

Finance of The Future

Partnering with the business

ICAI – Abu Dhabi Chapter

April 27, 2010

Content

1. Finance of The Future
2. The KPMG Code
3. Digitising The Financial System
4. Metamorphosis

Finance of The Future

Traversing The Winds of Change

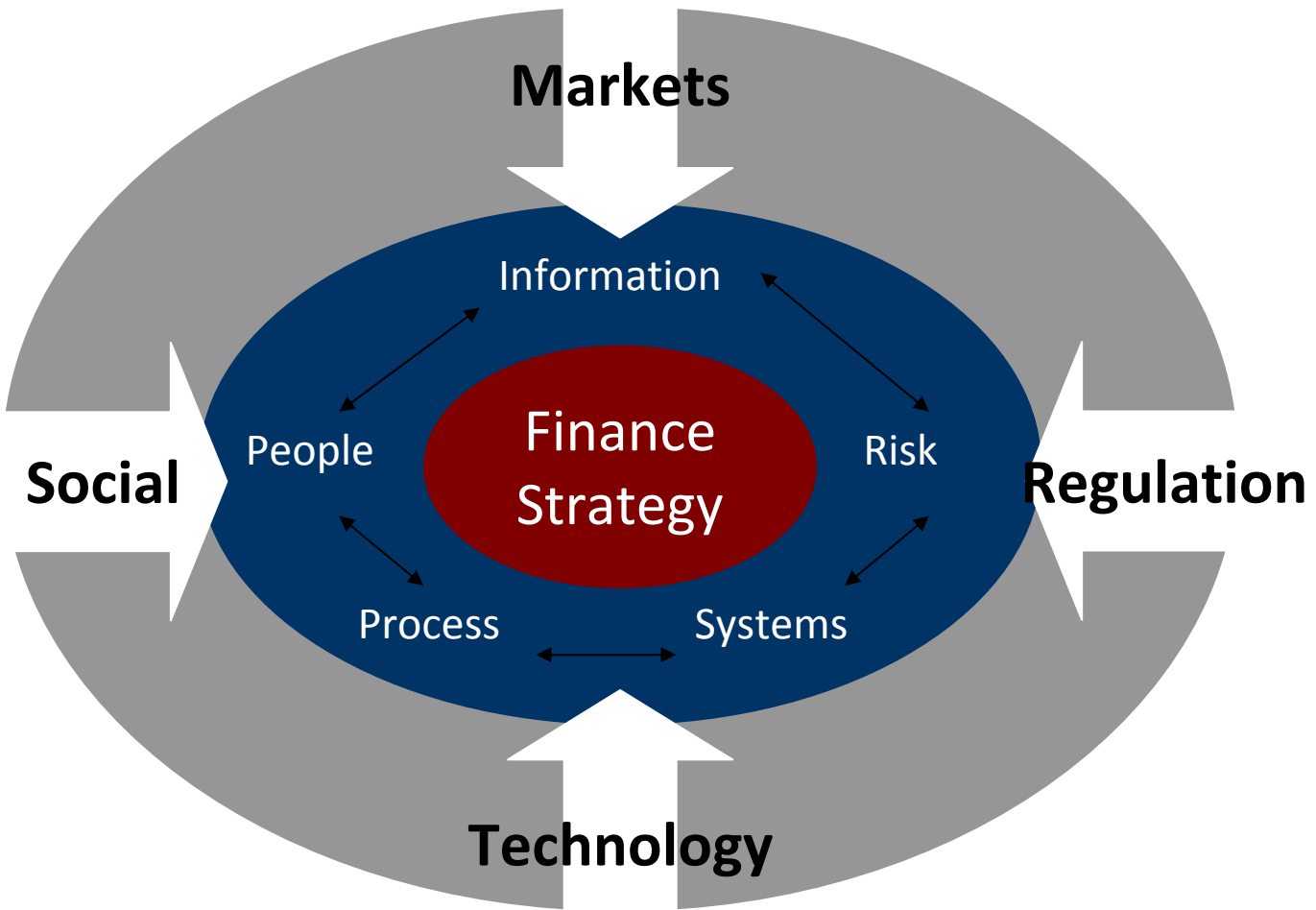
Finance of The Future: Traversing The Winds of Change

Global impact of the liquidity crisis



Finance of The Future: Traversing The Winds of Change

Drivers influencing the continuum of change



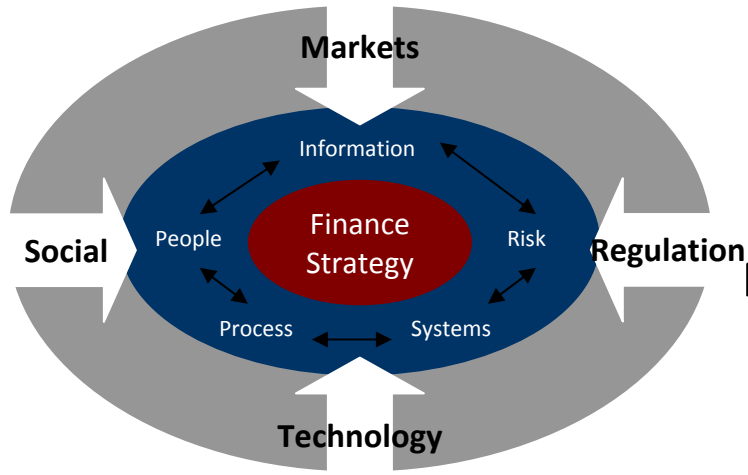
Finance of The Future: Traversing The Winds of Change

Drivers influencing the continuum of change

Market Influence

Globalization - 24/7 business operations
Cope with new competitive threats
Investors seeking more value/ transparency

Social Influence
Reporting on CSR
Offshore mid-office to reduce costs further



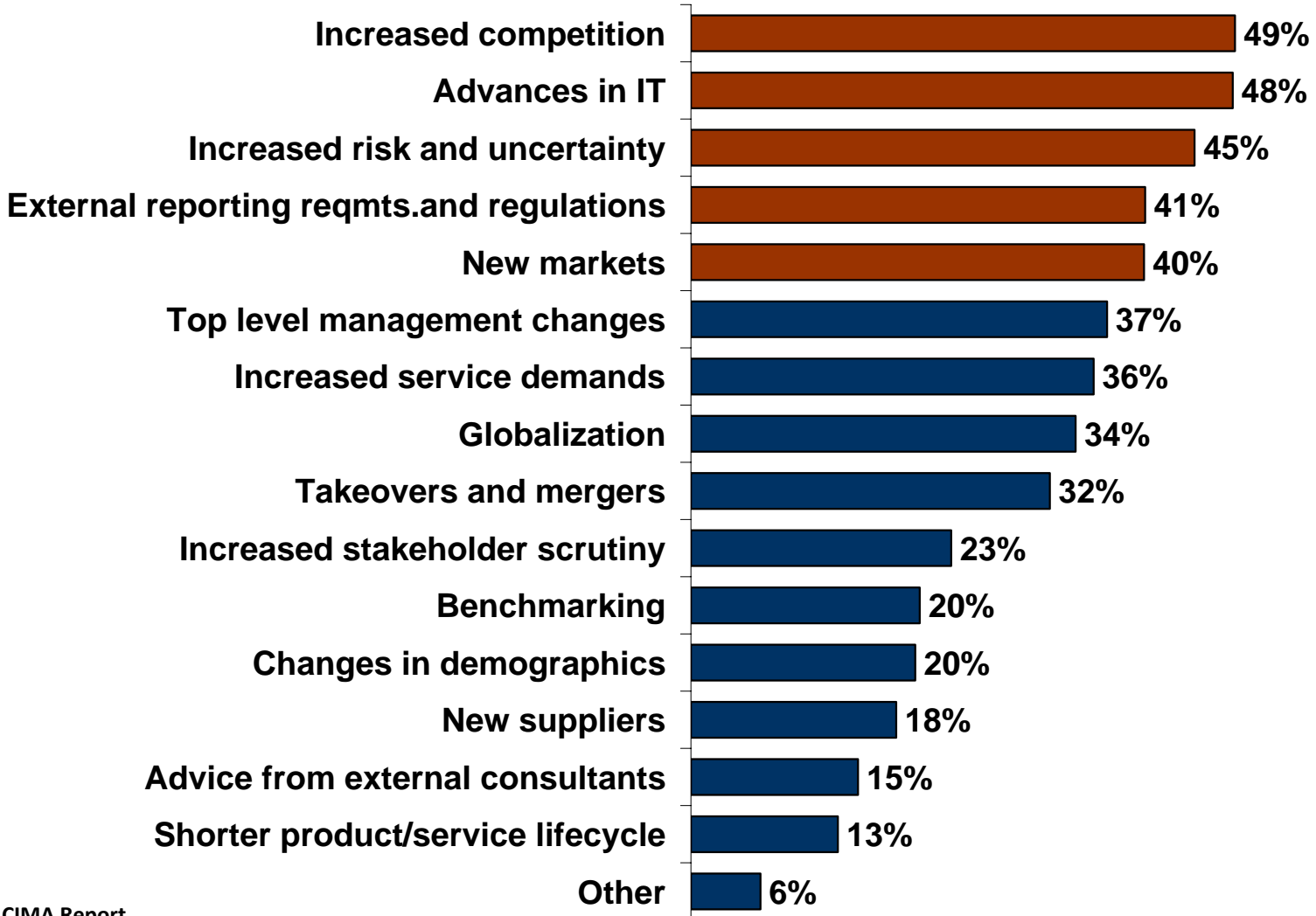
Regulatory Influence
SOXA
Increased regulation
More rigorous risk control regime.

Technological Influence

Generates significant cost and time savings.
Enables real-time exchange of information.
Organizations will seek to leverage on new technologies

Finance of The Future: Traversing The Winds of Change

Key drivers influencing the continuum of change



Source: CIMA Report



Finance of The Future

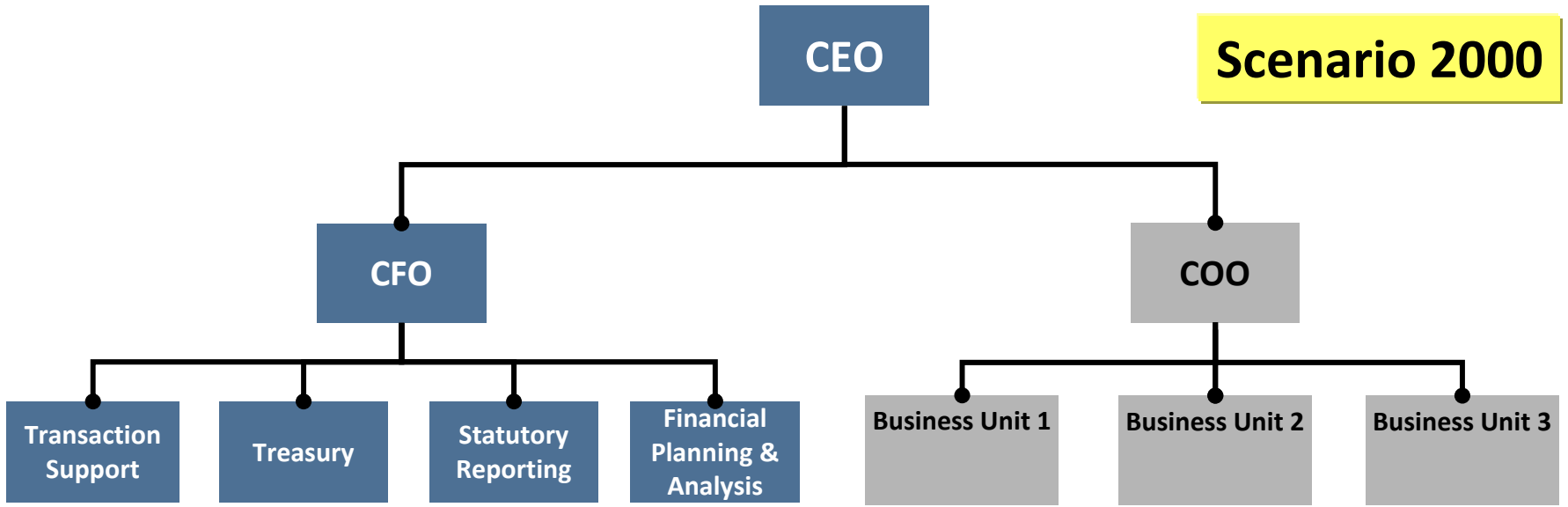
GenerationNext

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Finance of The Future: GenerationNext

