

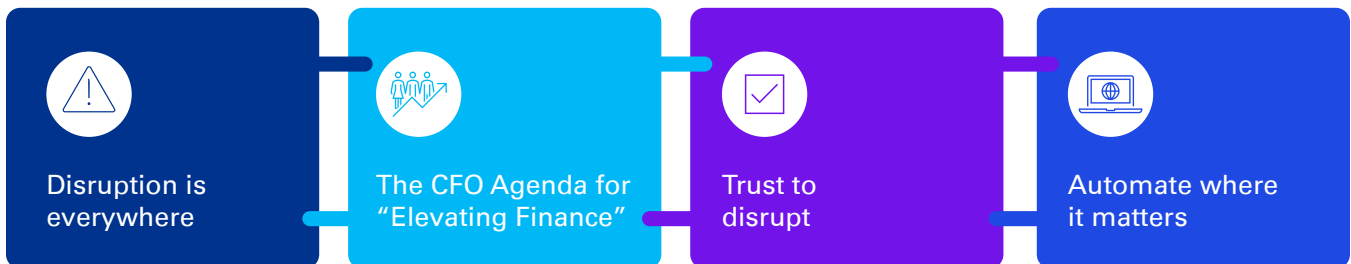
# Elevating Finance: Episode 5

January 26, 2023

The time is now to elevate finance to a more dynamic capability that rapidly adopts new tools and competencies while fueling digital transformation. The promises of digitized finance are very real: reduced costs, near-real time reporting, better insights, exception based analytics, and a more empowered workforce.

This webcast highlighted ways to overcome macro disruption in the marketplace, as well as an approach to proactively manage risks by leveraging digital solutions.

The panelists discussed the following topics:



## Disruption is everywhere

Technology disruption is upending the finance function. Finance transformation can help CFOs support the business and keep their eyes on the future. Disruption is everywhere and occurring at unprecedented speed in today's market. We're seeing new business models, changing customer and employee expectations, the convergence of industry models, rapidly developing innovation, and new regulatory and social demands.

- Finance is at the center as markets see disruption accelerating and organizations facing inflationary pressures from the macroeconomic environment as well as supply chain disruption. Economic headwinds such as the pandemic, rising inflation, and its impact have created increased commercial, operational, and financial risk.

- Finance is affected by every one of these disruptions, and the expectations of finance will drastically change. Having the right technology strategy in place is not just about making sure that the technology is compatible with business strategy, but also aligning organizational risk to it.

## The CFO Agenda for "Elevating Finance"

Leading CFOs have an agenda that includes five distinct but connected pillars to elevate finance and turn disruption into opportunity. They use technology to enable an agile, modern workforce that utilizes data and analytics to deliver intelligent business insights.

- **Strategy and innovation:** Prioritizing the approach to risk strategy enables effective allocation of capital and resources. This can help CFOs manage strategic priorities aligned to the business model and create a culture of innovation. Finance must continuously balance how it preserves, protects, and creates value for the enterprise.
- **Digital acceleration:** Data intelligence is the new norm for the way we ingest data from external sources and integrate it into our core business applications. Finance needs to transform its organization so that daily transaction-oriented activities are automated as much as possible. How we consume that data and leverage technology to quickly incorporate insights becomes important.
- **Modern workforce:** Adoption of new digital solutions enables organizational agility and prioritizes talent retention in the organization. Embracing new ways of working and reimagining talent strategies by leveraging strategic partners can help provide an exceptional employee value proposition and promote digital fluency.
- **Data intelligence:** The growing role of AI and data science in finance is gaining an unbeatable competitive edge. This trend shows no sign of slowing down in the market, and you should see how they best apply within your organization.
- **Dynamic risk management:** Companies are evolving their IT infrastructure and shifting towards cloud-based systems where risk management is fully integrated into the development process. Staying in front of disruption builds trust across stakeholders through the adoption of proactive risk management strategies. Industries are investing in risk monitoring to leverage data from finance and using multiple technologies to obtain better insights.

