



Getting there, staying there

**The new digital transformation
agenda for finance**

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Introduction

While many companies have long had plans to evolve their businesses digitally, the events of the past year dramatically accelerated the need for a broad-scale digital transformation. The challenges of 2020 were a huge catalyst for digital adoption, compressing market and technology trends already underway and leaving behind a permanently altered business landscape. The digital capabilities gap between clear digital leaders and others widened. Business leaders quickly grasped that their competitive position in this new environment would depend upon strategic investment in digitally enabled business and workplace models.

Their subtler but perhaps more significant insight was that the pace of digital disruption is here to stay. The state of play is simply too fast; this year's digital "leading edge" can quickly become next year's table stakes. The goalposts, however defined, will never stop moving. If the initial conceptual leap for C-suites was "getting there," the new aspirational bar is now "staying there," a paradigm shift that replaces "destination" with "journey."

Those companies that had hoped to achieve their digital target state, in a one-time-transformation reset, have expanded their thinking to include mechanisms that will help them keep pace with digital evolution, both inside their own enterprise walls and within their external-partner ecosystems. In this sense, digital transformation becomes more than a one-time, albeit significant, event, but instead a strategic way of life.



What hasn't changed: fast paths to value, holistic approaches

With agility now seen as a key component of business success, executives are increasingly recognizing the need to speed up the adoption of their digital makeover. According to the [2021 KPMG U.S. CEO Outlook](#), 48 percent of chief executives say they have sharply accelerated the creation of seamless digital customer experiences; another 54 percent said a long-term impact of the past year is that they plan to conduct customer engagement and queries predominantly via virtual platforms. Rapid paths to short-term impact remain important.

Technology, of course, is just the tip of the digital iceberg. By definition, successful digital adoption touches every dimension of the enterprise. Integrated, cloud-based solutions are the lift-off point for company-specific digital strategy and implementation paths. In our experience, effective transformations for finance demand a holistic approach that includes the following six key components:

Accelerating your digital agenda

Future-ready strategy

Establish your digital value chain

Connected digital

Scale digital and integrate across solutions and processes

Design-think culture

Establish a workforce that embraces digital innovation



Customer first

Connect your enterprise and move with your customers

Data value

Digital insights are only as effective as the data you feed them

Digital core

Centralize your digital governance framework

The benefits are clear—finance leadership has the ability to leverage data to learn more about customers, monetize the resulting insights and stand out from the competition. A digital transformation can enable companies to generate a more continuous flow of information around all aspects of their business, enabling them to make key decisions more quickly.

This evolution creates an opportunity for finance to take a more active role in the company's talent management. In its own ranks, Finance can model the digital literacy and analytic fluency needed across the entire enterprise, if digital transformation is to drive growth, profitability and increased market share.



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Future Ready Strategy

The right initial step for any finance function is establishing the target state vision of not only where the organization wants to be, but also needs to be. This strategic perspective looks outside enterprise walls and beyond internal business targets, and focuses on sustainable competitive advantage.

The digital strategy for the business sets the agenda for both near- and long-term change, sequencing priority initiatives and investments, and defining the accelerators needed to turn vision into operational reality. In order to shape the right path forward, key strategic questions to ask include:

- What will inform the target operating model? Determine who your target audience will be—both internal and external—and how you will stand out in your market. Set aspirational goals for digital transformation to differentiate yourself now and in the future, leveraging experimentation and measurement as enablers.
- Who and what will get you there? Evaluate the enterprise ecosystem of technology and advisory providers to ensure that your organization is best equipped to navigate and capture advances in functional practice, data and analytics, and digital technology. Use ROI-driven business cases—to secure stakeholder buy-in for digital investments, establish roadmaps to accelerated value, and define outcomes by tangible financial impact. Use innovative finance levers like dynamic investing to move the business towards an agile operating and thinking.
- How do you start the journey, and maintain momentum? Embed the necessary structural changes—in organizational design, digital governance, roles, and culture—that may need to take place so the business can keep pace with evolving customer expectations, expand to new audiences and markets, absorb digital technology advances, or stay abreast of changing risk landscapes.