A decade ago, finance looked like this:



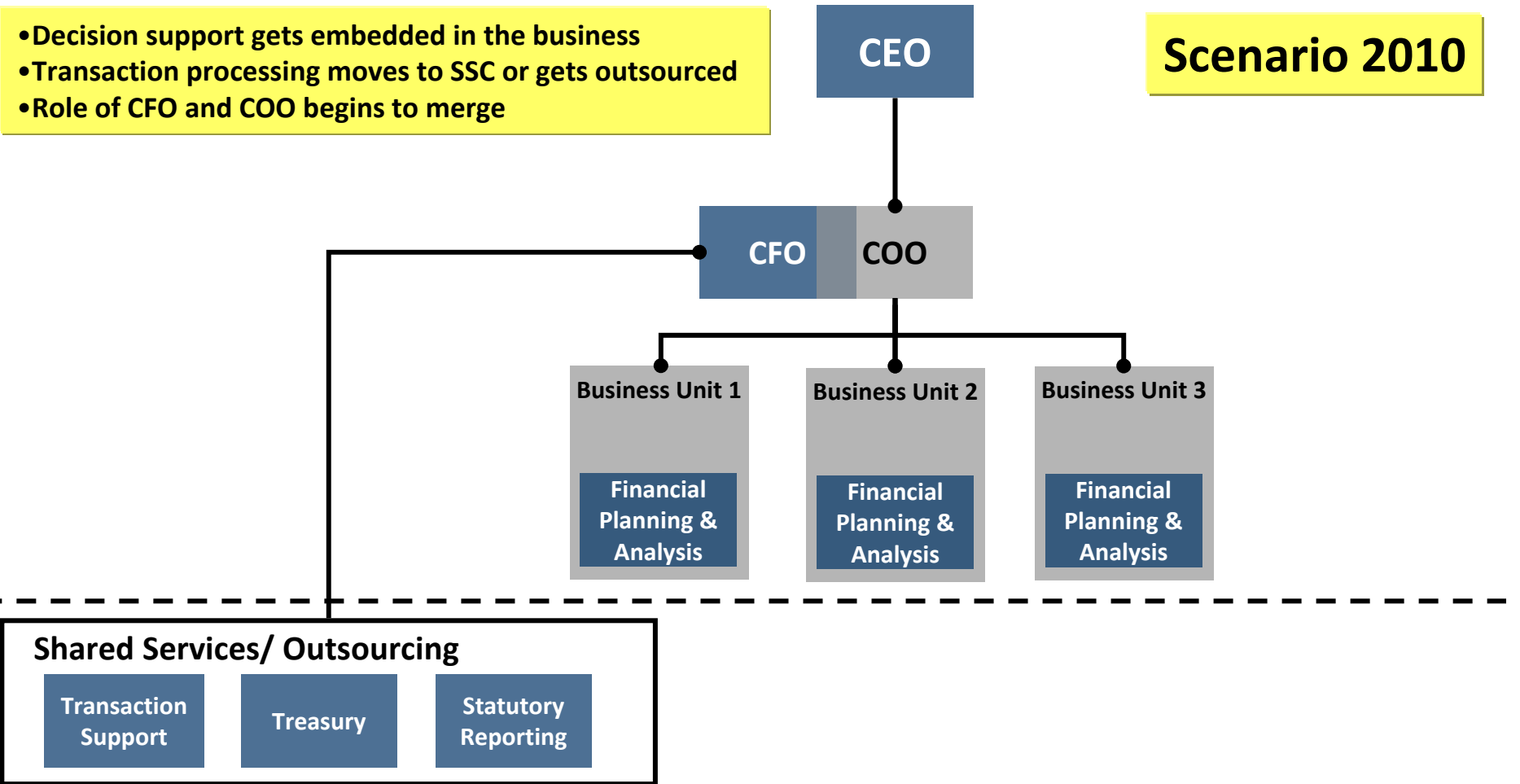
Shared Services/ Outsourcing

Finance of The Future: GenerationNext

KPMG had then predicted that there would be no finance function by 2010 and that it would become a true business partner

- Decision support gets embedded in the business
- Transaction processing moves to SSC or gets outsourced
- Role of CFO and COO begins to merge

Scenario 2010

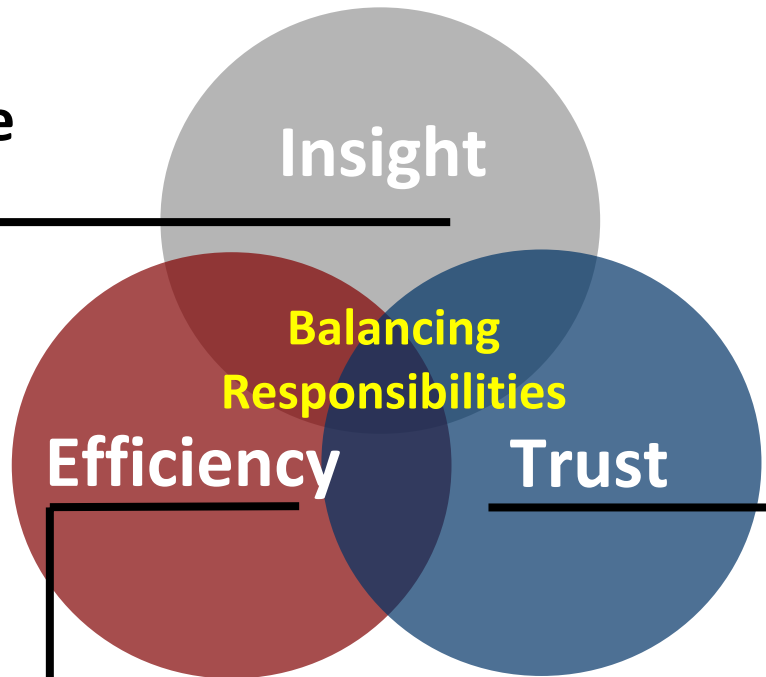


Finance of The Future: GenerationNext

While not all of our predictions have been fully realized, by 2020 we expect finance to look like this:

Scenario 2020

Provide guidance, knowledge and information to the management

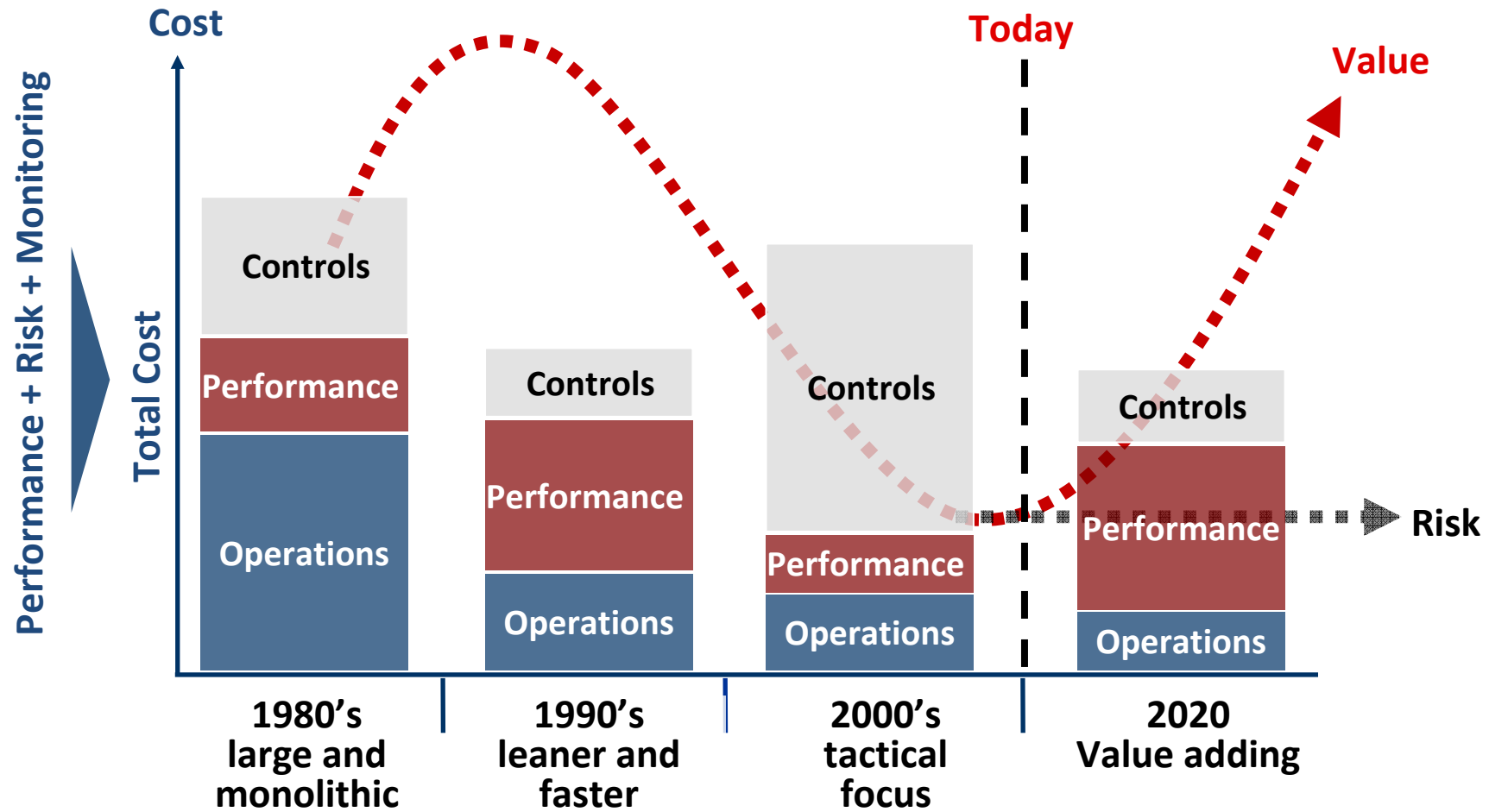


Manage control and risk environment

Drive finance's internal efficiencies and provide support for other functions

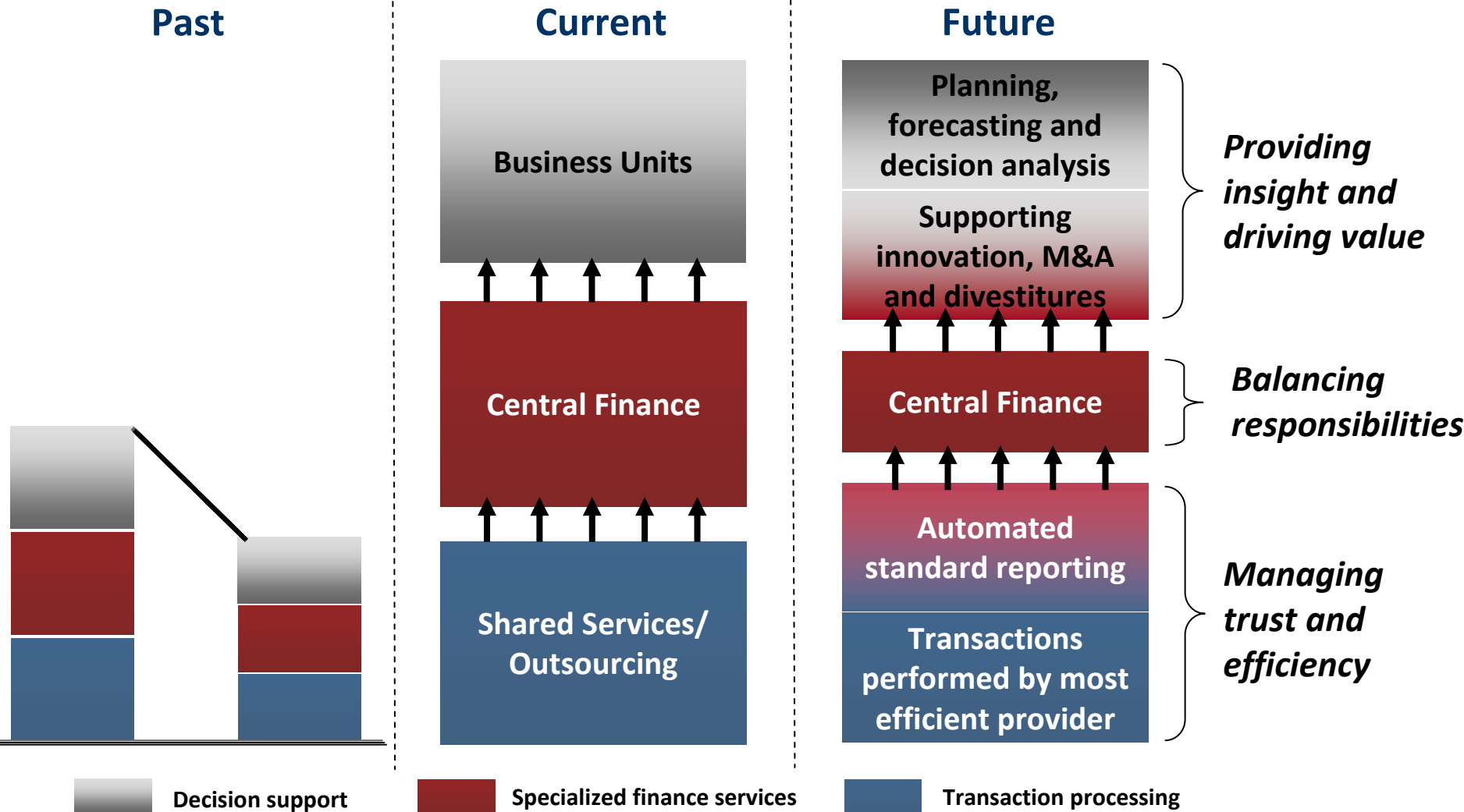
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By 2020, finance will focus on enhancing business performance