### Transitioning to dynamic risk management

The digital revolution has increased the availability of data, the degree of connectivity, and speed at which decisions are made, as we move from manual to automation and digitization.

- In a survey of different companies, nearly 60 percent of respondents articulated that they are planning to invest machine learning, AI, or process mining in the next two years—showing how advancements in AI have changed the game.

- Organizations are heavily investing in automation, workflow, and embedding risk and controls where repetitive work is required.
- Solutions developed with AI can be used for natural language processing tasks such as text generation and language translation. Having a dynamic risk management approach is a must and ensures that data risk is minimized when shared on open platforms.

## Trust to disrupt

Creating a culture that turns risk awareness into opportunity helps improve the overall organization.

- People play a critical role in building trust. Changing perception of risk is important as we continue the use of upstream operational technology. Normalizing risk by performing risk assessments and working on risk strategy can be a competitive advantage in the marketplace.
- A major chunk of financial innovation revolves around AI tools and solutions. It impacts several verticals within the industry—revolutionizing processes, procedures, and touchpoints. To be open to change, everyone must be involved in the process. To change the narrative, there is a need to be inclusive and garner excitement that helps to transform the way employees work across different organizations internally.
- At present, in every workplace we are working with people across multiple generations who have new and innovative ideas. To change and challenge human biases, we must embrace change management and have a positive mindset that ensures we will embark on a new risk strategy.

### Building trust at work

Trust is a critical part of all interactions that we have as humans. It also plays an integral role in workplace communication.

- A balanced risk function both protects and enables the business while strengthening stakeholder trust. A dynamic risk function that protects and enables companies to drive better alignment and create transparency strengthens stakeholder trust.
- Gaining trust gives companies a strategic advantage by securing stakeholder confidence, fostering growth, innovation, improving performance, and managing change.

Working proactively towards data tends to dissipate risk before it becomes a reality by predicting, preventing, and detecting risk. In a rapid pace, operating multiple technologies enables risk visibility, monitoring, and assessment.

- Setting ownership and responsibility is important, as it creates an environment where there is a clear and transparent communication of accountability and responsibility in the way that risk is defined, measured, and reported.

### Transform risk into opportunity

Having quick thinking and the ability to turn a deficit into an advantage will help companies turn a problem into an opportunity. With much experience and talent, you can train your mind to think in a new way.

- Establishing a solid foundation with a clear purpose, strategy, systems, and technology to create a more innovative team involves a mindset change to become more flexible and proactive versus reactive towards risk. This allows a company to improve processes while embracing a new way of working that creates value beyond compliance itself.
- Data is everywhere, and we need to leverage it to help us anticipate risks that are changing at a rapid pace. Turn risk into opportunity by aligning appropriate controls to balance commercial, operational, and financial risk. Manage risk by using different methods like continuous monitoring, anomaly detection, intelligent actions, alerts, and predictive and prescriptive analytics.



## Automate where it matters

Automation can be a tremendous catalyst to accelerate significant advancements in risk management. We envision a digitally enabled finance function that leverages the cloud for its systems and uses advanced analytics and artificial intelligence to provide strategic insights for an organization's leadership. These capabilities are supported by organizational agility and a modern, flexible workforce. Three areas that help accelerate digital automation to proactively mitigate risk are:

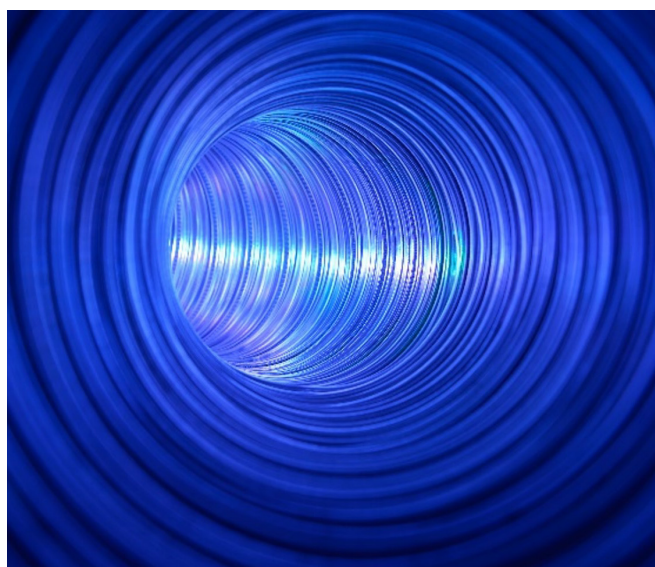
- **Data ingestion and management:** Data ingestion is essential for intelligent data management and gathering business insights. It allows medium and large enterprises to maintain a federated data warehouse by ingesting data in real-time

