



CFO Focus

Top of mind issues confronting the CFO

Issue #5: Transformation

CFOs are seeing their role continue to evolve and become more complex. That means keeping up with today's most pressing issues can be a challenge. KPMG created this series to provide cross-functional updates on the top-of-mind issues facing CFOs. This report includes information on trends and topics collected from discussions and interactions between KPMG professionals and the CFOs at some of our client companies. It also provides related resources on the topics as they pertain to the CFO and the finance function.



Emerging technology trends

Technology continues to transform not only the finance function, but entire businesses and industries as well. Through piloting and investment, CFOs are able to better distinguish between technologies that are passing trends and those that will have lasting benefits to their organizations. CFOs agree that one lasting technology is robotic process automation (RPA), with many confirming that they are running RPA pilots, commonly applying them to back-office functions, repetitive tasks, and transactional activities. As a leading practice, a number of clients have set up a center of excellence to oversee the deployment of RPAs within their finance and customer-service functions. Most have found that RPAs for finance require much more business expertise in order to be effective. The CFOs that KPMG has met with, who are beyond the pilot stage and have deployed RPAs within their organization, agree that finance should be involved in RPA development, and universally recommend that the training of finance employees include components of automation programming.

Automation presents a unique opportunity for finance departments, given their often heavy burden of repetitive and routine tasks (e.g., data gathering, report generation, etc.). Many CFOs who have discussed this topic with KPMG expressed their belief that finance departments should be the ones spearheading automation efforts within their organizations—as they stand to realize the most benefits.

Toward that end, KPMG is seeing many of its clients forge a partnership between finance and IT in an effort to improve the effectiveness of RPAs within the function. Organizations must think about the development lifecycle when deploying RPAs since many systems learn and adapt over time. CFOs look at their existing IT environments and existing service delivery models in order to determine the cost vs. benefit of new technologies (e.g., an organization that has already updated to a single ERP system doesn't have the same opportunity to benefit from RPAs as one that still runs disparate systems).

It's important to note that a strategy to apply RPA should include an assessment of existing processes and systems. A commonly raised belief shared by many CFOs, and supported by KPMG, is that the full benefits of RPAs cannot be realized unless the processes they're applied to are improved first. Consolidating activities, standardizing processes, and putting functions into centers of excellence must occur first. Otherwise, in the words of one CFO, "you are applying smart automation to dumb processes."



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"It is crucial to have people that understand the financial process contributing to bot programming efforts, because you're configuring things at keystroke level. It's hard to document that level of specificity in requirement documents. You want to have people that are close to the process building the technology—that requires its own training and change management considerations, making it necessary to identify the right corresponding skills. As we're seeing in finance broadly, there is a skills pivot into what were traditional finance skills, and putting more technology into that."

Finally, many organizations have the misconception that robots will replace employees. However, CFOs have observed that, while RPAs save time and effort, their benefits are difficult to aggregate into an entire full-time equivalent (FTE). More often, CFOs are realizing fractional FTE benefits that don't necessarily translate into cost savings or redeployment of resources. The truth is that only when done at scale and in conjunction with the service model can RPAs provide true FTE benefits.

What are CFO's asking KPMG?

- How are other finance groups using machine learning? Has it been productive?
- How are others strategically rolling emerging technologies and RPA?
- How do you scale without wasting resources on multiple platforms and strategies?
- How are CFOs harnessing the enthusiasm with new technology to create a more innovative culture?
- Are there leading practices around governance we should be considering?

Related KPMG resources

- [The insights imperative](#)
- [Future of finance: extreme automation](#)
- [Elevating risk management](#)



Robotic process automation (RPA) and machine learning

Executives recognize the potential for Robotic Process Automation (RPA) to transform many areas of business. Most executives are currently applying "bot" systems to repetitive tasks such as invoice scanning and matching, but some are also experimenting with RPAs in supply chain and finance back-end functions with the goal of reducing offshore labor. Some organizations combine shared-services with IT back office tasks and are seeing RPA benefit both. RPAs are also helping executives gain efficiencies in outsourced processes (e.g., accounts receivables, payables, etc.) and online customer experiences.

We have noticed that more vendors are emerging and many technologies are converging to improve the capabilities of RPA. The aggressive efforts of large technology companies to position themselves in the market and the high valuations of companies that develop cloud, data and A.I. platforms are signs of

expectations for significant growth in the automation space. We anticipate significant, disruptive changes in the next 3-5 years that will force companies to review not only the applications of automation, but also its ethics and social impacts.

Goals for RPA have evolved to include competitive advantage, operating effectiveness and risk management, yet back-office efficiency continues to be the driving force behind the rapid acceleration in Intelligent RPA development (RPA tools married with Artificial Intelligence). There are a broad range of RPA technologies which we can categorize into three classes: Class 1) basic RPA (e.g., rules-based processes); Class 2) technologies with elements of machine learning (e.g., chat bots); Class 3) advanced cognitive computing paired with automation tools (e.g., systems that can extract information and infer a result).

The potential impacts of RPA on shared services and back-end functions could far exceed the past benefits of offshoring such tasks. This potential is not without risk, however, as every new system brings another vulnerability to the company. Risks commonly come from the machine learning process and increase with the level of connection to the cloud. There are also governance considerations with third-party management of bot systems.

CFOs often highlight the need for strict governance around RPA systems, with many believing that RPA governance should lie with the finance organization. Others expect governance and risk management to change along with the related technologies, forcing organizations to evolve in their approach to oversight.

KPMG certainly endorses the importance of strict governance and notes that RPA systems require oversight in the same way that human employees do. Similar to human employees, RPA systems and their work should be auditable and traceable, which can be carried out through comprehensive compliance testing. We also caution the need for transparency and strong governance with vendors if automation functions are outsourced.

Job creation vs. Value creation

CFOs often note the conflict of job creation (a focus of the current administration) with value creation through RPA deployment since automation can result in jobs being replaced by robotic processes. Some CFO believe that an organization's focus should not be on job creation, but rather on training employees with the new skills that the changing labor market requires. While other CFOs goals are not to eliminate roles with RPA, but rather to improve the quality of processes and change the roles of workers. In some cases, the introduction of RPA does eliminate jobs, but in other cases the organization tries to migrate workers from roles with potential for human error into roles where they serve as process managers.

What are CFO's Asking KPMG?:

- What functional areas are leveraging RPA most successfully?
- Where do you see the most effective application of RPA within finance?
- How should we be partnering with IT and other groups to drive these initiatives?
- What has been most successful in leveraging predictive capabilities within the planning process?
- How can we create an effective governance framework for RPA technology?
- How can we be identifying and mitigating the risk associated with automation technologies?

- Where in the organization does RPA have the most application?
- Which internal group is typically responsible for exploring the capabilities of RPA and AI?
- What are leading practices for evaluating and testing emerging opportunities like blockchain in 2018?



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“(Many organizations) are embracing RPA in order to move away from outsourcing deals and create operating models that bypass the back office completely. Cloud-based RPA is enabling them to deliver services in a much more responsive, targeted, scalable, cost-effective and “labor-light” manner.”

Related KPMG resources

- An ethical compass in the automation age
- Capitalizing on robotics: Driving savings with digital labor
- Digital labor promises major disruptions to outsourcing
- Rise of the Humans—The integration of digital and human labor
- Rise of the Humans 2: Practical advice for shaping a workforce of bots and their bosses
- Rise of the Robots: Robotic process automation can cut costs for financial services firms by up to 75%
- Bots in the Back Office: The Coming Wave of Digital Labor
- Bots in the Rev Cycle - Hospitals Increase Revenue Recovery with robotic process automation (RPA)

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