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Finance Mantra 2020: "Flexible and Stable Operating Model"



Finance of The Future: GenerationNext

Future Scenario by 2020 – A Snapshot

- Finance and business operational models will begin to converge
- Geographies will become irrelevant
- Global processes/technology landscape will be standardized/ rationalized
- Data “bottlenecks” will be eliminated and data structured around value drivers
- Focus on performance management will increase
- Take stewardship in non-financial metrics and become true business partners
- Finance will be integral to:
 - customer and product profitability
 - pricing
 - marketing effectiveness
 - R&D
 - enterprise cost optimisation

Finance of The Future

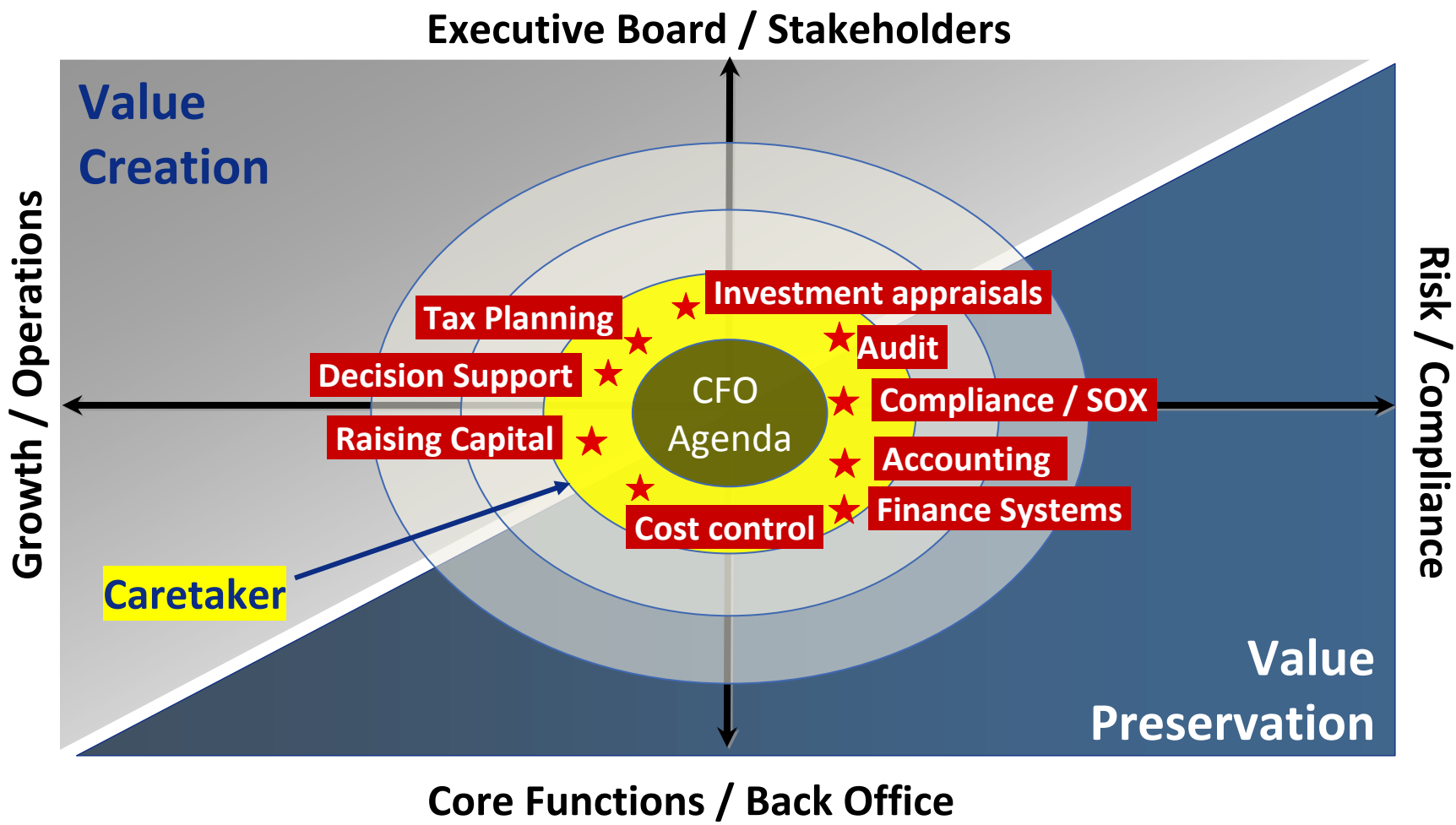
CFO's Avatars

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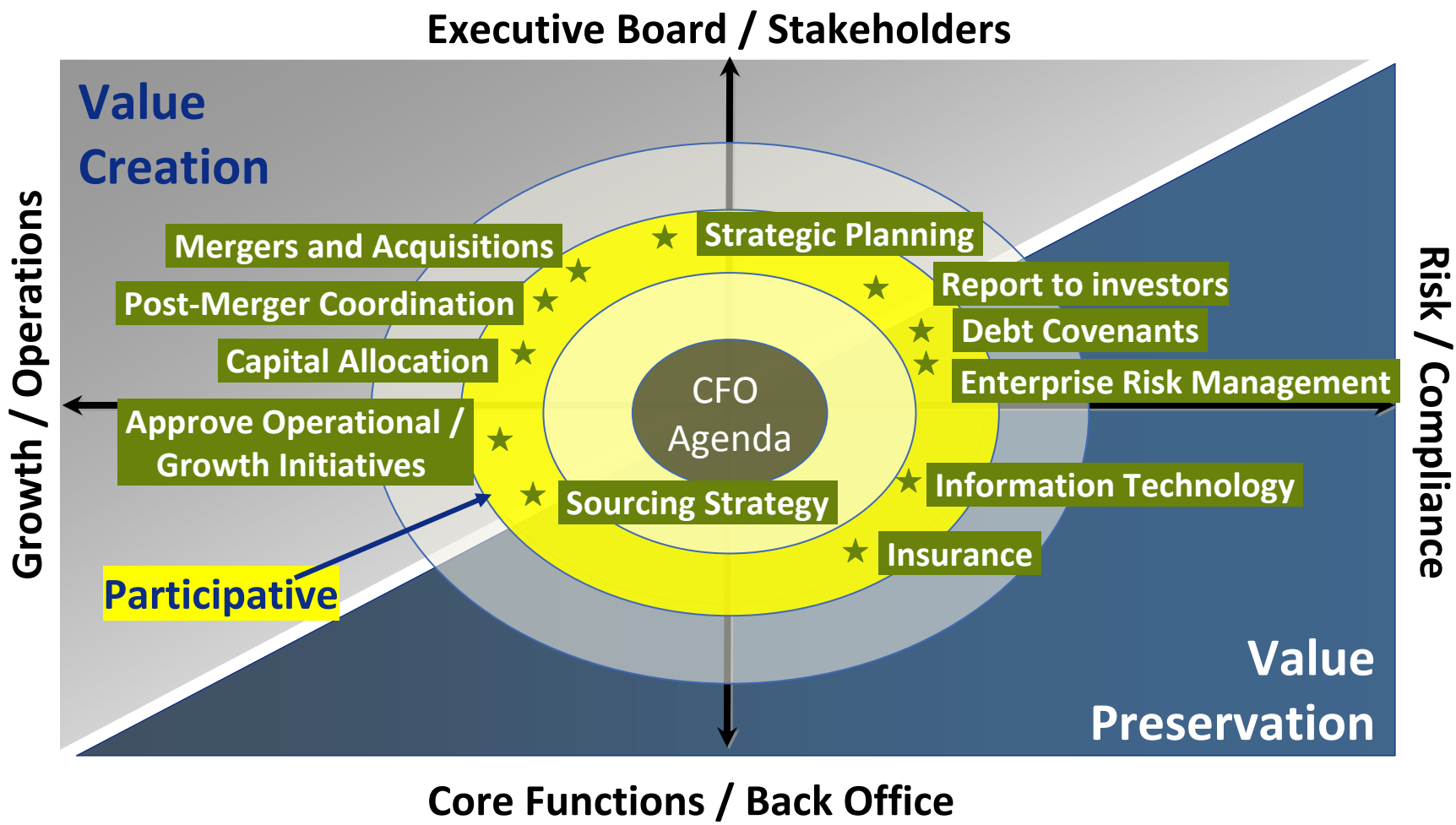
Finance of The Future: CFO's Avatars