and making informed decisions through ad hoc data delivery. Machine learning enables faster and more accurate fact-based decisions, so people are adopting automated technology in certain spaces as well as anomaly detection.

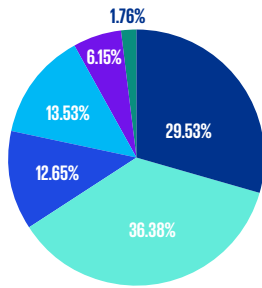
- **Business processes:** Companies are investing a lot in this area. An inexpensive tool like robotic process automation helps to eliminate repetitive processes, with immediate results in value. Process mining is one of the most invested areas that help analyze leakage across the procurement process with impactful results.
- **Policies and controls:** Embrace automation to improve accuracy, speed, trust, and the customer experience. Policies and controls is the most achieved area throughout technology, enabling transformation. Organizations are retooling and going down the path of implementing new ERPs or EPM systems that have changed the way organizations think and operate.

## Closing comments

The role of finance is changing—yet again. Understanding the importance of adding relevant, valuable insights to Finance's business outputs is critical in shaping the modern function. CEOs are looking to the Finance function to take on a considerably broader and deeper set of strategic responsibilities and normalizing risk by considering it as an opportunity. Leading finance organizations will succeed in the future when they have developed an agenda to deal with disruption and increase automation with multiple technologies.



### What department do you work in?

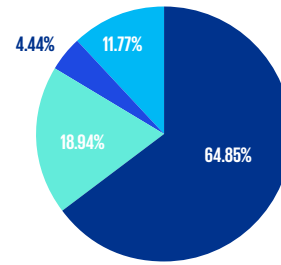


569 responses

- Accounting
- Finance
- Internal audit
- Other
- Risk management
- Technology

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

### What is one suggested way to evolve towards Dynamic Risk Management?

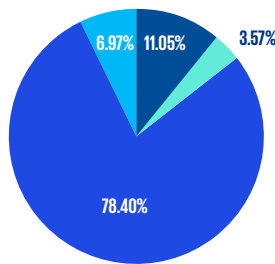


586 responses

- Anticipating risk and planning actions
- Developing problem finders and solvers
- Manual processes and controls
- Protect the enterprise from risk

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

### How does a balanced risk function build trust?

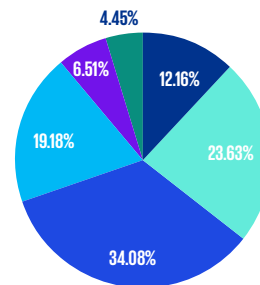


588 responses

- Lack of controls
- Poor tone of the organization
- Protects and enables the business while strengthening stakeholder trust
- Reacts to risk after it happens

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

### What area of your finance organization would benefit from further automation?

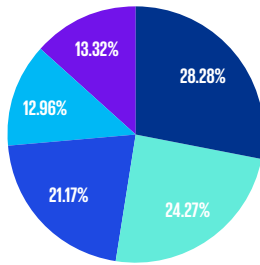


584 responses

- All
- Analytics
- Business process
- Data Ingestion and Management
- Other
- Policies

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

## Where do you see the biggest opportunity for your organization as it relates to Dynamic Risk Management?



548 responses

- Accelerate digital automation to proactively mitigate risk
- Create a culture that turns risk awareness into opportunity
- Design a balanced risk function that both protects and enables
- Embrace agility to respond to external disruptions and risks
- Harness data to gain real-time insights into risk factors

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