



Finance as a Service: Empowering finance at the speed of AI

Leading companies are embracing the
as a Service model for finance to expand
expertise, access transformative technologies,
and unlock value.

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The new rules of finance

It's not just you. Keeping pace with the speed and complexity of business today is a challenge for every company.

And the changes just keep coming, from all directions: rapidly evolving business environment, technological innovation, regulatory volatility, geopolitical uncertainty, macroeconomic gyrations, and competitive threats. It's no wonder that, for many business leaders, the only thing they're really sure of is that their organization is steadily falling behind.

This hurry-and-catch-up dynamic is especially acute for finance teams, who find themselves spread increasingly thin as they try to control costs, prioritize investments, manage the recurring financial and regulatory reporting processes, and generally be a more impactful business partner for the entire organization. At the same time, the finance function itself is undergoing rapid change as new technology and data innovations offer transformative new opportunities to improve processes, accelerate or eliminate tasks through automation, and deliver new value.

The problem: These new opportunities remain stubbornly out of reach for many companies as the chief financial officer and finance leaders struggle with several on-the-ground realities:



Rapidly changing business environment in each industry that requires finance to adapt and constantly evolve as a business partner



Rising costs for their own finance operations and a limited ability to upgrade and scale without significant new capital investment



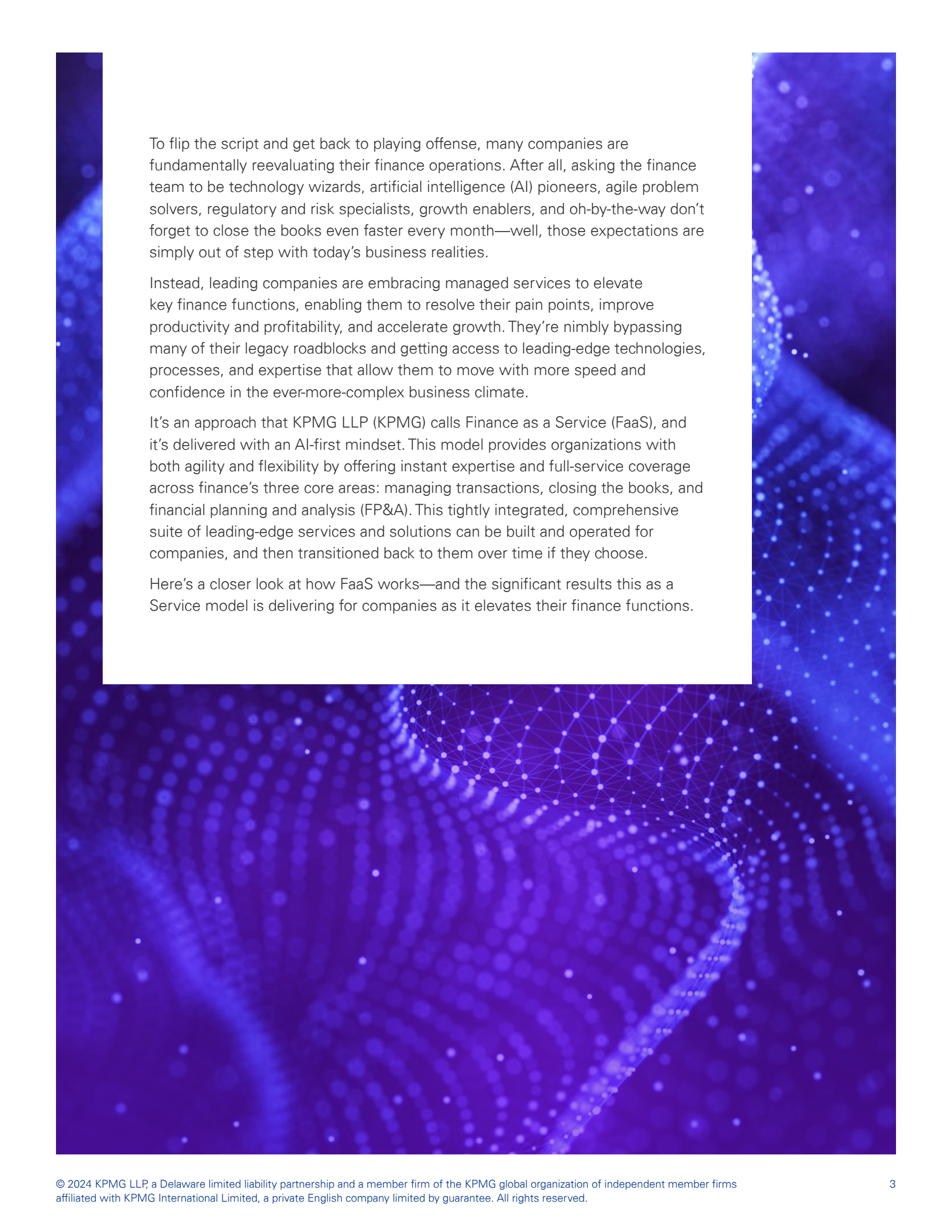
Disparate systems and data that create inefficient processes, elongate turn-around times, and smother innovation efforts