Caretaker



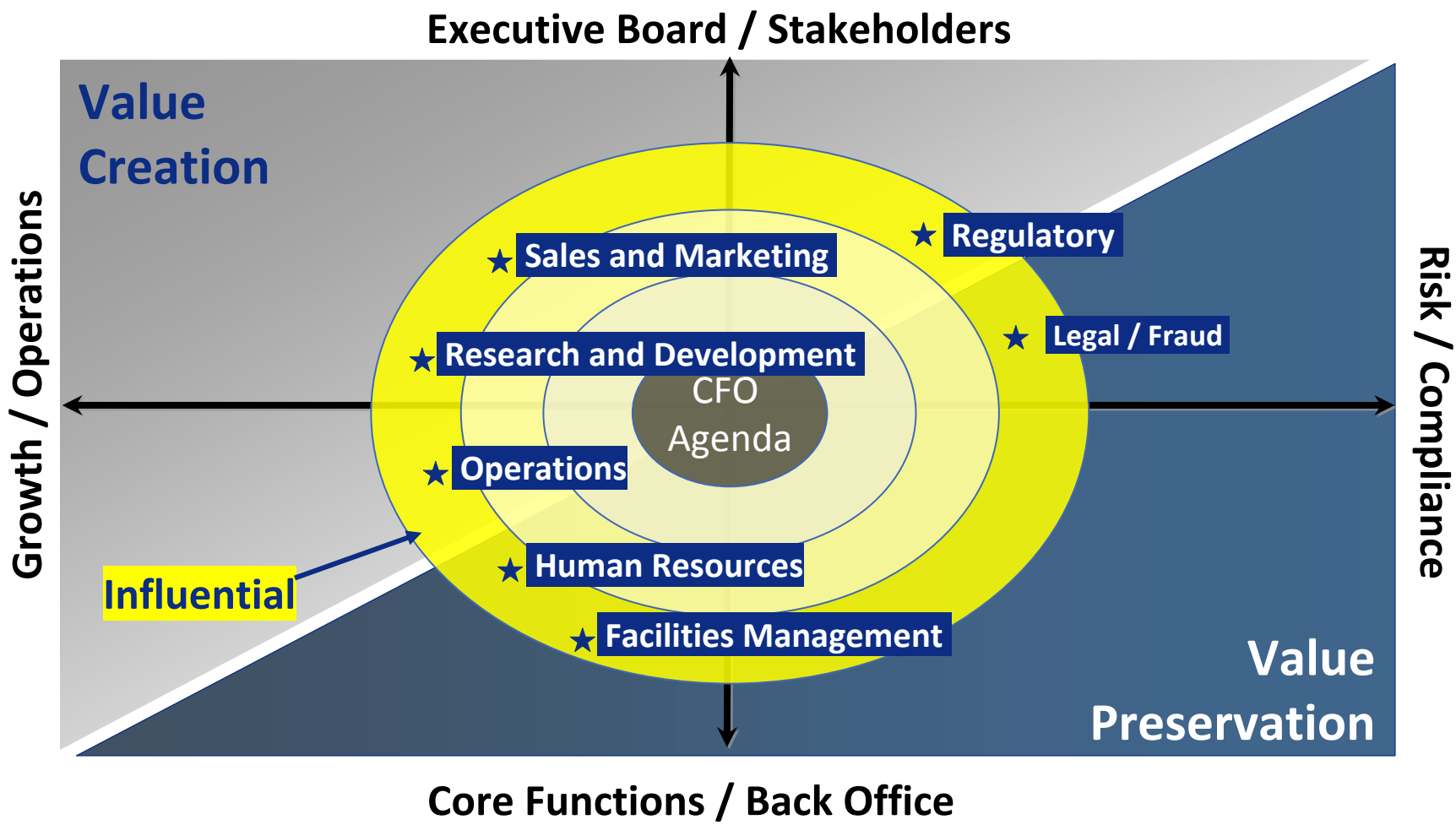
Finance of The Future: CFO's Avatars

Participative



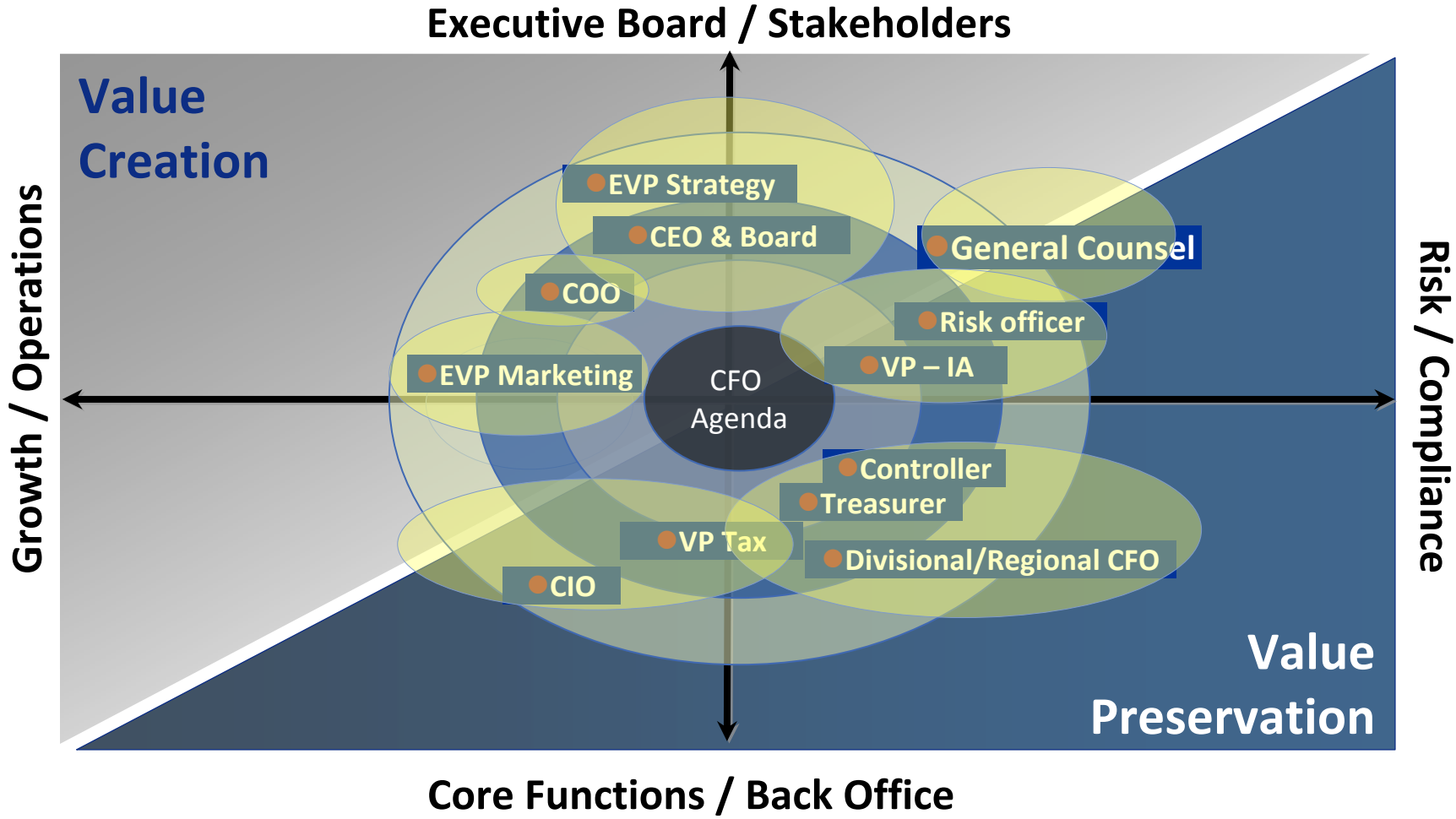
Finance of The Future: CFO's Avatars

Influential



Finance of The Future: CFO's Avatars

A true business partner - pursuing the C-Suite agenda



The KPMG Code

Leading practices and insights

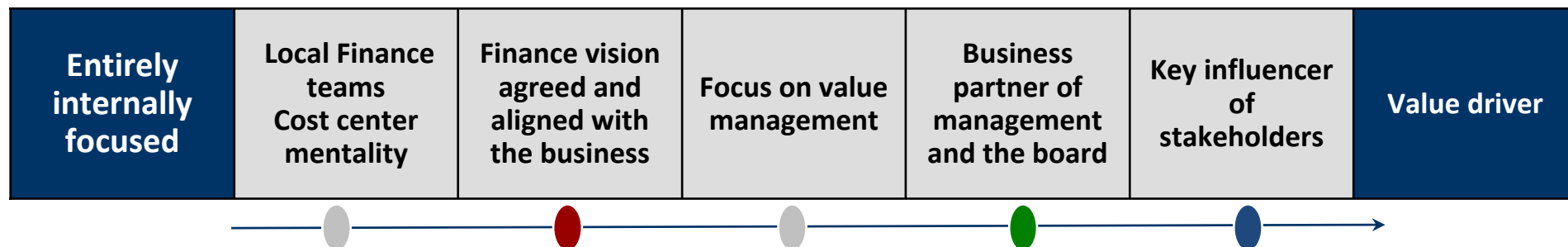
The KPMG Code: Leading practices and insights

Target Operating Model Framework							
Key drivers	Initial State	Progressive States					End State
Role/ agenda	Entirely internally focused	Multiple agenda, Local Finance teams, Cost center mentality	Finance vision agreed and aligned with business	Focus on value management	Business partner of management and the board	Key influencer of stakeholders	Value driver
Organisation	Federal structure	Autonomous Finance Function	Local Finance reporting directly into Local Finance with dotted line to Group	GAP 1 – Vis-à-vis global leading practice			Global Finance function
People	Score Keeper	Diligent Caretaking	Reactive ad-hoc analysis	Business acumen and financial knowledge	Insightful analysis and comments	Constructive challenge	Business Partner
Process	Locally specific	Disaggregated processes / resp. Multiple G/Ls	Low degree of standardization and automation (divisions / geographies)	Recommendation for common processes and reference data	Standardised processes globally for low value, transactions	Standardized processes globally for financial management	Standardised and enhanced
Technology	Incompatible systems and data models	Multiple data models, tools / applications and G/Ls	GAP 2 – Vis-à-vis relevant leading practice			Standard tools and applications, on single occurrence	Global data model/ systems
Location	In-country, decentralised	In-country SSCs	Some off-shoring for low value, high volume transactions	Regional SSCs	Majority of finance processing in SSCs	Financial processes in favorable locations	Strategic sourcing/ SSCs enhanced



The KPMG Code: Leading practices and insights

Role/ agenda

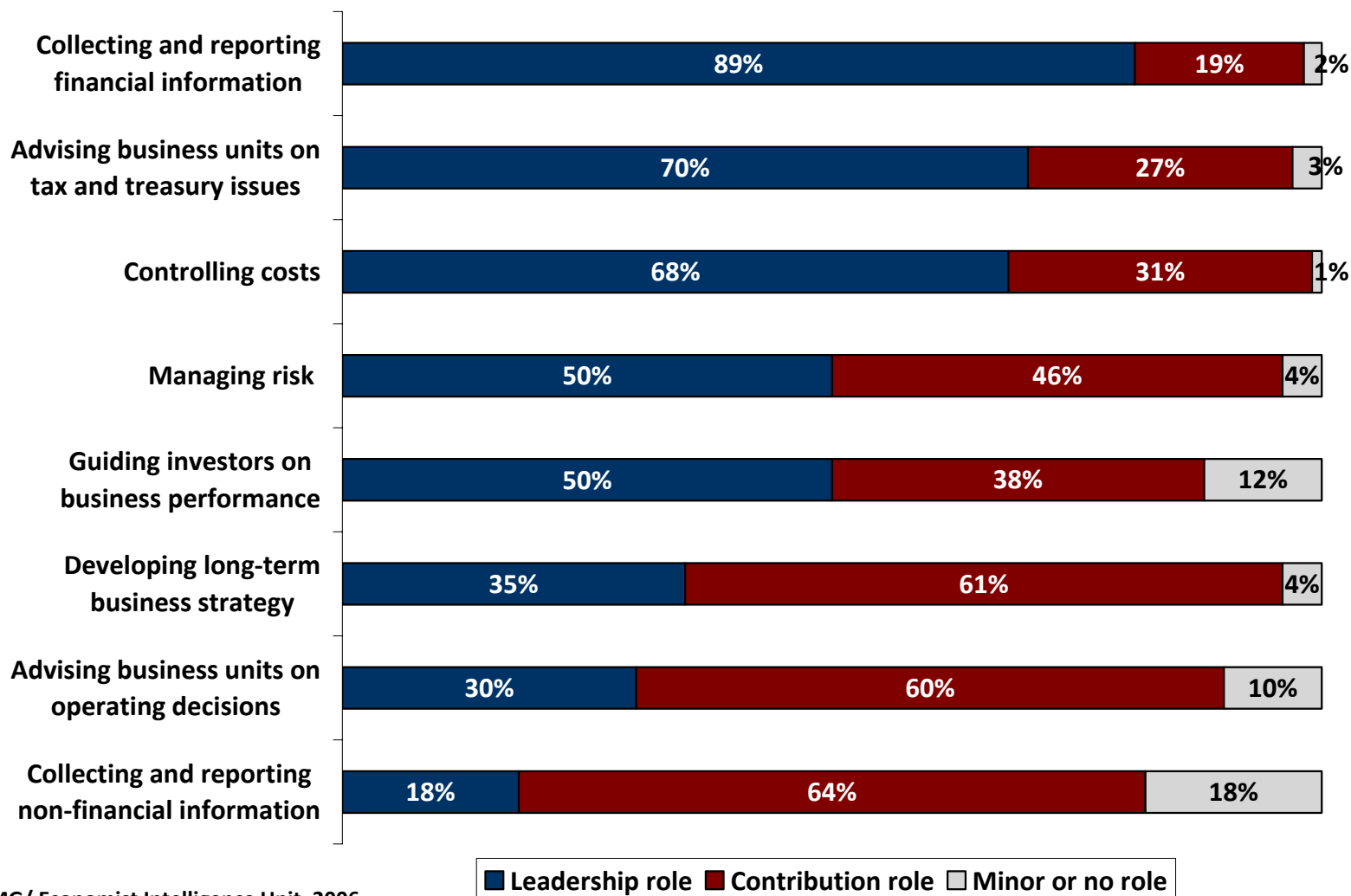


Leading Practice Characteristics

Vision and strategy clearly and consistently interpreted
Business strategy and Finance operating model is aligned
Finance is focus on driving value for the business
Finance enjoys influence on the key stakeholders

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Roles expected to be performed by finance function



Source: KPMG/ Economist Intelligence Unit, 2006

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Organisation



Leading Practice Characteristics

Global Finance function with local coordination

Clear roles and responsibilities

Transparency and objectivity

Global objectives, training and mobility

Rotating business people through Finance

Source: KPMG/ Economist Intelligence Unit, 2006

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Areas of improvement of finance capabilities



