Future of Finance:
Reshaping finance

Building the service delivery model of the future

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In recent decades, the service delivery model for finance has evolved from shared services to multisourcing and, most recently, to global business services (GBS), reaching across multiple processes and geographies. A chief driver behind this evolution has been the imperative to deliver transactional services more efficiently, freeing up finance professionals to add strategic value through the other two layers of their delivery model “stack”—expert services and business partnering.

Extreme automation will dramatically change this approach to service delivery. From intelligent automation to advanced analytics, disruptive technology will enable finance to provide all of its services more effectively and efficiently. These include tax, treasury, audit, planning, and other high-value activities to help the business make better decisions.

But just as technology creates advantage, it can also take it away. That is, while finance has made great strides in building its enterprise identity, it may ultimately need to relinquish some of it. In the service delivery model of the future, finance teams will be smaller, they will have less of a local presence, and they will collaborate more with other functions in the journey toward end-to-end process optimization.

Automation beyond transactional efficiency
Many finance organizations are using robotic process automation (RPA) to reduce manual effort and cost in transaction processing and bookkeeping. Indeed, according to a KPMG LLP (KPMG) study, about 70 percent of finance organizations are using RPA to reduce costs and improve process efficiency, while about half are using it to reduce headcount.¹

However, as automation becomes more advanced, it will disrupt higher-value services as well.

"Increasingly, nimble ‘bots’ can take care of many execution, workflow, and archiving tasks, leaving staff to focus on monitoring, analyzing, and taking decisions on exceptions," says Jolande Bot-Vos, program director, MSc Management, at Imperial College Business School. "At the same time, new data and analytics tools will help..."
Disruptive technology will significantly change the way finance delivers transactional services, expert services, and business partnering.

**1990s**

**Shared services**
- Internal delivery of core services; predominantly regional models
- Outsourcing/multiregional outsourcing with select global providers
- Focus on transactional activities

**2000s**

**Multisourcing**
- Emergence of right shoring; nearshore becomes key element of delivery models
- Vendors deliver niche services
- Introduction of multivendor deals
- Emergence of center of excellence (COE) solutions

**Since 2010**

**Integrated service delivery models**
- Integrated/multifunctional service delivery models
- Lower-value activities typically outsourced; increasing focus on analytical, judgement, and expert services

**2020 & beyond**

**Digitally-enabled service delivery models**
- High availability of data
- Digital technologies shift the service delivery model landscape
- Ability to deliver services virtually
- “As a service” for front, back, and middle office
- Complex, value-add services that leverage technology
finance better understand how the business performs and support fact-based decision-making, close to the business and in real time.”

For example, budgeting and forecasting are important parts of business partnership, but these processes today are often mere guesstimates based on past performance, without consideration of external macro and micro economic factors. Moreover, the budgeting process often takes a long, political, and circuitous journey, with finance teams spending months iterating from local to regional to global—only to have the budget pushed back down due to concerns about sandbagging. In the end, the process is not just expensive—it is inherently flawed and static.

In the service delivery model of the future, finance will use automation to extract internal data from cross-functional systems and combine it with external data related to competitors, economic factors, emerging regulations, and more. Using this data with advanced analytics, finance will deliver much more accurate and continually refreshed forecasts in a fraction of the time.

With the assistance of intelligent automation, similarly, finance can deliver expert services more reliably and with smaller workforces. In audit, for instance, technology will help humans by quickly scouring robust datasets for compliance issues. In tax, these systems will extract key data, apply rules, and assist in tax filings.

“Historically, finance and accounting would have been very much about recordkeeping,” says Samantha Louis, vice president for Strategic Engagement – Management Accounting at the Association of International Certified Professional Accountants. “We’ve seen that over time the finance function has been transformed so that a lot of the transactional activities have been separated from the analytical, value-add, and reporting parts of finance.”
A new look for business partnering—with less concern for geography
As a result of this automation, business partnering in the future will take on a different shape. Finance will not need to embed as many professionals throughout various business units and geographies, because accessing and analyzing data will no longer require a local presence. Instead, delivery models will increasingly use COEs, equipped with data scientists, intelligent automation, and finance experts. They will analyze internal and external data to help the business answer key questions, such as how to deploy capital, where to expand, or which product lines to grow. These COEs will be highly automated, using artificial intelligence to free up human capital for more business analysis and partnering.