Inadequate insights that hamper the company's ability to innovate, bring new products to market at speed, and stay competitive



Talent gaps as finance teams struggle to keep pace with increasingly complex technologies and source the specialized skills required to elevate their performance.



To flip the script and get back to playing offense, many companies are fundamentally reevaluating their finance operations. After all, asking the finance team to be technology wizards, artificial intelligence (AI) pioneers, agile problem solvers, regulatory and risk specialists, growth enablers, and oh-by-the-way don't forget to close the books even faster every month—well, those expectations are simply out of step with today's business realities.

Instead, leading companies are embracing managed services to elevate key finance functions, enabling them to resolve their pain points, improve productivity and profitability, and accelerate growth. They're nimbly bypassing many of their legacy roadblocks and getting access to leading-edge technologies, processes, and expertise that allow them to move with more speed and confidence in the ever-more-complex business climate.

It's an approach that KPMG LLP (KPMG) calls Finance as a Service (FaaS), and it's delivered with an AI-first mindset. This model provides organizations with both agility and flexibility by offering instant expertise and full-service coverage across finance's three core areas: managing transactions, closing the books, and financial planning and analysis (FP&A). This tightly integrated, comprehensive suite of leading-edge services and solutions can be built and operated for companies, and then transitioned back to them over time if they choose.

Here's a closer look at how FaaS works—and the significant results this as a Service model is delivering for companies as it elevates their finance functions.

Unlocking new expertise, delivering new value

Finance-as-we-always-did-it is an anachronism. Companies are anxious to reap the benefits of game-changing technologies like AI, generative AI (GenAI), machine learning, and cloud-based solutions, but they have been slow to execute due to legacy finance challenges and decades-old processes that have been hard to shed.

Several overlapping trends reflect this dynamic—and highlight the reasons that many companies are taking a closer look at managed services for their finance operations.

As a starting point, 81 percent of respondents in a recent KPMG technology survey¹ acknowledged that their companies are struggling to keep up with the rapid pace of change. At the same time, though, 88 percent in that same survey noted that they are seeing improved performance and profitability from their digital transformation initiatives—an impressive 2X increase over the previous year.

What's changed? Nearly 9 in 10 said their companies were improving results by relying on fully outsourced “everything as a Service” (XaaS) solutions. Notably, our survey also found that increasing this reliance on external solutions was the top go-forward strategy identified by the respondents.

Now consider the dramatic progress on breakthrough technologies like GenAI, which has quickly moved from “potential” to actual by delivering some compelling real-world results.

In another recent KPMG survey,² 71 percent of business leaders said GenAI tools and data are now part of their decision-making processes, and nearly half said that GenAI has already opened up new revenue opportunities. To

deliver these results, 50 percent said their companies are relying solely on outside providers for GenAI capabilities, while another 29 percent are using a mix of internal and external resources. Just 12 percent are planning to do it all in-house.