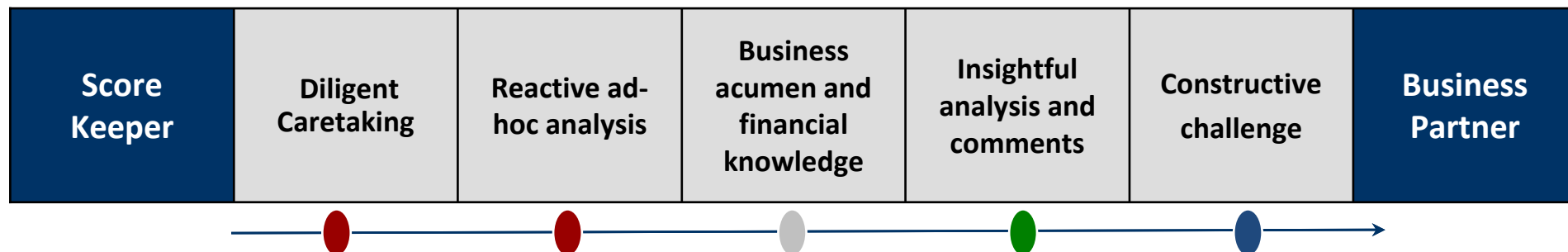
Source: KPMG/ Economist Intelligence Unit, 2006

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People



Leading practice characteristics

Global finance team and competencies

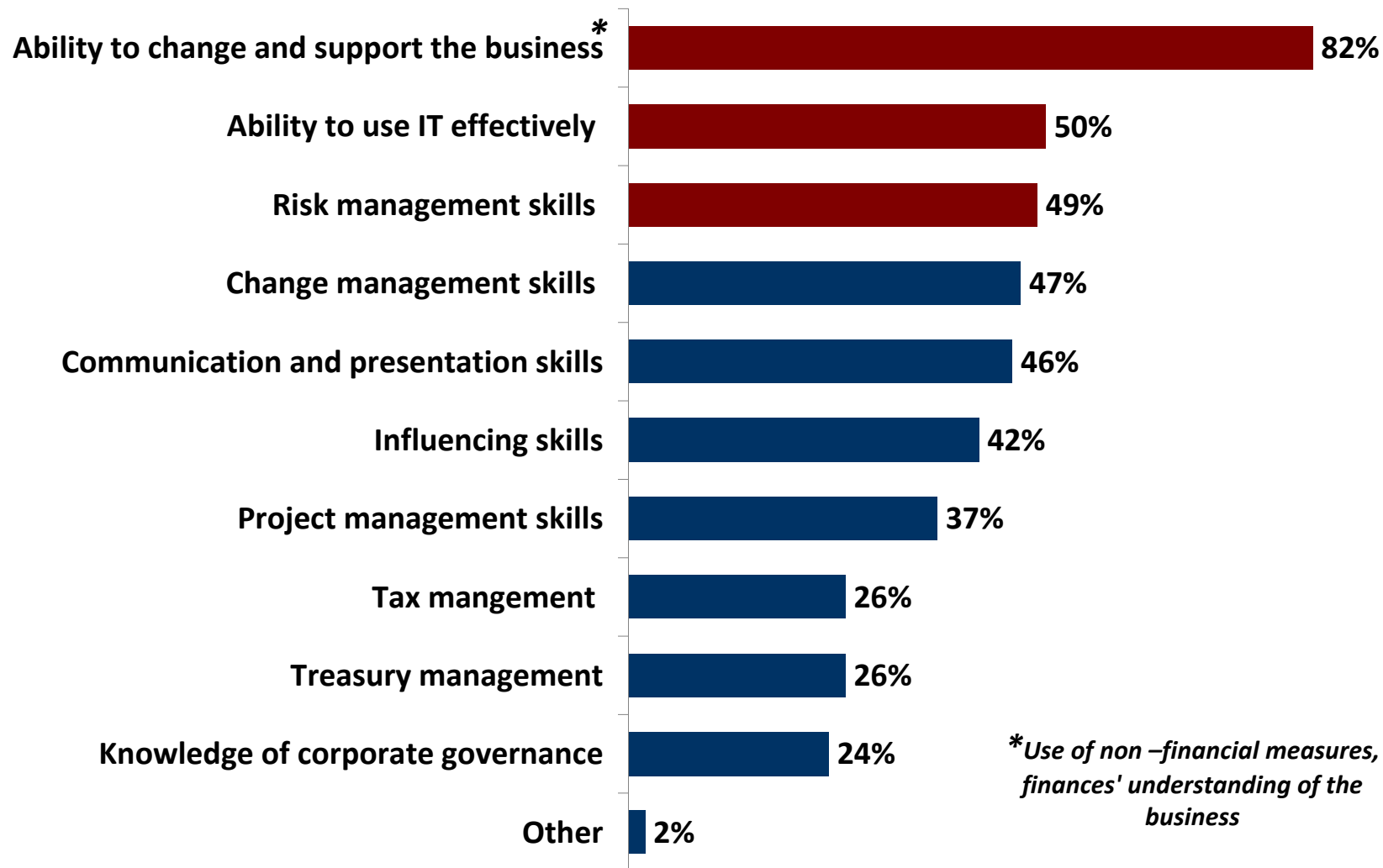
Advanced influencing skills and improved business knowledge

Global talent management/ succession planning

Business people spend time in finance

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Opportunities for skills improvement for finance professionals



Source: KPI

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Tactics employed to improve skills of staff



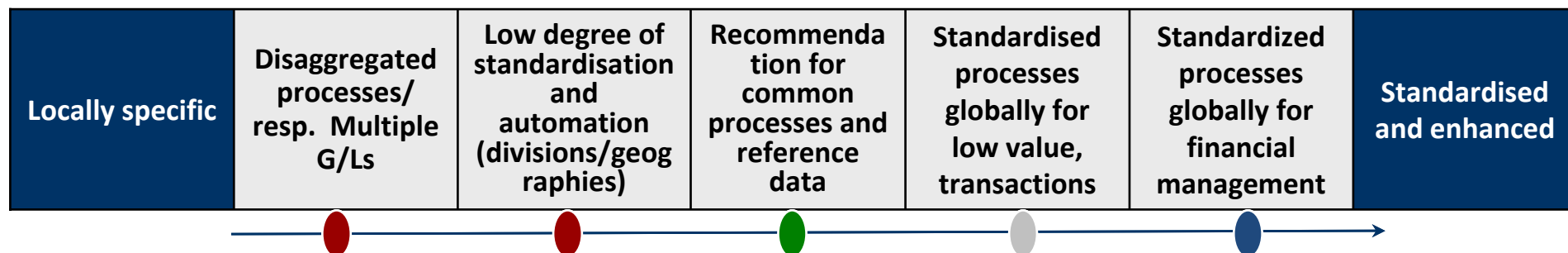
Source: KPMG/ Economist Intelligence Unit, 2006

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The KPMG Code: Leading practices and insights

Process



Leading practice characteristics

Standardised policies and procedures

Simplified, coordinated and automated processes

Scalable and flexible

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Opportunities for process improvement



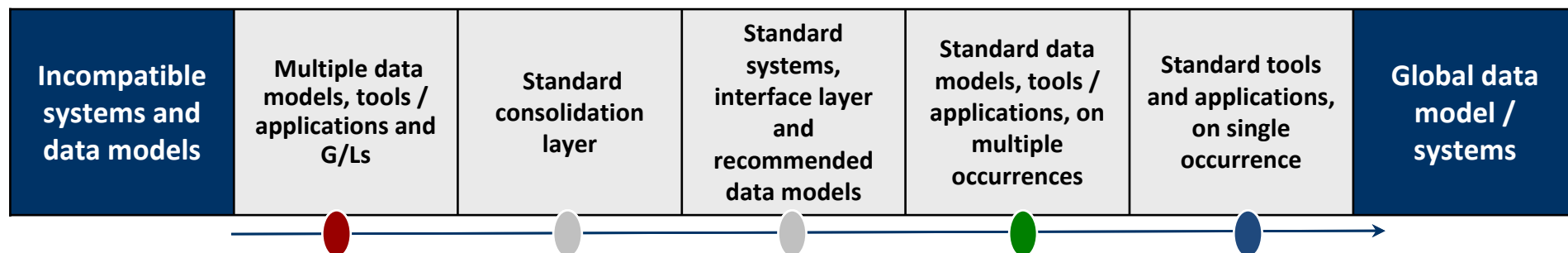
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Technology

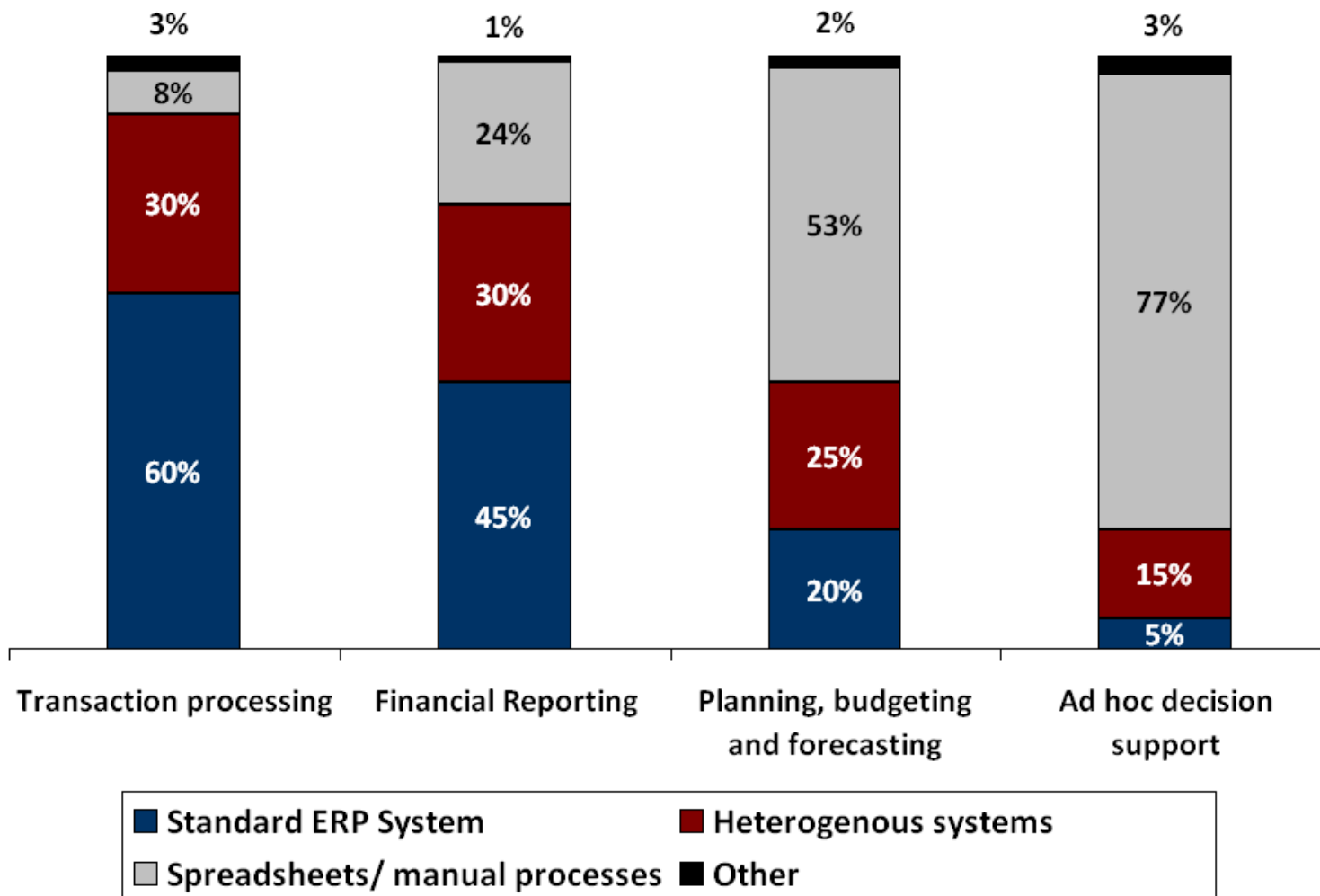


Leading practice characteristics

Single consolidation/ GL/ CoA
Common data models/ reference data
Single ERP (one instance)
Global systems governance framework
Single sourcing strategy
Scalable and flexible

