decision support



### Organizational simplification

*Changing work:*

- Fewer people
- Less hierarchy
- Fewer offshore locations



### Skills and talent

*Changing requirements:*

- Both strategy and finance skills
- Process and control leaders
- Relationship and collaboration



**Risk management:** Response to disruption impacts how risks and controls are managed in an organization and the need to continuously evolve.

### **Reinventing the operating model**

To stay ahead of the curve, leading CFOs are changing the means by which they deliver products and services to their stakeholders, with deep focuses on:

- Intelligent automation, which will dramatically change finance's size, structure, and delivery model
- A shift from descriptive to prescriptive analytics, enabled by advanced automation
- A much simpler, more streamlined organization, with significant changes to the what, how, where, and who of the function's work
- An assessment of new work to be done, how this maps to the skill sets of their current workforce, and usage of a holistic approach to attracting, building, and retaining the required talent.

### **What should you be thinking about?**

- What business disruptors are impacting us most?
- What business questions and decisions should we anticipate to address these disruptors?
- How much appetite do we have for extreme automation?
- What is our data and analytics strategy?
- How will our current delivery model and locations be impacted?
- What is our talent management strategy, critical roles, and risks?

### **Where do you go from here?**

Business is no longer business as usual for finance.

The scale and speed of transformation required to stay ahead of the curve is unprecedented. The key to success is proactively taking the first step by developing a blueprint for how your finance organization can turn disruptors into opportunities for growth.

KPMG's Enterprise Performance Management (EPM) Service can help deliver results across the entire organization that will leave your firm ready for new challenges and a leader in the marketplace.





# KPMG's EPM Transformation Service is the answer



## What is it?

EPM is an enterprise-wide capability, enabled by technology, that provides the business insight needed to translate strategy into action.



## How is it different?

Tailored to your unique needs  
Embedded finance and industry knowledge



## How do you benefit?

Improved insight  
Leading practice solution  
Organizational simplification  
Finance function flexibility post-implementation



## KPMG's EPM Service leverages decades of business and leading technology experience to help clients get there faster and achieve a greater step-change in value.

These solutions allow us the ability to tailor finance solutions to fit your needs so you can focus on the aspects that matter most to you and your business. In addition, KPMG's **proprietary Target Operating Model** incorporates KPMG member firms' extensive knowledge at every level of your business.

Organization challenges	How EPM closes these gaps	
<p><b>Unclear communication and articulation</b> of the organizational strategy as it relates to daily operations and functions</p>	<p>➔ <b>Definition and alignment</b> on what is relevant to <b>measure</b> and <b>manage</b></p>	<p>➔ Plans and targets <b>cascaded</b> to functions and individuals <b>aligned</b> with the organization</p>
<p><b>Strategy disconnected</b> from planning processes, which are disconnected from reporting results</p>	<p>➔ Clear understanding and visibility of <b>drivers</b> and events impacting KPIs and organizational outcomes</p>	<p>➔ <b>Integrated</b> organization and financial plans with the capability to <b>predict</b> and accurately plan and <b>forecast</b> performance</p>
<p><b>Information lags and inaccuracies</b> hinder the ability to make decisions and take corrective actions</p>	<p>➔ <b>Accurate and timely</b> picture of cost and profitability across multiple dimensions</p>	<p>➔ <b>Common data definitions</b> and integrity with cloud access to improve timeliness</p>
<p><b>Lack capabilities</b> to effectively make decisions or take actions that have impact</p>	<p>➔ <b>Access</b> to the right information on a timely basis to make impactful decisions</p>	<p>➔ <b>Tools and capability</b> (skills) to analyze and influence the drivers and measures</p>
<p><b>Weak enforcement and accountability</b> with operations and at the individual level</p>	<p>➔ <b>Governance</b> to help ensure accuracy, consistency and use of the data and information</p>	<p>➔ People held accountable to take action and make <b>decisions</b> that impact performance</p>

# EPM aligns strategies, plans, decisions and actions

## A holistic EPM Framework delivers a tightly integrated capability across people, process and technology

### 1. Articulate the strategy

- **Analysis and insights** as inputs into enterprise strategy development
- A **global set of** connected, common and cascading **performance measures**
- **Clearly defined linkage** among strategy, plan, forecast, and actuals across functions