Elevating performance with FaaS

Clearly, then, more and more companies are leaning into the use of industry-experienced solutions providers to help them move faster, leverage powerful new data and technology capabilities, and streamline their operations. And, as we've seen in our own work with clients, organizations don't just want help selecting and implementing these new systems. They want help operating and optimizing them, too—with robust ongoing support and the kind of big-picture industry expertise that is in increasingly short supply within their own organization.

As just one example: Having a proven capability like a GenAI-driven intelligent forecasting platform can dramatically improve the speed and accuracy of a company's financial insights—but not if the finance team lacks the skills to harness its powerful potential on a daily basis.

¹ 2024 KPMG US technology survey report

² GenAI Survey – 2024

This is where a fully managed FaaS approach is helping companies transform their finance operations—and quickly—from solution design to implementation and ongoing management. The FaaS model is embedded with powerful AI capabilities and cloud-based solutions from Day 1, ensuring a company always has access to the latest technologies. FaaS focuses on providing full-

service continuity by tightly connecting and fully managing finance's three overall functions: transactions, closing, and FP&A.

Here's a closer look at each area, some specific examples in each, and actual results we are seeing in our ongoing work with clients.

FaaS Suite **#1** Upstream and transactional processes

These are the critical day-to-day details of finance operations: inventory management, invoice tracking, revenue collections, contract management, and more. Leading FaaS providers significantly streamline these essential processes with customized application modules that are tailored to each client's industry and needs. These tools—fully operated by the FaaS provider—sit in the cloud and leverage several different AI capabilities to improve the speed and performance of transactions.

Examples within this suite of services include:

Contracts generation engine that uses GenAI to scan existing contracts for issues and generate new drafts more rapidly, resulting in a 50 percent improvement in productivity and accelerated paths to revenue generation.

Inventory optimizer that provides a real-time view of product flow and reduces overstock/out-of-stock issues by 30 percent-plus.

DSO/DPO predictor and manager that optimizes payables and receivables processes and can improve working capital by 25 percent or more.

FaaS Suite **#2** Intelligent close

Will anyone miss the all-hands closing cycles? By linking directly with the transactional processes, FaaS providers are able to dramatically improve the efficiencies of closing the books. This suite of applications deploys AI-powered machine learning, process automations, and GenAI outputs to reduce time-draining reconciliation chores and recommend required actions. Here again, specific applications are customized to meet each client's needs, accessing all required data in the cloud. The entire closing process is managed by the FaaS provider in tight coordination with the company's finance leaders. Examples within this suite include:

Finance data anomalies to compare large volumes of data across multiple sources and formats to detect anomalies, correct errors, and highlight deviations in

operational data; these applications can decrease the rate of data errors into the finance application, effectively increasing the efficiency of reconciliation tasks while ensuring 100 percent controls compliance.

New accounting standards data model recommender that identifies any relevant changes in accounting standards and can make suggestions in areas like data model updates and documentation guidance; this approach can help companies meet 98 percent of their compliance goals and improve accounting productivity by 70 percent.

Disclosures narrative creator to automate much of the content required for regulatory disclosures, delivering first-pass drafts that are at least 80 percent accurate and can improve efficiencies in this area by 25 percent.

Welcome to next-generation FP&A. FaaS providers round out their teams with FP&A professionals that bring decades of expertise, extensive industry know-how, and proven technology capabilities. The result: faster, more accurate, and more value-creating insights for the entire organization. This suite of services is the engine room of intelligent performance, with the FaaS provider working directly with the company's senior leaders to support strategic planning and deliver real-time forecasts at a level of speed and excellence that allows the company to pursue new opportunities with significantly more agility. Crucially, the KPMG FaaS teams are also able to tap into our firm's professionals across a wide range of industries to help our clients stay current with the latest trends and competitive movements in their sector.

Key features here include:

Intelligent forecasting platforms that mine both internal and external data in the cloud and use powerful AI predictive models to deliver dramatic improvements like 50 percent more accurate forecasts and 5X faster planning cycles.

Capital expenditure optimizer to more efficiently plan, manage, and optimize capital investments—maximizing returns on capital by 3X–5X while minimizing costs and risks.