Consider the forecasting activity in a typical finance function. With limited, backward-looking data and a plethora of spreadsheets, these forecasts are not efficient, accurate, or timely. In the delivery model of the future, the financial analyst, sitting in a virtual COE, will be supported by machine learning to crunch through a variety of data sources to create faster, more accurate forecasts. The finance professional will be able to spend less time producing the forecast and more time helping business executives analyze and interpret it.

"With the advent of new, distributed technology, where these roles are performed will increasingly be independent of the office environment and driven by the need for interaction and teamwork with the business," says Ms. Bot-Vos.

With technology-enabled COEs, finance can scale expertise more effectively. Whereas past models might have required several dozen professionals per COE to be viable,

Designing an agile workforce of humans and technologies

The adoption of intelligent automation will significantly reduce the amount of resources required for transactional activities, in turn reducing the need for a rigid organizational hierarchy.

But finance will also need to ensure it has built the right competencies to deploy, maintain, and govern new technologies, from advanced analytics to blockchain.

"Such a system will generate new jobs," says Dr. Andrea Moro, director of the MSc Finance programs at Cranfield School of Management. "The access to such a huge amount of detailed data implies the need for skilled analysts who can make sense of those data."

Moreover, given the pace of disruption, new business requirements will emerge very quickly, so finance will need an agile workforce. The organization may need to borrow and partner to access the right talent for advanced technologies.
future models could have, say, 10 small COEs around the world, working together to deliver a few different kinds of regionalized expertise.

Meanwhile, automation is overtaking labor arbitrage as the most significant source of cost savings, so labor decisions will become less about location and more about accessing top talent. Unlike today’s model of large transactional hubs in low-cost locations, offshore centers in the future will be smaller, more specialized, and more automated centers for high-value services. Moreover, as finance evolves into a more strategic business partner, service providers may play an important role in that partnership, but they will need to take on more complex, more analytical work. And the enterprise will need to govern it with a well-defined model for service management.

Greater collaboration on end-to-end processes
In its ongoing quest to establish its position in the enterprise while providing the highest value, finance has historically vacillated between decentralized and centralized models for service delivery. In decentralized models, finance leadership ceded some control by distributing its professionals among various business units and geographies, while in centralized models, the organization consolidated work to reduce costs and increase efficiency and direct control. With shared services, finance found a nice balance, delivering high quality, responsiveness, and efficient transactions from low-cost locations—all while creating clear ownership for the finance organization.

Finance leaders have walked the hard road to create this level of enterprise identity and control, but they may need to let some of it go as organizations increasingly move toward multifunctional service delivery, or GBS. In this multifunctional model—combining shared services, outsourcing, and internal operations—leading organizations are breaking away from functional silos to provide services across end-to-end processes, such as order-to-cash, record-to-report, or procure-to-pay.

Indeed, all functional heads, from chief financial officers (CFOs) to chief

47% of CEOs would like to see their CFOs embed more finance skills in the business through partnering.²

information officers, may feel a loss of control as many of their people begin reporting to the head of GBS versus a functional chain of command. But a multifunctional model is necessary in order to establish end-to-end business process ownership, accountability, and optimization. Going beyond economies of scale, a GBS model enables enterprises to improve flexibility, simplify management and governance, better manage risk, and incorporate more innovation such as RPA and digital technologies.

Accordingly, to retain relevance in the future, finance simply cannot optimize its function in isolation. To take the greatest advantage of disruptive technology, finance will need to break down traditional functional barriers and collaborate with human resources, information technology, procurement, and others to build an enterprise platform for service delivery.

Finance will need to shift from trying to own all financial data and activities to instead working with others to govern them—as part of a cross-functional analytics model that provides key insights to the business.

Finance’s top goals for 2018–2019:

1. Reduce costs and optimize the finance service delivery model
2. Invest in intelligent automation to reduce labor and drive efficiencies
3. Contribute to and enable reducing costs across the enterprise as a whole

Building a cross-functional analytics model

With technological advancements, end-to-end processes will connect enterprise data that previously lived in functional siloes, and GBS is the way to scale insights across the enterprise.

