The Future of Finance and How it impacts our City

GFOA WMA Conference
Washington, DC
November 7, 2018

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Cybersecurity: from remediation to prevention

Sixty-eight percent of CEOs believe that a cyberattack is a matter of when and not if. Ninety-two percent feel prepared in terms of their ability to identify new cyber threats, but only 41 percent consider themselves very well prepared.

CEOs as leaders of radical transformations: who will succeed?

Ninety-one percent of U.S. CEOs believe they are personally prepared to lead radical operating model transformation. But many still have an ambivalent relationship with data when making critical decisions.

Workforce development: balancing urgent needs with long-term vision

U.S. CEOs are almost evenly split about whether technology will create or eliminate more jobs. Almost all (99 percent) use contingent workers. CEOs are focused on prioritizing the importance of urgently needed technical skills, but they also must think about the long-term development of the workforce.

Technology-driven disruption: scope, speed and timing

Eighty-six percent of CEOs consider their companies to be active disruptors, and for a vast majority, technology is the only significant disruption their business faces. For some companies, the change driven by technology will be nothing short of a full rethink, while others may need to proceed more judiciously.
Business disruptors

Finance must disrupt itself to stay in front of change beyond the day to day.

- Experience centricity
- Emerging technology
- Convergence of industry models
- Big data
- Shifting geopolitical & regulatory environment
- New business models
- Changing workforce demographics
What will finance look like in the future?

Business model disruptors are changing the demands of finance, and finance as we know it will be radically different in 10 years.

<table>
<thead>
<tr>
<th>Finance will…</th>
<th>The art of the possible…</th>
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<tbody>
<tr>
<td>Proactively lead enterprise performance</td>
<td>Cornerstone of strategy, finance, and analytics</td>
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<tr>
<td>Employ 70% less labor</td>
<td>Tech changes the nature of shared services</td>
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<tr>
<td>Enable business agility</td>
<td>Cloud everywhere and dominant platform</td>
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<td>Increase speed of insight</td>
<td>Amazon’s “Alexa” provides instant information</td>
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<td>Act as role model of collaboration</td>
<td>Process leadership is a profession</td>
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<tr>
<td>Improve forecasting accuracy</td>
<td>Artificial intelligence (AI) processes big data</td>
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<tr>
<td>Develop new skills and talent</td>
<td>Finance professional as a strategist</td>
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The CFO agenda for disruption

Leading finance organizations have developed an agenda to deal with disruption

Skills and talent

Changing requirements:
- Both strategy and finance skills
- Process and control leaders
- Relationship and collaboration

Organizational simplification

Changing work:
- Fewer people
- Less hierarchy
- Fewer locations

Extreme automation

Integrating new technologies:
- Cloud ERPs
- Robotics
- Artificial intelligence
- Blockchain
- Mobile

Insights and analysis

New insights through:
- Automated descriptive and diagnostic analytics
- New predictive and prescriptive analytics
- Integrated business planning
- Local decision support

Risk Management: Response to disruption impacts how risks and controls are managed in an organization and the need to continuously evolve.
CFO response to business model disruption

Finance must drive a process that identifies, prioritizes, funds, and monitors strategic investments.

Set organizational strategy by understanding future trends
Scan signals of change to better understand and prepare for potential disruption with innovative solutions

Build a portfolio that enables business to make smarter bets
Balance riskier investments in disruption with ongoing investments to sustain the core

Establish strategic framework with a disciplined process
Structured, rigorous process that aligns investments to strategic, operational, and financial plans to ensure organization is nimble and competitive

Use proper metrics and models for evaluation
Effective use of financial metrics that blend the risks of the assessments of customer and operational viability and opportunities for learning and strategic fit

Adopt strong governance to drive alignment
Deployment of scarce capital and labor requires structure that drives alignment from C-level through operations / products on roles, levers, and KPIs to prevent value leakage
Disruptors in Government

Technology disruption is not new. However, the speed of disruption is faster and continues to accelerate.
Extreme automation is the future

The finance technology ecosystem will continue to evolve and be integrated.

**Data management**
Data management will no longer be an aggregation of performance data; finance will lead data strategy utilizing new data sources (internal and external) to drive deeper prescriptive insights.

**Blockchain**
Blockchain will accelerate transaction recognition and provide enhanced security, lesser storage requirements, and shorter delivery cycle times; integration with cognitive technologies will result in extreme automation.

**Cloud ERP and EPM**
Cloud technologies will give finance the ability to select best-in-class application solutions, real-time data accessibility, and business partnering capabilities.

**Machine learning**
Adaptive technologies will radically change the work that finance does through the use of smart algorithms that can be leveraged to accomplish activities and tasks.

**Robotics**
Robotic process automation (RPA) will drive “extreme automation” within rules-based finance processes resulting in greater capacity for value-added activities.

**Digital analytics and delivery**
Finance will be delivered real-time, custom insights via new mobile interfaces, thereby driving accelerated decision-making capabilities, allowing finance to positively influence business outcomes.
How is extreme automation being applied?