Cash flow and working capital optimizer that further improves payables and receivables, tightly forecasts operating cash needs, and can create a 20 percent-plus improvement in free cash flow.

Exhibit 1. End-to-end managed services enabled by AI

KPMG combines AI capabilities to deliver a state-of-the-art, end-to-end Finance as a Service (FaaS) platform. The platform is designed to enable the flexibility of adopting a la carte solutions or the comprehensive platform.

| | | | | |
|---------------------|------------------------------------|---|---|--|
| End-to-end insights | Upstream & Transactional Processes | Contracts Generation Engine 50% improvement in productivity; accelerated path to revenue generation | DSO/DPO Predictor & Manager 25%+ improvement in working capital | Inventory Optimizer 30%+ reduction in overstock and stockouts |
| | Intelligent Close | Automatic Reconciler 95% automation of reconciliations; 100% controls compliance | New Accounting Standards Data Model Recommender 98% compliance; 70%+ improvement in productivity | Disclosures Narrative Creator 25%+ improvement productivity; 80% first pass accuracy |
| | Intelligent Performance | Intelligent Forecasting 50%+ improvement in forecast accuracy; 5X faster planning cycle | Capital Expenditure Optimizer 3-5X improvement in ROIC; more agile allocations | Cash Flow & Working Capital Optimizer 20%+ improvement in FCF; 25%+ improvement in DSO, DPO, & DIO |

FaaS in action: Two sample use cases

By design, FaaS’s three core functional areas are tightly integrated from the start, leveraging the same shared data in the cloud, the latest technologies, and teams with proven experience in each area. This robust technology architecture and collaborative staffing model—enabled by AI—cover a company’s finance functions from end to end: transactions flow seamlessly into expedited

closing cycles that feed into enhanced forecasts and insights. Manage transactions, close the books, plan and forecast. Repeat.

To demonstrate how this works in detail, here are two sample use cases that capture the full spectrum of the FaaS solutions.

Exhibit 2. Quote to Cash, as a Service

| Customer set up & strategy | | Quote, contract & order management | | Invoice to cash | | | Period end close & reporting | |
|---------------------------------------|--|---------------------------------------|-----------------------|-------------------------------|------------------------------|---------------------------------|------------------------------|----------------------------|
| Customer set up | | Quote & customer contracts | Order and fulfillment | Invoicing & billing | Customer inquiries | Cash applications & collections | Period end close | Reporting and analytics |
| Customer Onboarding Automation Engine | | Customer Segmentation Engine | | Invoice Generator & Approver | Invoice Processor | Automatic Bank Reconciler | | Sales & Customer Analytics |
| | | Customer Quotes & Contracts Generator | | Revenue Recognition Optimizer | Cash App & Receipts Matching | Journal Entry Engine | | DSO Predictor & Manager |
| Customer Credit & Risk Manager | | Inventory Management Optimizer | | Customer Self-Service Agent | | Bad Debt & Accrual Predictor | | |
| Personalized Pricing | | Automatic Order & Fulfillment Engine | | | | | | |
| Sales Strategy | | | | | | | | |

Exhibit 3. Source to Pay, as a Service

| Source to Contract | | Requisition to Pay | | | Period end close & reporting | |
|---------------------------------------|---------------------------------|-----------------------------|-------------------------|---------------------------|------------------------------|----------------------------|
| Supplier Setup | Contract Fulfillment | Requisitioning & Purchasing | Receiving | Invoice Processing | Period end close | Reporting and analytics |
| Supplier Onboarding Automation Engine | Personalized Pricing Engine | Purchasing Predictor | Receipt Matching Engine | Invoice Processor | Journal Entry Engine | Spend & Supplier Analytics |
| Supplier Performance & Risk Manager | Procurement Contracts Generator | Purchase Management Engine | Supplier Self-Service | Automatic Bank Reconciler | Accrual Predictor | DPO Predictor & Manager |
| Inventory Management Optimizer | | | | | | |