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Trends in use of technology



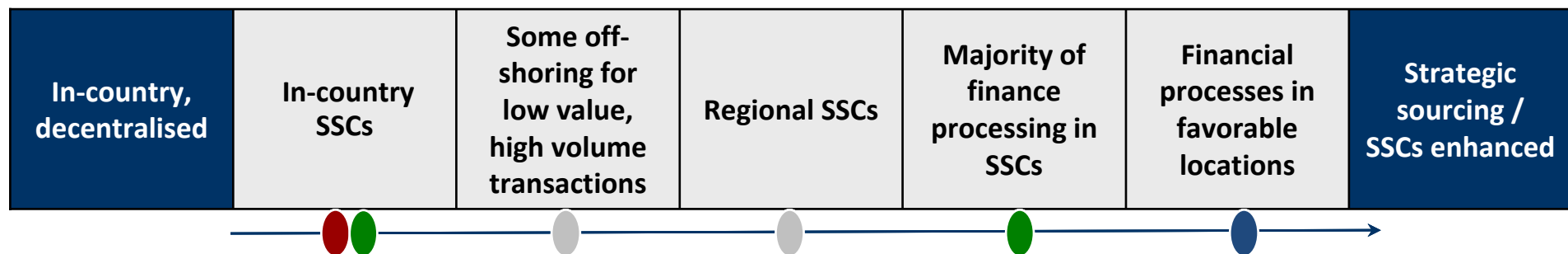
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Location



Leading practice characteristics

Sourcing aligned globally

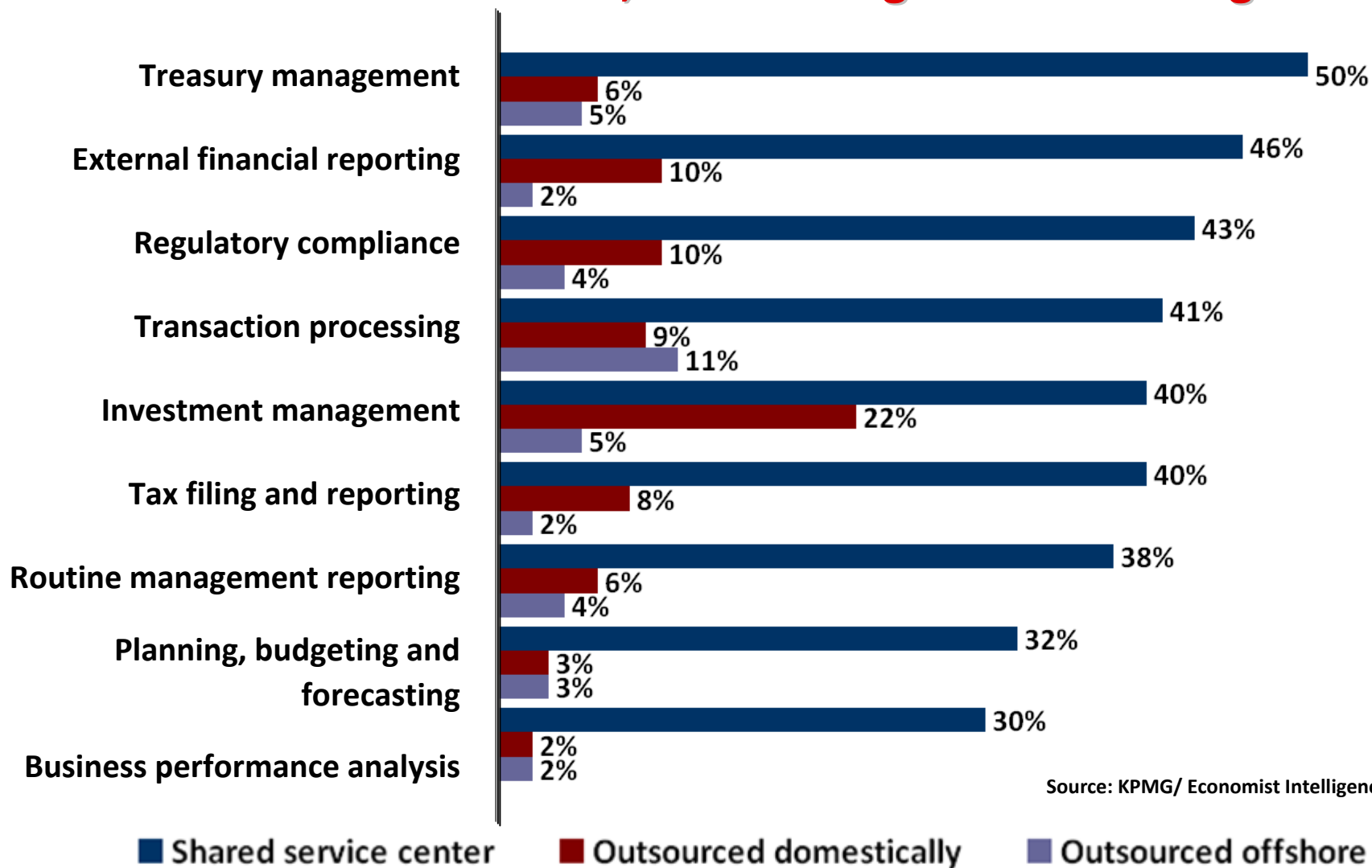
Processes in ideal locations

Global sourcing governance framework

People/ Processes/ System/ Controls enable sourcing

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Planned use of Shared Services, Outsourcing and Off-shoring



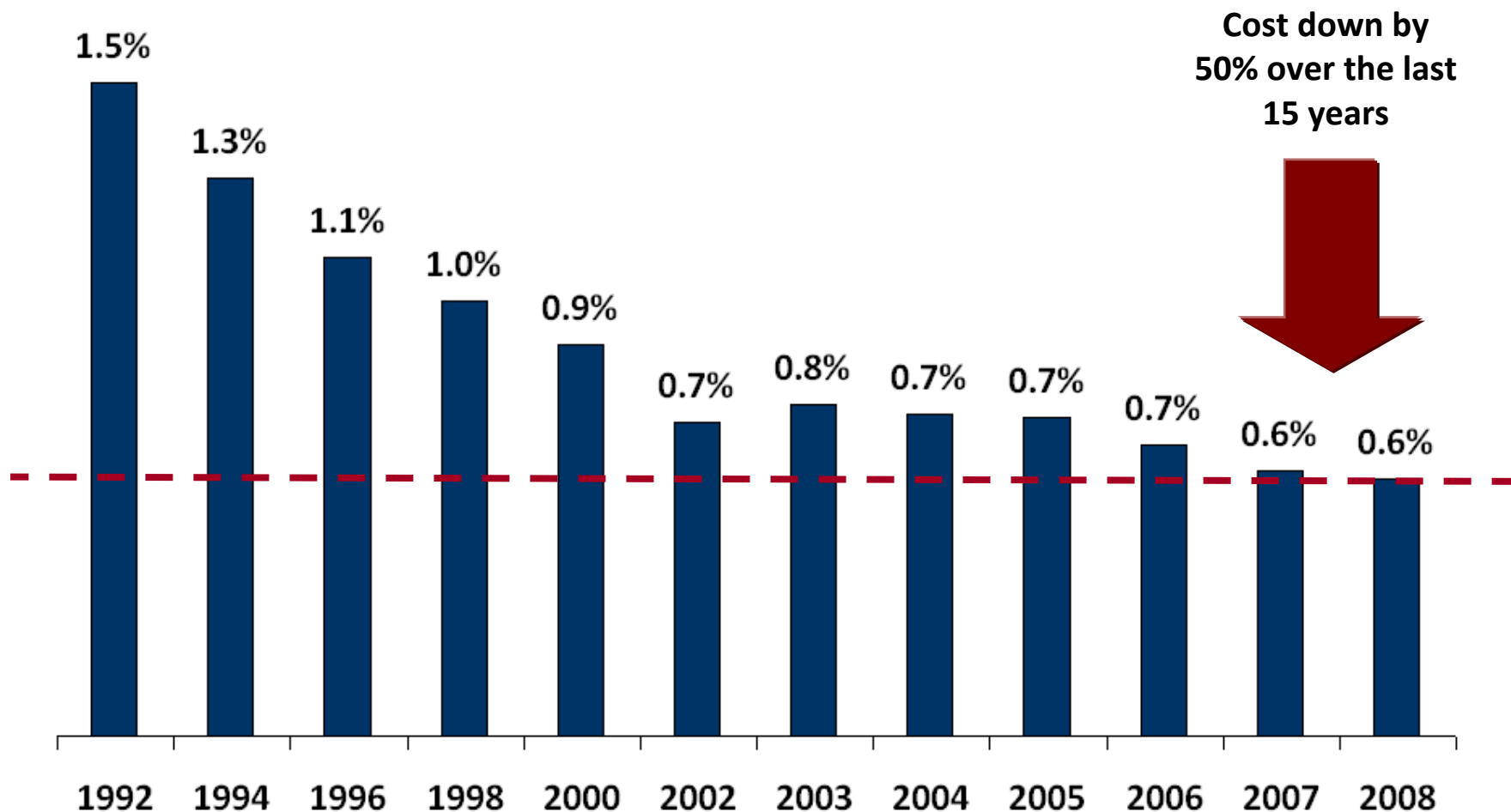
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Finance cost as a percent of revenue



Source: CIMA Report

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Efficiency levels achieved by leading finance functions

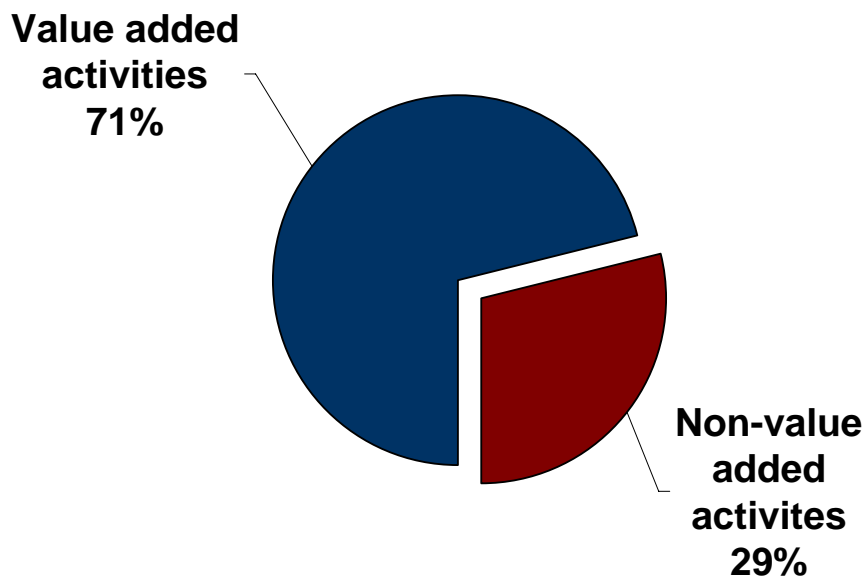
		Performance Quartile		
		High (33%)	Average (33%)	Poor (33%)
Accounts Receivable	Transaction/ FTE p.a.	5,574	1,960	775
Accounts Payable	Transaction/ FTE p.a.	7,315	5,992	3,775
Reporting & Consolidation	# of days to Close	5.0	8.0	10.0
Rolling Cash Forecasts	# of days	0.5	1.0	2.5
Decision Support	% of FTEs	50%	25%	5%

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Closing process – Cost of value added Vs non-value added activities

