

# Elevating Finance: Episode 3

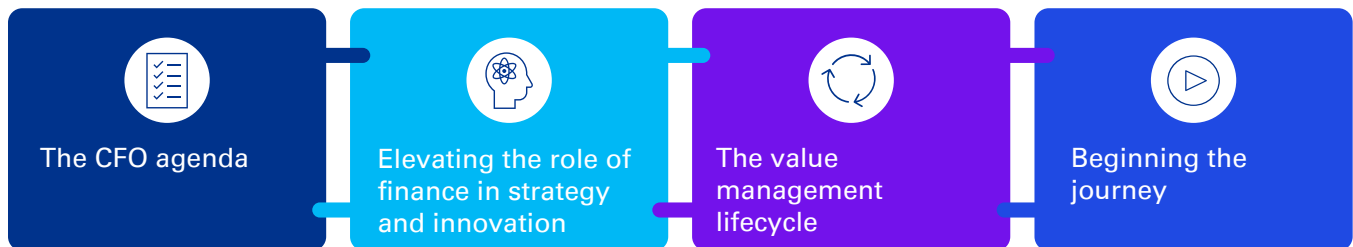
September 22, 2022

## Webcast summary

Finance leaders are uniquely positioned to play a critical role in driving business strategy and innovation investments by taking advantage of signals of change and prioritizing opportunities to unlock sustainable value.

The webcast discussed finance's evolving role in driving enterprise performance and a framework to drive and deliver continuous value realization to the organization.

The panelists addressed the following topics:



### The CFO agenda

Adapting and thriving in today's competitive economy has put new demands on the CFOs and their teams to tackle complex and strategic issues outside the traditional domain of finance. Finance is in a unique position to provide the insights needed to drive real-time decision making and elevate business performance. Leading finance functions are leveraging technology to address five core, integrated aspects of its performance, which act as enablers to drive enterprise strategy and value management:

- **Strategy and Innovation:** Finance plays a major role in unlocking the value of data—being the custodian of enterprise-wide data, effectively allocating capital and resources to enable strategic priorities, and harnessing advanced analytics capabilities to provide actionable

insights that ultimately deliver the value demanded by modern enterprises.

- **Digital acceleration:** Digital technology is one of the key enablers binding all the transformations across an organization. Companies are focusing on future-ready digital solutions to enable finance teams to take on a considerably broader and deeper set of strategic responsibilities than ever before.
- **Data intelligence:** CFOs are focusing on establishing their underlying data framework that is capable of ingesting and normalizing data from across the organization and external data sources to generate tailored, persona-based consumption, allowing leaders to act quickly and take pre-emptive measures rather than waiting to respond.

- **Modern Workforce:** As leading organizations move towards finance providing more augmented services to the enterprise, there is an accelerated need for the right mix of talent that will promote digital fluency and enable finance teams to drive strategic and innovative priorities.
- **Dynamic risk management:** Lastly, it is crucial to secure the digital environment and digital investments with a dynamic risk management framework that supports, not hinders, innovation while maintaining compliance and protecting the trust of different stakeholders.



## Elevating the role of finance in strategy and innovation

Two-thirds of executives prioritize investing in new growth opportunities as part of their strategy. The growing strategic role of CFOs can often be seen as an obstacle to growth and innovation. However, focusing on the following three key themes are helping CFOs build a better partnership between finance and strategy and deliver sustainable growth:

- **Creating profitable growth:** Identifying and evaluating opportunities across a series of levers to lead enterprise performance:
  - Revenue growth: Data is an asset and finance holds the key to enterprise-wide financial and non-financial data, and therefore, has an opportunity to identify revenue growth opportunities. CFOs are increasingly taking a customer-centric focus, innovating to gain market share by exploring new market entry scenarios, and utilizing advanced analytics to gain a competitive advantage.
  - Operational excellence: Finance teams are well-positioned to co-pilot with CEOs as they quickly adapt to evolving business and customer needs by creating new, value-added services and experiences. It's important to focus on operational excellence by supporting agile capital planning and monitoring techniques and ensuring the financial processes and culture are interlinked.
  - People and culture: Leading companies are also focusing on building a corporate culture that is ready and capable of embracing fundamental changes. This includes how companies are layering both cultural and people metrics into their

business decisions that drive value in more than one way—thinking through the ESG agenda, investing in employee upskilling and development programs, understanding the impact automation has on the workforce, and the change management capabilities to address it.