The enterprise data imperative

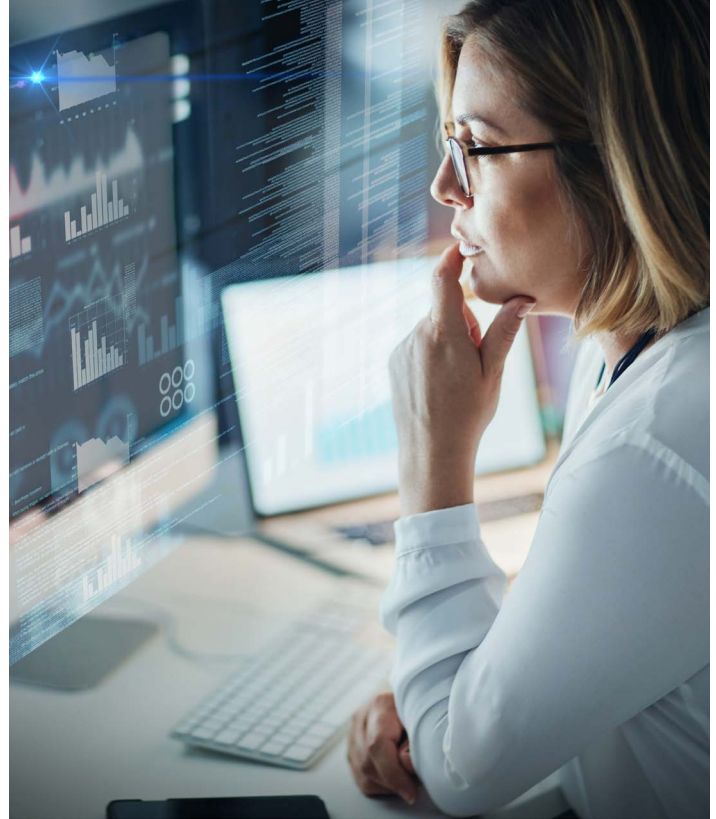
For many companies, persistent data challenges can make it hard to deliver transformative changes. Long-standing issues like disparate systems, redundant data, low-quality data, and inconsistent governance and management can feel like unsolvable problems that, time and again, stifle innovation initiatives.

But solutions providers are using a suite of AI capabilities and cloud-based systems to help companies bypass many of the legacy data barriers and establish an enhanced new foundation for their enterprise data. It's a critical step for FaaS providers, since the innovative people, processes, and technologies they deploy thrive on high-quality, tightly integrated data to deliver results.

At KPMG, we help clients elevate their enterprise data management with up-front planning and preparation that identifies all required data and how it will be accessed by the FaaS systems. As part of this setup process, we extract their most valuable data, navigate any gaps, and often incorporate external data and signals—based on our industry experience—that can further enhance data quality and create more powerful insights.

In many cases, this data preparation and enablement can be accomplished in just weeks, supported by dynamic AI-powered tools like data model authors and data validation and cleansing engines. Key steps include:

- 1 Gather the requirements:** Identify types of data used, relationships between data sets, and how best to leverage that data.
- 2 Develop the model:** Build a conceptual representation of data objects using modeling techniques and a schema for how data will be stored, consumed, and integrated.
- 3 Integrate:** Consolidate much of the required data in the cloud to streamline access and ensure always-on availability.



- 4 Validate:** Establish data validation rules and continuously scan for discrepancies to maintain data integrity.
- 5 Transform and cleanse:** Regularly check for corrupt or inaccurate data and execute data cleanses to ensure quality.

Increasingly, creating a fully separate data layer in the cloud is not always required. AI and GenAI tools can often access the data they need directly from the relevant upstream applications via data virtualization capabilities that essentially create real-time databases for the work they need to do. Crucially, because AI and GenAI can consume both structured data (mapped from defined fields) and unstructured data (extracted from PDFs, emails, audio files, and more), they can do much of the data collection and formatting on their own.

With this enhanced data foundation in place, companies can work with their service providers to determine coverage for ongoing data controls, security, and management for their overall enterprise data and systems.

In addition to more nimbly supporting transformation and innovation efforts, this enhanced enterprise data foundation can have a significant impact on data and technology operating costs, with some companies seeing as much as 45 percent in reduced costs as they steadily unwind their legacy tech debt.