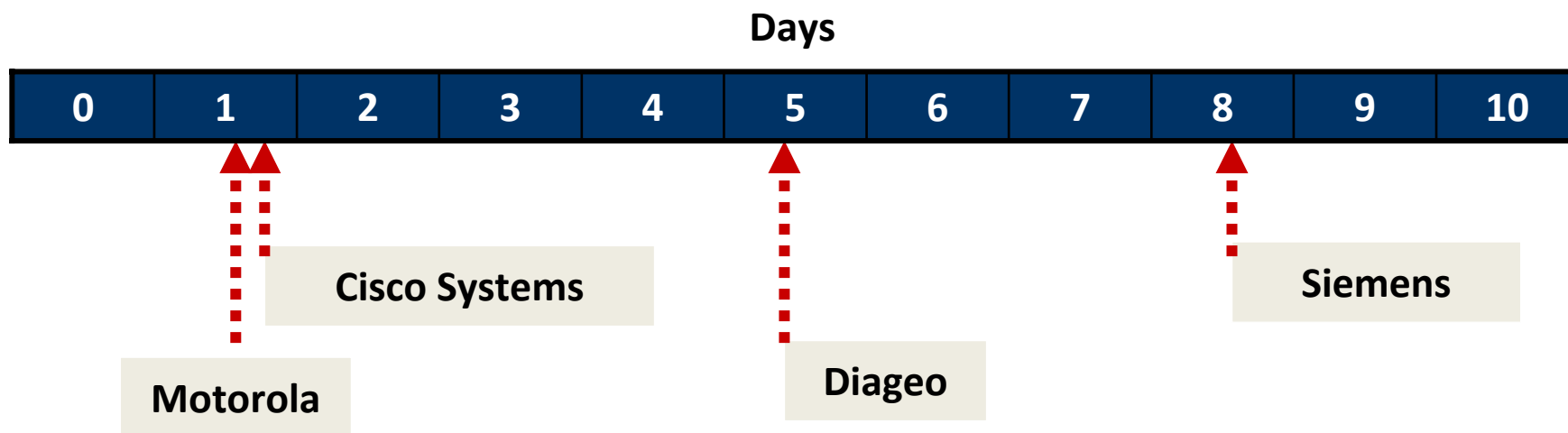


Non value-adding activities

- Manual data transfer
- Tracing back of report data
- Deadline reminding
- Waiting for missing documents
- Recalculation of numbers
- Adapting of excel sheets
- Querying and checking of information

The KPMG Code: Leading practices and insights

Month-end close: Achievements of a few select companies



Digitising The Financial System

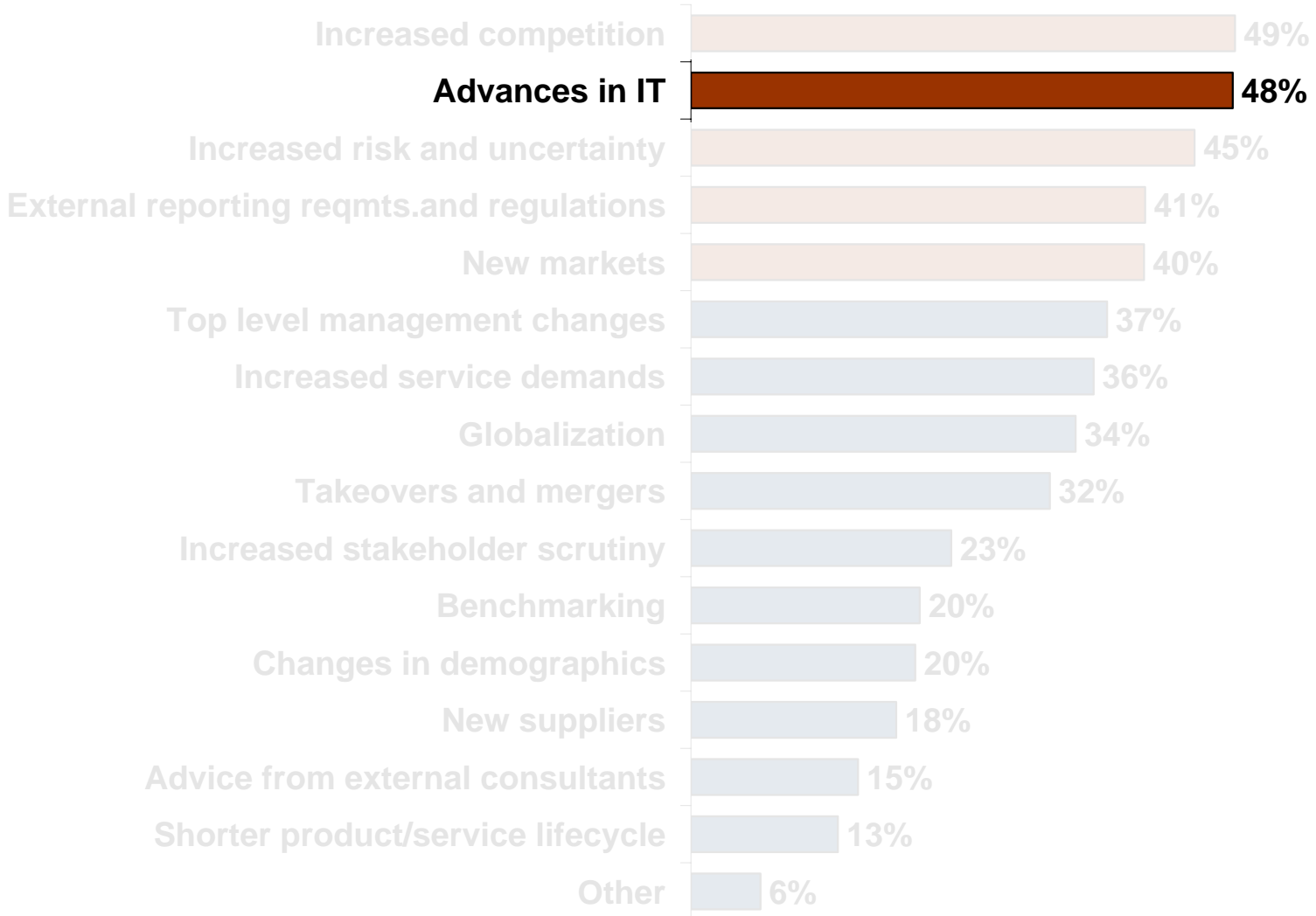
Getting Wired Up!

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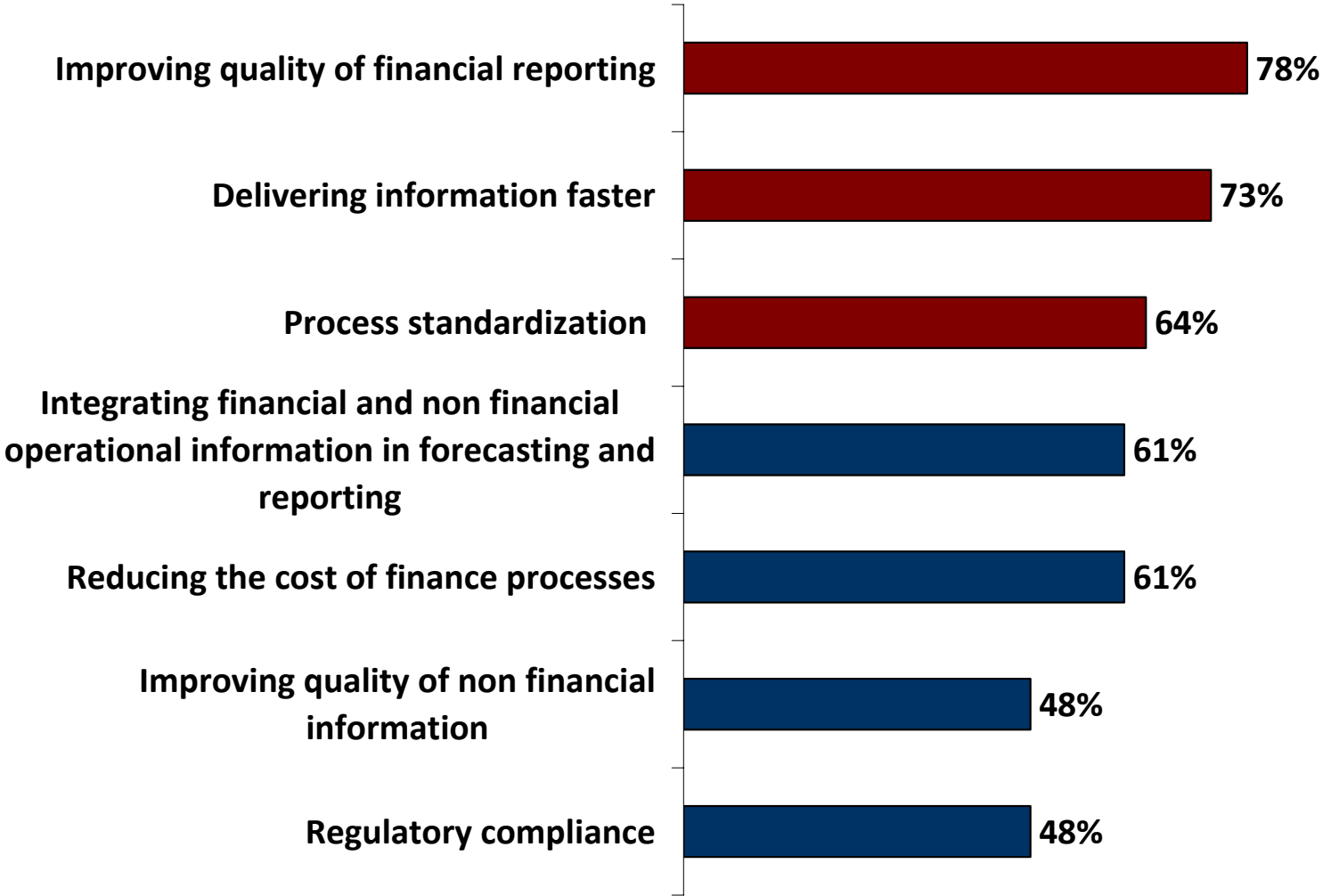
Digitising The Financial System: Getting Wired Up!

Key drivers influencing the continuum of change



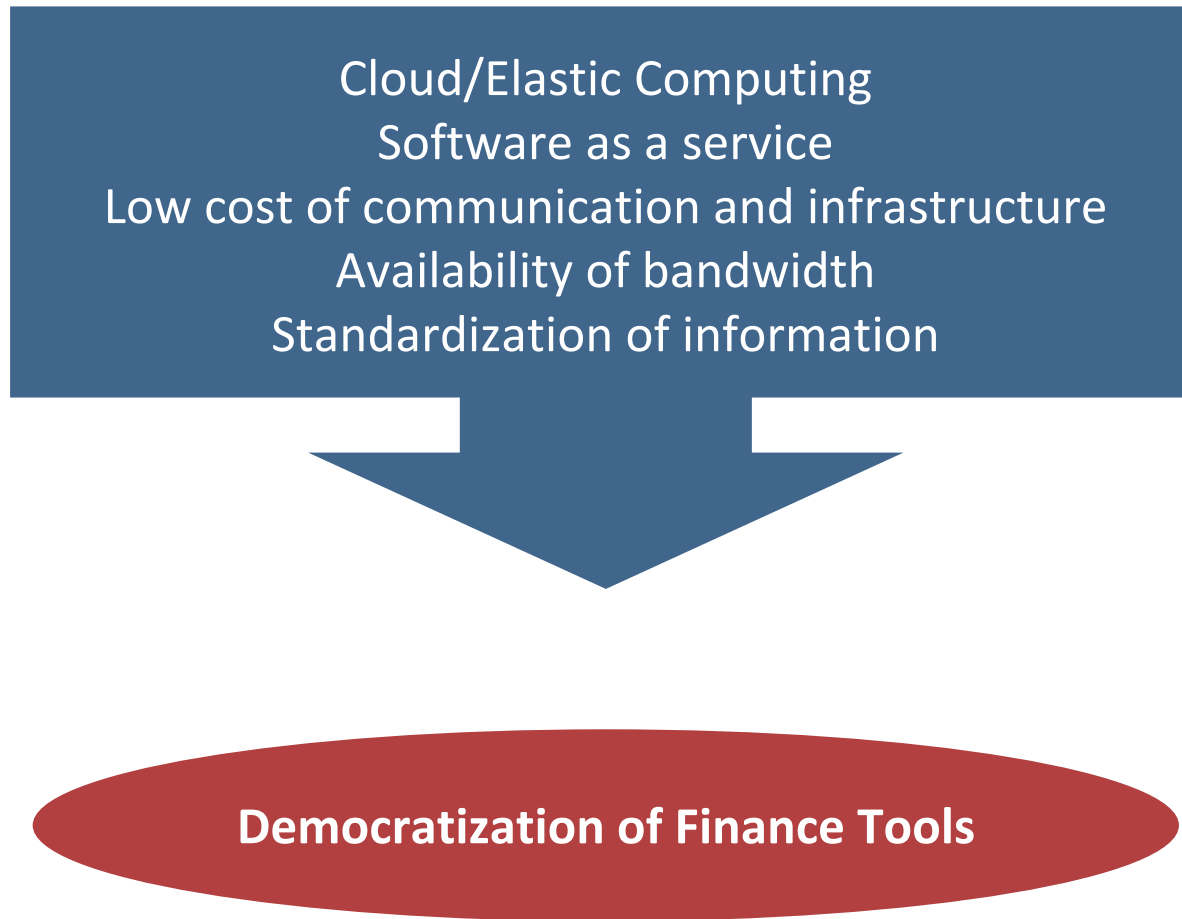
Digitising The Financial System: Getting Wired Up!