- **Integrating data platforms:** Breaking down silos and enabling insights through the delivery of connected, cross-functional intelligence and actions that enable the business strategy and financials:
  - Align stakeholders: Setting and prioritizing North star and KPI targets that impact strategy execution and establishing accountability and ownership of targets within the transformation program. It is crucial to align all stakeholders, internal and external, by defining a common language through leveraging industry and process value drivers.
  - Merge planning: Once the metrics are aligned, the next step is to embed innovation goals with the planning and budgeting process using intelligent automation and scenario modeling capabilities to help drive better alignment in the execution of common targets and plans and support agile, dynamic planning decisions.



- Integrate technology: Although organizations are aggressively pursuing investments in scaling automation to build a more connected enterprise, it is equally important to ensure that their strategy and innovation efforts realize the promised value. It's important to integrate and align technology to enterprise strategy and requirements that allows tapping into actionable insights and data.
- Governance: 70 percent of leading companies are increasing their spending on data-related activities in 2022, wherein they are focusing on establishing their underlying data framework. With digital acceleration and the integration of technologies across the ecosystem, it becomes crucial to consider governance across the data within an organization that helps monitor data and aligns organizational information to have a common financial language. It not only drives insights but also allows finance teams to take actions in the appropriate way.
- **Realizing untapped potential:** Understanding the value of transformation will help CFOs realize greater distributed resources through three value propositions:
  - Employee value: In today's continuously changing business world, employees are an asset. It's difficult to retain as well as attract new talent. Understanding what our employees value and identifying ways to drive additional value across the employee layer is critical. This involves acting upon employee satisfaction, safety, improved capacity, workplace flexibility, and elevating the overall employee experience.
  - Stakeholder value: Providing key moments of truth with clear goals that translate to stakeholder value through personalization is key to unlocking stakeholder value. This involves defining new ways of working with various stakeholders and having clearly defined goals that truly drive value for them while incorporating those into business decisions, such as criteria for ESG, diversity, and customer-centricity, and identifying innovation and new business models.
  - Market and shareholder value: Consistent communication in pivotal moments helps improve and proactively align

stakeholder interaction around company strategy. This involves how companies are focusing on costs and being strategic around transformation programs and reinventing their organizational processes.

## The value management lifecycle

There's no doubt that finance teams are well-suited to take a more active role in leading strategy and innovation given their fiduciary oversight role. While every company's transformation journey is different, the goal is the same: to prioritize investments in innovation and technology to achieve the highest impact—on both efficiency and strategic value—to balance short-term gains with long-term value creation. Despite the high appetite for digital acceleration, most finance organizations are struggling to get the value they want and are concerned about the integrity of the data that drives enterprise decisions. Integrating value throughout the lifecycle of the transformation program is rather than just a one-time activity.

Leading organizations are tracking, monitoring, and understanding the lifecycle value for their teams through the five key components:

- **Frame:** Framing and defining the various levers of value by understanding and interpreting the strategic themes, objectives, and overarching ambitions that are driving the transformation.
- **Discover:** Discovering and leveraging sources of value through research and data analysis to develop the foundation that will enable value tracking and measurement for the program.
- **Design:** Designing detailed solutions that map the business and technology capabilities to clear outcomes and corresponding key results while planning ahead to mitigate possible value leakage.
- **Capture:** Capturing the value by measuring and reporting the outcomes from each delivery iteration and release using KPIs and a scalable financial model.
- **Optimize and sustain:** Identify opportunities to optimize the value realization plan, mitigate value leakage, and maintain the future momentum of the enterprise.

To accelerate the value management lifecycle, having a governance framework along with the right tools is crucial to integrate enterprise value levers with financials and ensure that the desired value is delivered.