Putting the customer first

One of the most powerful lessons for companies during the past year is how quickly and fundamentally customer behaviors can change. The finance leaders we speak to suggest the pattern will only continue, at a faster pace. Organizations need to leverage continuous insights to keep up with, and more importantly, get ahead of, customer demands. More and more consumers want to be able to engage with their vendors in real time, on demand, while still maintaining personal connections.

An effective approach to a successful customer experience lies in leveraging digital solutions to create an agile and connected enterprise, where customer demands can be identified and addressed quickly. For example, using publicly available web interfaces, companies can tap into customer patterns and use advanced analytics to learn more about their demands. Self-service portals and chatbots connect with customers 24/7, and these real-time inquiries can provide valuable insights into their wants and needs.

Digital solutions can be leveraged in many ways to enhance the customer experience. Consider how food delivery services provide constantly updated customer information on the status of an order, including maps that allow customers to track their food orders in real time using their cell phone. Some home furnishing stores now offer “visualizer” cell phone apps, which feature augmented reality to allow a customer to see what different flooring and furniture would look like in their home.

A comprehensive digital transformation allows finance to understand how customers want to be engaged, while maintaining a human relationship. This new customer insight has helped some companies achieve as much as a 30 percent reduction in customer churn.



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Connecting and scaling digital solutions across the enterprise

It's not unusual for companies to implement a valuable digital capability in one part of the organization while another area pursues a similar capability, but uses a different solution. By looking across the company to see what solutions are in place, companies can see how to best scale and optimize their investments.

Implementing a cognitive contract management (CCM) solution is a good illustration of how connecting and scaling a solution end to end across the enterprise can achieve significant results. A CCM solution uses artificial intelligence (AI) to read invoices and contracts, and then compares them with reference data. It leverages optical character recognition, natural language processing, and AI to ingest, catalog, structure, and analyze contractual data automatically. CCM can process customer contracts, vendor contracts, and deal support contracts to help ensure consistent management across agreements.

Understanding the "art of the possible" requires finance executives to view a problem through an end-to-end process lens rather than a siloed functional lens. By making sure they are looking at the issue from a process perspective, the firm gains a holistic view: **who** contributes to the process, **what** are they using the process for, and **where** there are opportunities to scale capabilities.

The benefits of achieving end-to-end solutions are clear. One medical equipment and technology manufacturer implemented a global system to standardize, automate, and improve its forecasting and planning processes. By deploying such innovations as standardized templates and automating data integration, the firm managed to reduce its planning cycle by 50 percent, and found significant additional drivers of revenue. Similarly, a global distributor increased the accuracy of its quarterly revenue forecasts by developing an automated forecasting system across its major business lines that could be run instantly, reducing the time it spent generating financial forecasts.



The importance of high-quality data

Few of the advantages of a digital transformation, such as actionable and continuous insights, are possible without quality data. It is fundamental to establish an enterprise-wide data ecosystem and data governance model that will allow the finance function to receive a continuous flow of high-quality data. This will enable real-time evaluation of the firm's "digital bets"—where investments have been made in digital solutions,—and drive better performance of digital solutions, which will allow the organization to generate more value.

Companies should strive to connect operational and financial data across the entire enterprise, as well as to integrate external data. This will help yield the best picture of performance and help identify areas that can add value for the organization. Taking human biases out of the results allows companies to make fact-based, data-driven decisions.

A continuous flow of data makes faster reviews of performance possible. Identifying problem areas quickly allows finance executives to pivot quickly and course correct.

Many firms have been able to monetize the wealth of data and insights that emerges about customer behavior and commercial activity. By using natural language processing and natural language generation solutions, finance is able to access real-time information beyond pure numbers, and even automatically generate commentary to the financials.

It is essential that companies ensure they are using AI ethically when processing customer data. Companies must remain cognizant of the need to ensure that data privacy considerations are met; this is paramount in dealing with personal information.

Development of adequate security and controls is a critical aspect of implementation of an end-to-end digital transformation. When a dashboard is connected for one part of the company and is then scaled to other divisions, data from a variety of functions may be flowing into the same solution. Adequate controls help ensure that taking advantage of the shared solution will not compromise controlled access to data.