However, to get the most benefit from the new connectivity and availability of data, finance will need to shift from trying to own all financial data and activities to instead working with others to govern them—as part of a cross-functional analytics model that provides key insights to the business.

As end-to-end processes become highly automated and span multiple functions, governance will become far more than a “role.” Instead, governance organizations of the future are likely to include a global process leader who is accountable for ensuring value, improving operational efficiency, and managing cost structure, while a global executive sponsor—perhaps a functional leader—sets overarching policies and requirements.

How will finance leadership participate in this governance organization? How can finance reorganize its workforce based on expertise in technical finance, data and analytics, governance, and transformation? These are the key opportunities in the future of service delivery.
Designing processes with a customer experience lens

Ultimately, building end-to-end delivery models will be necessary but not sufficient. The most successful finance organizations will also thoroughly understand the journey of their customers—both internal and external—and apply design thinking and customer journey mapping to create agile processes. These processes will enrich the customer experience and build loyalty to the services “brand.”

Indeed, when customers can easily access services and get their needs met—whether it’s through digital technology, mobile apps, or even a traditional phone call—they will comply with processes not just because they’re told to but because they want to. Internally, the right process design can increase efficiency on processes from booking travel to procuring vendor services. For external customers, it can drive revenue, reduce exceptions, and increase customer satisfaction.

Building resiliency for continued disruption

As business models and ecosystems continue to change, potentially disrupting entire industries overnight, finance will need to engineer a service delivery model that can quickly adapt to market shifts. For example, what if a finance organization spends three years implementing a new enterprise resource planning system, only to get disrupted by new technology that fundamentally changes the way customers, suppliers, and employees expect to interact with the company? How will finance respond?

As another example, Amazon’s plan to distribute medical supplies is disrupting not only other distributors but also manufacturers, which will now need all-new processes—from order fulfillment to inventory management—for a different kind of channel partner. Are they prepared? Can these manufacturers tap into new technologies such as blockchain in order to create more transparency in the supply chain and streamline processes?

To increase resiliency amid ongoing disruption in a connected marketplace, finance organizations will need to constantly anticipate the possible changes in their industry—not only with current trading partners but also with other players across the market. It will be critical to consider the possible impact, develop resilient processes, and design an agile delivery model.

This effort doesn’t mean boiling the ocean; incremental steps will go a long way toward demonstrating success, mitigating risk, and establishing enterprise confidence.

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91% of CEOs believe they are personally prepared to lead radical operating model transformation.

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Preparing for the future

Some organizations are already changing their service delivery models to meet the challenges ahead. Consider these examples from KPMG engagements:

— A global biotechnology company needed to implement a new model for delivering back-office finance and human resources support—all while acquiring an organization that was in the midst of being spun off into a separate entity. The company engaged KPMG to help manage this unique opportunity, which included consolidating organizations, integrating and standardizing systems, and optimizing processes. The result was a well-defined, well-governed delivery model for GBS, supporting thousands of employees in dozens of countries while significantly reducing costs. The company was also able to handle a significantly higher volume of support and anticipate and address future technology issues.

— A large consumer goods company wanted to expand globally through acquisitions, so it could capitalize on economies of scale and reduce costs across the business. To fully integrate and optimize back-office operations, KPMG designed and implemented the strategy for a new service delivery model that would integrate finance operations and migrate processes to regional and global service centers. With this new foundation, the finance organization quickly improved the efficiency of its workflow, optimized internal controls, and ultimately emerged as a valuable business partner that enabled the company’s acquisition strategy.

Where are you on the road to the future?

Use the following questions to gauge your finance organization’s progress toward a new service delivery model:

— Have you evaluated your ability to keep pace with market disruptions?
— Do you understand your current capabilities in technology, talent, and developing a portfolio of services?
— Is your delivery model flexible enough to adapt to tax reform, changing immigration policy, trade treaties, and other regulatory shifts that are changing the value equation?
— Have you defined your company’s future state for digitally-enabled business services, as well as a clear path to close gaps in capability?

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Our approach, methodologies, and tools are time-tested across various industries and have consistently demonstrated enhanced strategic value to the finance function. KPMG’s global network helps clients align their finance organizations with the strategies and needs of their businesses to realize and sustain value over the long term.

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