Finance technology disruption is already in motion. What are you doing?

Blockchain replaces EDI, automates and authenticates counterparty transactions

Digital labor integrates with cloud ERPs and other technology solutions to automate remaining manual activities

Dynamic forecasting and analytical processes, cloud-enabled, with AI capabilities

On-demand value delivery enabled through mobile and digital technologies
As traditional, historical analysis becomes fully automated, analytics capabilities will shift from “descriptive” to “prescriptive.”

**Descriptive**
- Data Integration

**Diagnostic**
- Analytics Capabilities

**Predictive**
- Culture Change

**Prescriptive**

**What happened?**
- **Example:** Revenue by dimension, geography, source, service
- **Emerging technology:** In-memory computing
- **What will change:** Speed of transactions

**Why did it happen?**
- **Example:** Self-service and root cause analysis (explanations of variances)
- **Emerging technology:** Enterprise Performance Management digital delivery
- **What will change:** Speed of analysis

**What will happen?**
- **Example:** Future estimates of revenue based on demand drivers
- **Emerging technology:** Machine learning, unstructured data processing
- **What will change:** Predictive analytics

**What should we do about it?**
- **Example:** Strategic scenario analysis of opportunities to identify new revenue sources
- **Emerging technology:** AI/Cognitive, big data analytics
- **What will change:** Hypothesis generation; advanced market analysis
**Organizational simplification**

Extreme automation will dramatically change the size, structure, and delivery model for finance.

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<th>What work is done: Higher-value services</th>
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<tr>
<td>• Sophisticated data modeling and virtual visualization</td>
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<tr>
<td>• Innovation and new capital allocation approaches</td>
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<tr>
<td>• Management of digital workforce (Robots and AI)</td>
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<td>• End-to-end process management</td>
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<th>Where work gets done: Geography no longer matters</th>
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<tbody>
<tr>
<td>• Virtual delivery centers / “no shore”</td>
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<td>• Local need highly reduced or eliminated</td>
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<th>Who does the work: Reshaped support structure</th>
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<tr>
<td>• Outsourcers as partners vs. doers</td>
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<tr>
<td>• Flexible, more contingent workforce</td>
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<tr>
<td>• Transactional layer is marginalized</td>
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<tr>
<td>• Emphasis on partnerships, collaboration, reducing silos</td>
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<td>• High skill set employees / digital skill set</td>
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<th>How work gets done: Automation and integration</th>
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<tr>
<td>• Robotics and artificial intelligence everywhere</td>
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<td>• Language neutralization removes barriers</td>
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<td>• One-office combined (back, middle, front)</td>
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New skills

In a rapidly changing environment, finance organizations must assess new work to be done, and how this translates to the skill sets of their workforce.

Data utilization and technology
- Data modeling, analytics, and visualization
- Robotic share (RQ)\(^1\)
- Strategic trend analysis
- Research capabilities
- Design thinking background
- Programming expertise

Behavioral
- Strategic thinking
- Service management
- Relationship management
- Impactful storytelling
- Feedback, communication, negotiation
- Program management
- Navigation skills
- Ambiguity and white space

Finance technical
- Business modeling
- Core financial driver analysis
- Process design and navigation

\(^1\)Source: Man and Machine: The Future of Jobs, Forrester Podcast
Talent management

Attracting, building, and retaining talent will look different in the future, so having a holistic approach for addressing critical aspects of managing talent, tailored to your organization’s specific needs, will be essential.

**Foster** relationships with key universities

**Source** nontraditional backgrounds (e.g., STEM)

**Redesign** talent acquisition strategy for digital natives

**Redefine** employee value proposition to retain millennial generation

**Invest** in career path design, learning, and development

**Reskill** workforce to deliver more business-centric services

**Redefine** role definitions and core competencies

**Develop** succession plan to address the retiring and incoming workforce

**Incorporate** a flexible workforce into the organizational structure

**Develop** a multifaceted workplace ecosystem (e.g., onshore, nearshore)

**Partner** to build capabilities that feed into an environment of high-performing talent

**Buy**

**Borrow**

**Save**

**Develop** rotational programs to retain and develop high performers and future leaders

**Understand** critical roles and single source dependency of institutional knowledge

What should you be thinking about?

Business as usual is not an option. The biggest limitation is no longer the technology and what it can do, but the imagination of those who must deploy it.

- How should we reshape our workforce to be ready for the future?
- What changes do we need to make to be seen as value driving as opposed to an administrative cost?
- Do we have the right skills? If not, which ones are missing?
- How much appetite do we have for automation?
- What culture do we need to be successful?
- How do we become more evidence based?
- Are we prepared to reinvent Finance?
- Where do we start?
- Do we have the right skills? If not, which ones are missing?
- Are we prepared to reinvent Finance?
- Where do we start?
- How much appetite do we have for automation?
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