Creating a “design-think” culture

Your digital transformation needs to care for the people factor, while aiming to quickly realize efficiencies and ensure enduring success. In order to do that, you must give employees the room to experiment, try new approaches, and “fail fast” with expedited course correction.

In the near term, 20–30 percent of the tasks in many job categories will become automated, requiring a new approach to building a workforce. A digital design think culture will free employees from low-value, transactional activities and instead allow them to focus on strategic problem-solving, business partnering, and creative solutions.

To develop a digitally native workforce, companies can deploy a variety of tools such as mobile-enabled bite-sized online instruction, training programs offered under fellow employee mentors, and virtual digital conferences.

Low-code application platforms offer the opportunity to dramatically increase levels of business automation. These intuitive platforms decrease the reliance on IT departments and specialized developers. Putting these solutions in the hands of finance employees encourages a cultural shift to more creative problem solving, and, willingness to engage with new solutions.

Finance teams should leverage digital insights not just to learn more about their customers’ behaviors, but to learn about employee behaviors and help nurture top talent. Using advanced data analytics helps to identify and cultivate rock stars, track data about employees beyond the traditional HR system, and spot employee burnout and disengagement. It can also help identify employee concerns early to reduce attrition.



Establishing a digital core

One of the toughest “continuous transformation” challenges companies face is how to absorb all the new digital advances presented to them—whether application releases, more powerful analytics, or platform improvements. Some companies have responded by establishing a digital center of excellence (COE). This group can act as a central funnel through which digital opportunities can flow, and drive establishment of a framework to assess and prioritize digital bets.

In many cases, a well-planned “digital core” can enable faster decision-making based on a central flow of insights and an agreed-upon framework for prioritizing and managing the value chain. Introducing a central governance and control framework across the digital landscape helps ensure quality and confidence.

The digital core enables a finance-led prioritization with clear guidelines for the agile allocation of capital and dynamic funding. Instead of annual planning cycles, the digital COE enables a continuous funding process which can quickly shift capital. It creates an opportunity to use hypothesis-based funding, which utilizes mathematical models to test an idea with a small sample before it is implemented on a larger scale. The company can then use objectives and key results to measure the success of hypothetical solutions.

A woman with short, curly hair, wearing glasses and a blue and white striped button-down shirt, is shown in profile from the chest up. She is holding a silver laptop and looking at the screen. The background is a server room with blue lighting and rows of server racks. The overall tone is professional and tech-oriented.

“ A continuous flow of data makes faster reviews of performance possible. Identifying problem areas quickly allows finance executives to pivot quickly and course correct. ”



Conclusion

The road to value realized, today and tomorrow

From the KPMG perspective, digital transformation is a powerful promise, whose success depends on the right combination of drivers, in the right hands. C-suites know that piecemeal efforts yield partial results, but they may be daunted by the risks—and costs—of a comprehensive reset. In our experience, only a handful of the largest, most sophisticated companies have the internal resources to undertake digital transformation by themselves.

Most need end-to-end advisers who can meet them where they are on the digital maturity cycle, help them adapt the precedents of recognized leaders to their own circumstances, and take them from vision to operational reality. Faced with a sometimes-bewildering number of tactical options, company leaderships facing digital transformation need a guide.

What can businesses expect from such guidance? It means art-of-the-possible digital vision, sourced in the company's own business strategy; relevant industry and functional knowledge, married to proven digital solutions, integration frameworks, and implementation roadmaps; attunement to the "soft factors" of digital skill sets, organizational design, behavior, and culture; and demonstrated experience in building ROI-driven business cases with clearly defined financial outcomes and accelerated paths to value.

As tall an order as that may seem, those digital-transformation adviser attributes are just to help businesses "get there." The folding in of extended time horizons, and the increased emphasis of future-focused capacities such as "organizational agility" and "preparedness for change," mark new thinking in the digital transformation marketplace.

The digital transformation marketplace is responding to the call, reframing their offers to help businesses compete in the era of "continuous digital disruption." They are combining data, technology, domain insight, and change-management savvy in multiyear, managed service agreements that give companies access to leading digital technology and practice and help them navigate new digital developments. These advisers are decidedly more than point-in-time problem solvers—with the "stay there" stamina to go the distance as the technologies, tools, advanced practices, and their markets evolve.

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