## Value management enablers

The value management lifecycle is enabled by the following activities on an ongoing basis:

- **Value tree:** Value trees are used to frame and define the initial rationale and benefits behind the transformation by aligning the objectives to value drivers, KPIs capabilities, and enablers. It's important to work with stakeholders who understand different aspects of value in your organization and ensure that the right kind of thought process has been followed as you build this value tree.
- **Value case:** Financial models and value charters are used together to develop value cases that show the flow of value, quantifying the current state, future state, costs to achieve, and any change impacts.
- **Value governance:** Establishing a value-centric governance model to determine decision rights, accountability, meeting cadence, change controls, value leakage mitigation plans, and escalation procedures that are aligned with the program governance.
- **Tools, KPIs, and reporting:** Owning the right set of tools, templates, standard metrics, dashboards, and reporting packages that provide visibility to effectively manage value realization. Having an aligned enterprise view of value is key to the effective use of tools.

## Beginning the journey

Five areas to consider that can truly help elevate the role of finance in strategy and innovation:

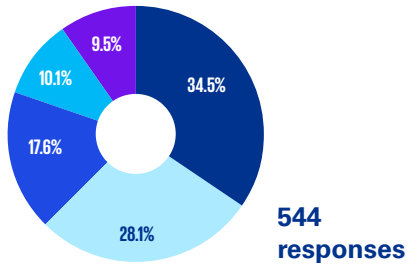
- **Envision:** Envisioning how finance is more accretive to the enterprise strategy and play a key role as the value integrator and multiplier within your organization.
- **Strategize:** Aligning your digital strategy to enable the enterprise business strategy and objectives.
- **Create:** Understanding the different levers of value within the organization and different opportunities to grow that value and create profitable growth.
- **Evaluate:** Evaluating and reevaluating whether the KPIs are aligned to the business strategy is critical to keep pace with change and ensure they are cascaded through the organization.
- **Commit:** Committing to the value case for transformation by creating the vision and the roadmap to achieve what you want to do.

## Closing comments

CEOs are looking to the finance function to take on a considerably broader and deeper set of strategic responsibilities than ever before. Business stakeholders are increasingly expecting finance to play a pivotal role in driving strategy and innovation and serve as a forward-looking, business partner. Leading CFOs are leveraging automation, data and analytics, and a modern workforce to enable focus on value creation. While establishing a culture of trust is imperative to bring down the barriers to sharing information across different teams within an organization, effective risk management remains at the center of shaping broader business strategy and generating returns.

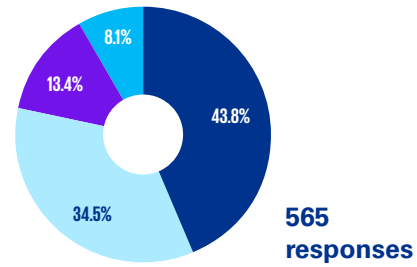


**Which statement most closely aligns with Finance’s role in your company’s strategy and innovation?**



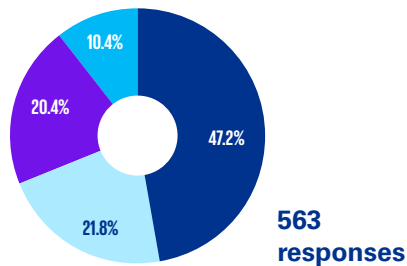
- Supports innovation: Seat at the table for key decisions from ideation through execution
- Guides strategy: Builds overarching department strategy to align with company goals and vision
- Innovation leader: Drives identification and prioritization of new opportunities
- Not involved in business innovation
- Minimal involvement: Brought in after key decisions are made

**Select the greatest areas of focus contributing to profitable growth within your organization today?**



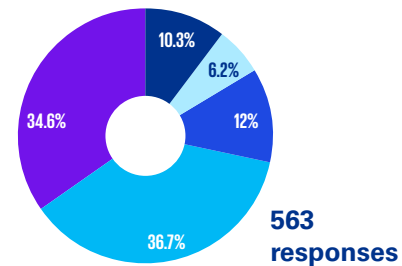
- Revenue growth
- Operational excellence
- People and culture
- Other

**To what extent has your organization integrated existing data and platforms to support driving strategy and innovation?**



- Moderate integration effort
- Small degree of integration effort
- High degree of integration among data and established platforms
- No integration

**Which of the following tools would you be most interested in seeing your organization leverage to enable/monitor ongoing value management?**



- Value trees
- Value governance
- Value cases
- Tools, KPIs, and reporting
- All of the above

**Note:** Percentages may not total 100 percent due to rounding.

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