### 2. Plan the business

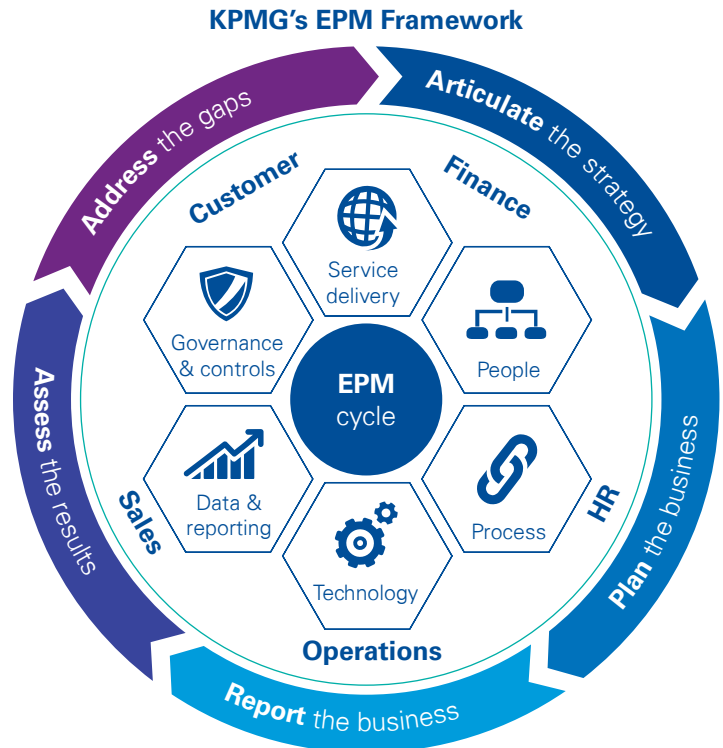
- **Integrated planning linking** overall **strategy**, operations, finance, and human resources
- **Forward-looking forecasts** beyond the current fiscal year
- **Driver-based planning** with correlation and cause-effect analysis

### 3. Report the business

- **Dynamic cross-functional reporting** connecting financial results to operational drivers
- Delivered via smart and **mobile devices**
- Graphical and interactive with **self-service capability**

### 4. Assess the results

- **Analytics** (descriptive and predictive) and root cause analysis **beyond standard financial data**, including marketing, research and development, procurement, and other functional areas
- Use of data analysis to mine data and **identify new insights**



### 5. Address the gaps

- **Sophisticated scenario analysis** utilized to identify actions and plans to address gaps between the plan versus actual that optimize enterprise performance
- **Corrective action modelling** and adjusting strategies, plans, forecasts, and actions

## EPM impacts the entire organization's performance resulting in:



Improved insight and decision making



Integrated organizational and financial planning across all functions and domains



Dynamic measurement and management of goals and performance



Aligned behaviors and actions with strategic objectives



# Developing sustainable EPM capability through game changers

The four EPM offerings sit across four distinct propositions which support clients in implementing an effective performance management framework:

Performance reporting	Integrated business planning	Advanced analytics	Data and information management
<p><b>Common challenges</b></p> <ul style="list-style-type: none"> <li>Lack of actionable insight</li> <li>High volume and excelbased reporting prone to errors</li> <li>Lack of trust in existing MI</li> <li>Outdated technology leading to high total cost of ownership</li> </ul>	<p><b>Common challenges</b></p> <ul style="list-style-type: none"> <li>We waste time fighting over wooden dollars</li> <li>Divisional budgets need to interlock, but the process is broken</li> <li>Forecasting is inaccurate and the output is a distraction</li> <li>We measure what we can, rather than what we should</li> <li>Planning in silos drives multiple forms of waste and lost opportunity in organizations, impacting shareholder return</li> </ul>	<p><b>Common challenges</b></p> <ul style="list-style-type: none"> <li>As a senior business leader, I base my decisions on intuition and experience in absence of cause "cause – effect" data points</li> <li>There is a vast amount of untapped data in our organization that is not used to supplement key decisions</li> <li>We are lacking in-house organizational and technological capability for advanced analytics</li> </ul>	<p><b>Common challenges</b></p> <ul style="list-style-type: none"> <li>Data and metric definitions are inconsistent across the organization – not talking a common language</li> <li>Data has grown in volume faster than processes have developed in maturity</li> <li>Focus has been on data issues at the point of consumption rather than creation</li> <li>Projects and programs have taken precedence over data quality</li> </ul>

Game changers	Game changers	Game changers	Game changers
<p><b>Standardized enterprise reporting</b> Rationalized sets of persona-led standardized reports, containing highly relevant, visual and actionable information</p> <p><b>Center of expertise</b> Center of Expertise (CoE) to ensure an effective and efficient analytical capability</p> <p><b>Automation</b> BI tools (standalone or integrated) to drive automation of report delivery.</p> <p><b>Governance</b> Governance models to ensure that all elements are setup and continue to operate in a coherent manner</p>	<p><b>Vision and process</b> Develop vision and process for Integrated Business Planning</p> <p><b>Predictive forecasting</b> Utilize Driver based predictive forecasting models</p> <p><b>Rolling forecasts</b> Shift to Quarterly Rolling Forecasts (QRF)</p> <p><b>Reduced complexity</b> Reduce complexity and level of detail</p>	<p><b>Visualization</b> Customized visualization enabled by technology</p> <p><b>Predictive and prescriptive models</b> Robotics and machine learning to deliver predictive and prescriptive models</p> <p><b>Big Data</b> Ability to model 'big data' pools</p> <p><b>Organization design</b> Dynamic organization design that enables hypothesis led thinking</p>	<p><b>Policies and procedures</b> Clear data management policies and procedures underpinned by 'get clean, stay clean' culture</p> <p><b>Organizational capabilities</b> Right organizational capabilities to monitor, cleanse and mine data</p> <p><b>Traceable data</b> Organization wide Enterprise Information Model (EIM) with fully traceable data lineage</p> <p><b>Accountability</b> Clear accountability and demarcation of data management roles</p>