Finance as a solution

Keeping pace with change is great. But staying ahead of change is even better.

To do that, many companies today are realizing they no longer have to do it all themselves. They're deploying leading-practice managed services across their finance functions to gain access to dynamic new technologies, improve business intelligence, operate with more agility, and deliver significant new gains in performance, productivity, and profitability.

The signs are all around. In our recent survey of the managed services industry,³ 73 percent of companies have implemented managed services in at least one area of their business, and nearly two-thirds have launched managed services for an entire business function. And a top motivation? Companies are increasingly looking for their managed services teams to bring industry expertise along with their leading-class solutions.

And as we noted earlier, 9 in 10 companies are driving digital transformations with the help of external providers, and 8 in 10 are building out their AI capabilities in the same way.

FaaS reflects these trends. It allows companies to outsource their finance functions at scale, reduce costs, and improve business intelligence and performance. It gives companies rapid access to game-changing technologies and cloud-based service that would be otherwise out of reach. And it delivers leading-practice professionals across the full spectrum of finance functions, backed by strategic industry expertise.

Most important, the fully managed FaaS solutions model is delivering results for companies and helping them put many of their critical pain points in their rearview mirror.

FaaS helps companies:



Improve productivity by eliminating burdensome processes and enabling operational excellence:

40% - 70% capacity gains

Continuous cycles and accelerated processing times

Data visibility with real-time insights

5X-6X more time spent on collaboration and innovation



Increase profitability via more dynamic commercial strategies and agile operations while reducing tech cost and overhead:

30% - 40% lower service costs in some functions

10% - 20% improvement in operating margins

Increased product, customer, brand, and channel profitability

Cost-effective scaling and smarter allocation of human capital



Enhance experiences by improving job satisfaction and elevating the customer experience:

20% - 30% uplift in NPS

Increased capacity to act quickly on strategic, value-added insights

15% - 25% decrease in voluntary employee attrition

Better confidence in data processing and FP&A accuracy



Accelerate growth by facilitating more agile and effective investment allocations:

Intelligent working capital driven by cash flow forecasting and insights

25% - 50% lift in compound annual growth rate

3X-5X return on investment

Reduced technology debt

³ KPMG-HFS Managed Services 2023-2024 Survey

How KPMG can help

KPMG has long been a leader in helping companies elevate their finance operations. Our industry-centric teams have extensive experience in the finance domain, backed by leading technology capabilities in areas like AI, GenAI, cloud-based solutions, enterprise data management, and more. We also bring industry experience from across our firm to help our clients identify strategic opportunities and stay up to date on changes within their sector. Our wide-ranging services help our clients thrive in today's fast-paced, increasingly complex business environment.

The KPMG FaaS offering delivers finance at the speed of AI. It's a fully managed solution, operated for clients at scale, that significantly enhances their transactional, closing, and FP&A processes and establishes a dynamic new data foundation. We do this in close collaboration with our clients' business leads: finance, accounting, controller, tax, risk and compliance, and even chief executive officers and boards.

Our FaaS solutions provide clients with flexibility to meet their strategic and operational needs. The solutions can be:

- Fully built out, operated, and managed on an ongoing basis

- Fully built out and operated for a period of time, and then transitioned back to the client, including training and upskilling in-house teams

- Built out and managed for any of the three specific suites of services, working collaboratively with client teams in other core finance functions.

Please reach out to us if you'd like to learn more about how we can help your company transform its finance operations and generate new value for the entire organization.



For more information, contact us:



Karen Schreiber

*Principal, Advisory, Finance Transformation
and HR Transformation Practice Leader*

312-665-3981

karenschreiber@kpmg.com



David J. Fourie

*Partner, Advisory,
Corporate Services*

914-275-5094

davidfourie@kpmg.com



Anuj Mathur

*Principal, Advisory,
Finance Transformation*

408-367-1566

anujmathur@kpmg.com



Colleen Mohnkern

*Director, Advisory,
Finance Transformation*

713-319-2247

cmohnkern@kpmg.com

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DASD-2024-16841