# KPMG's proven approach to the EPM journey



	Vision	Validate	Construct	Deploy	Evolve
Phase description	The primary objective of the Vision phase is to launch the project and align stakeholders around a common vision and strategy for the future state and set targets for the project.	The primary objective of the Validate phase is to finalize the to-be TOM, align and finalize the design layer components and finalize the solution design.	The primary objective of the Construct phase is to build and test the technology solution and design layers of the TOM using an iterative testing process and prepare for deployment.	The primary objective of the Deploy phase is to conduct User Acceptance Testing (UAT), deploy the solution and its relevant components, and deliver training to end users.	The primary objective of the Evolve phase is to complete post go-live support and project closure procedures and transition to managed service programs as applicable.
Key objectives	<ul style="list-style-type: none"> <li>— Launch the project</li> <li>— EPM vision, strategy and scope</li> <li>— Key stakeholder expectations</li> <li>— Discovery and information gathering</li> <li>— Targeted architecture/environments</li> </ul>	<ul style="list-style-type: none"> <li>— COA/data model design</li> <li>— Process/system validation</li> <li>— Validate roles</li> <li>— Validate gaps</li> <li>— Validate integration/con-version approach</li> <li>— Project Management</li> </ul>	<ul style="list-style-type: none"> <li>— Environments &amp; Configuration</li> <li>— Testing</li> <li>— Integration &amp; Data Migration</li> <li>— Prepare for deployment</li> <li>— Develop value Tracking</li> </ul>	<ul style="list-style-type: none"> <li>— UAT</li> <li>— End user training</li> <li>— Deploy to production</li> <li>— Initiate value tracking</li> <li>— Transition to "Go Live"</li> <li>— Parallel testing for financial consolidation</li> </ul>	<ul style="list-style-type: none"> <li>— Post go-live support &amp; stabilization</li> <li>— Manage project close &amp; transition</li> <li>— Establish continuous improvement track</li> <li>— Transition to managed service program</li> </ul>



## Sample success story from past client

KPMG assisted a leading device manufacturer in establishing finance as a trusted business partner by focusing on four key areas

### Prioritize fundamentals

- Get **“back-to-basics”** and make **core FP&A processes** and **data quality** top priorities—more advanced forecasting and reporting will naturally follow
- Enable **efficient and insightful variance analysis**
  - initial focus will be analysis vs. prior periods with a goal of developing better forecast analytics over time
- **Enhance understanding** of how accounting impacts FP&A processes and collaborate cross-functionally to create accurate forecasts

### Global alignment and scalability

- Continue to transition from regional to **global approach** that supports data and process standardization
- Implement **consistent, straight-forward planning and reporting processes** that are driven by end-user requirements and scalable across regions and BUs
- Empower Corporate and Regional FP&A/COE teams to **govern and enforce** process standardization

### Integrated technology platform

- **Define the roles** of the various **reporting toolsets** to ensure alignment and effective usage internally
- Develop an **interim and long-term** solution that is **scalable and agile** to changing business needs
- **Integrate and align** long-term solution with operational and commercial forecasting/reporting tools

### Enhanced analytics and business partnering

- **Build foundation** today for more advanced forecasting/analytics tomorrow (e.g. IBP and what-if models)
- Provide **better business insights** at the **appropriate level of detail**; increase the amount of gross margin, balance sheet, and cash flow reporting
- Enable finance to be a **trusted business partner** by focusing on decision support vs. data aggregation



# Knowing where to begin is key



## KPMG can help

In addition to finance strategy and transformation capabilities, KPMG professionals bring together multifunctional and operational transformation specialists to create an enterprise-wide picture of performance. The 'strategy through results' approach shows how performance management can bring real benefits to the bottom line and enhance shareholder value. With in-depth industry knowledge, KPMG professionals can effectively adapt the performance management framework to drive value given your unique business challenges and help optimize the use of leading technologies.

### Questions to evaluate if your organization needs improved EPM capabilities:

1. Does your executive team have real insight into the group's true profitability by product, service/channel, country/region and customer?
2. Is your organization combining financial, operational, and customer data to make better decisions and create a competitive advantage?
3. Are you able to anticipate future regulatory changes and use those insights to gain entry to new markets using innovative channels faster than your competitors?
4. Do you know which channels currently provide the best growth and profitability, and do you have a plan for optimizing them?
5. Are you able to conduct collaborative planning across all of your business functions to optimize investment decisions and improve shareholder return while at the same time maximizing efficiency?

# Contact us

Learn how you can accelerate the execution of your business strategy through an integrated EPM program.

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