Usage of finance technology



Digitising The Financial System: Getting Wired Up!

Key global trends



Digitising The Financial System: Getting Wired Up!

Target Operating Model Framework						
Component	Initial State	Progressive States				End State
Role/ agenda	Entirely internally focused	Business Analytics and Reporting Tools				Value driver
Organisation	Federal structure	ERP, Treasury, Reconciliation Automation Tools				Global Finance function
People	Score Keeper	Continues Controls Monitoring		Risk Management tools		Business Partner
Process	Locally specific	ERP and distributed Transaction Processing Tools				Standardised and enhanced
Technology	Incompatible systems and data models	Middleware and Data Exchange tools		Master Data Management		Global data model/ systems
Location	In-country, decentralised	ERP		Controls Monitoring Tools		Strategic sourcing/ SSCs enhanced



Digitising The Financial System: Getting Wired Up!

Local trends impacting IT

Finance Trends

- Diverse Finance Set-Ups
- Cost Management
- Focus on Governance
- Performance Management
- Standardization

Impact on IT

- Multiple Systems
- Outsourcing
- GRC tools
- Budget/KPI monitoring dashboard
- Finance System Optimization

Digitising The Financial System: Getting Wired Up!

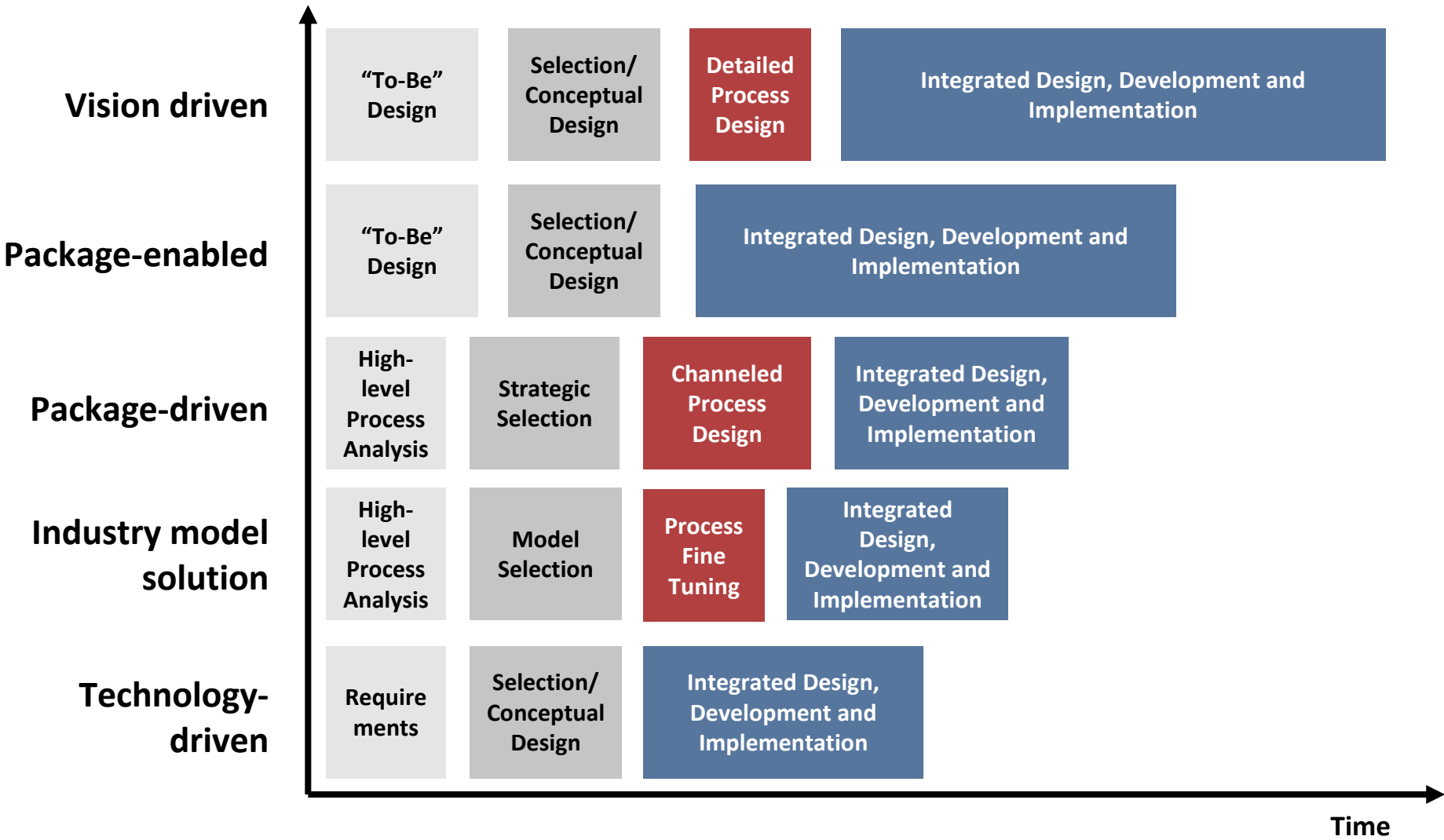
Finance Systems - Shopping Basket

- Self service/IVR for vendors **\$ 20 – 30,000**
- Reconciliation **\$ 30 – 50,000**
- Reporting dashboards **\$ 50-100,000**
- Automated controls and alerts **\$ 20 - 40,000**
- Approval workflows **\$ 20 - 30,000**



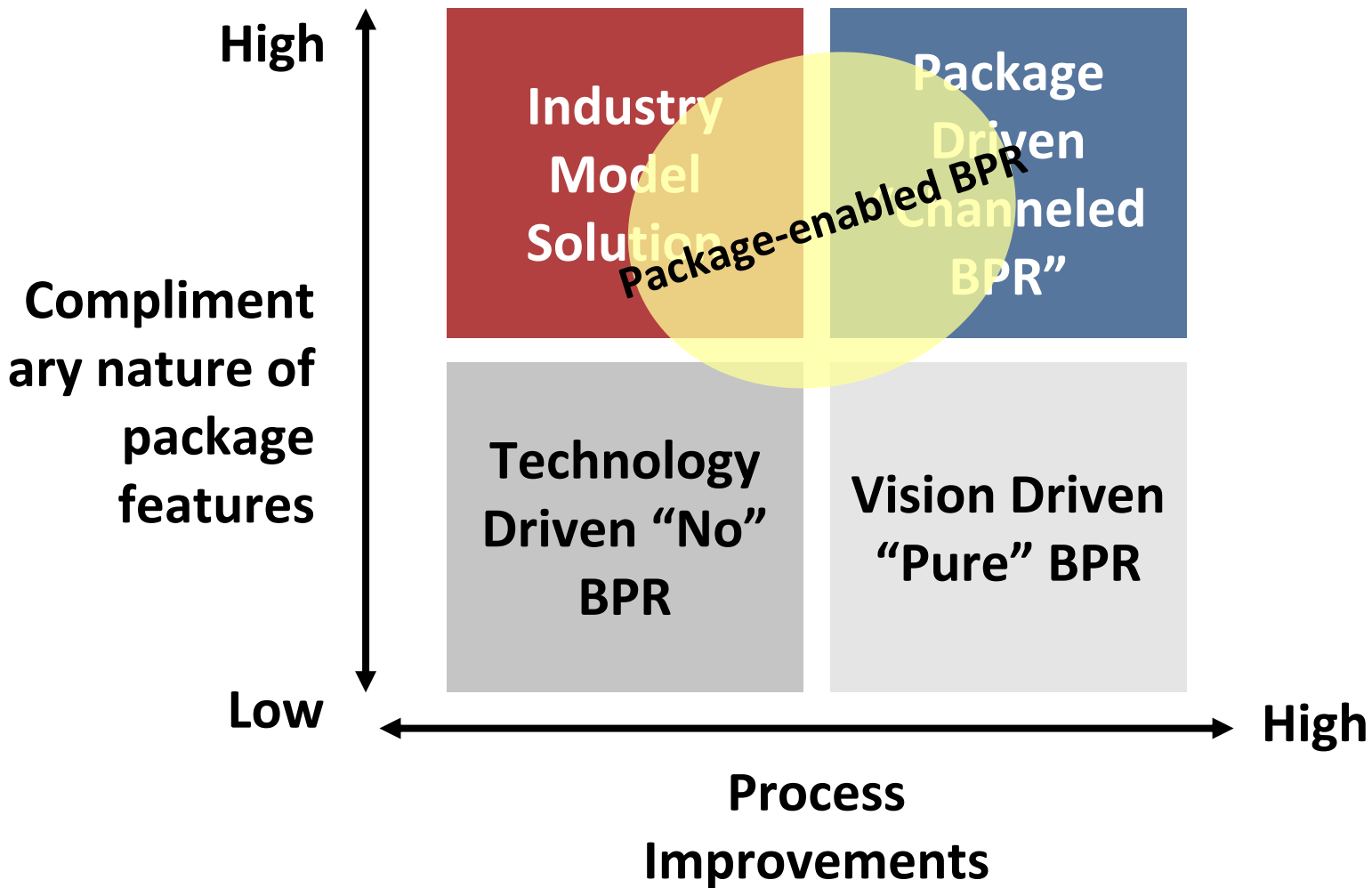
Digitising The Financial System: Getting Wired Up!

Alternative implementation approaches



Digitising The Financial System: Getting Wired Up!

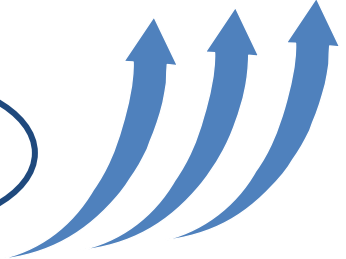
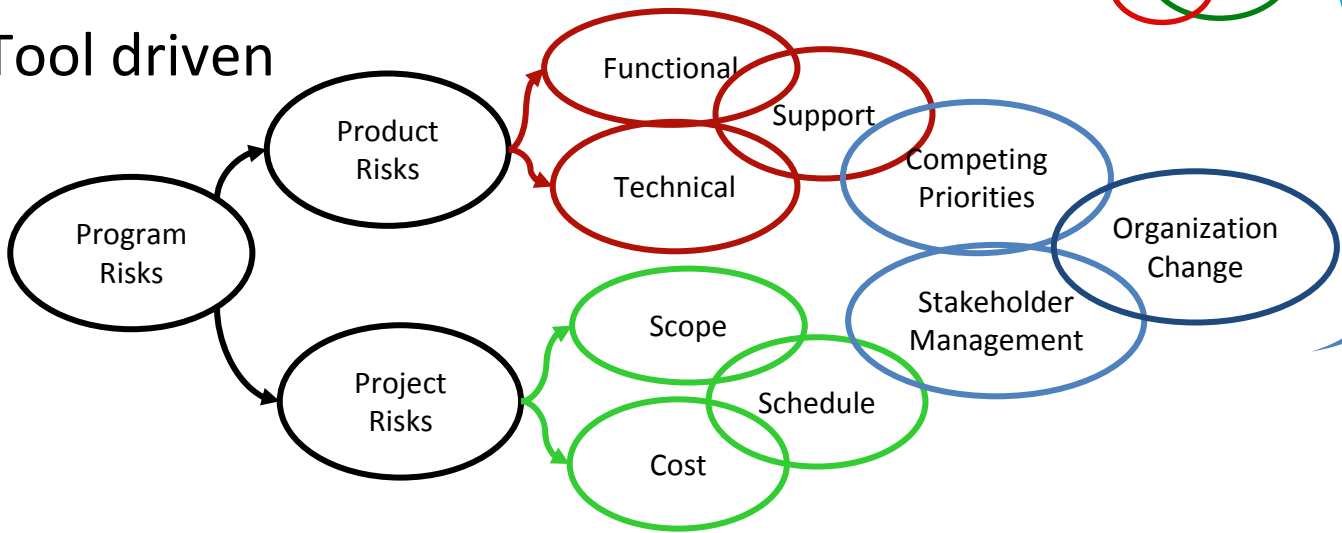
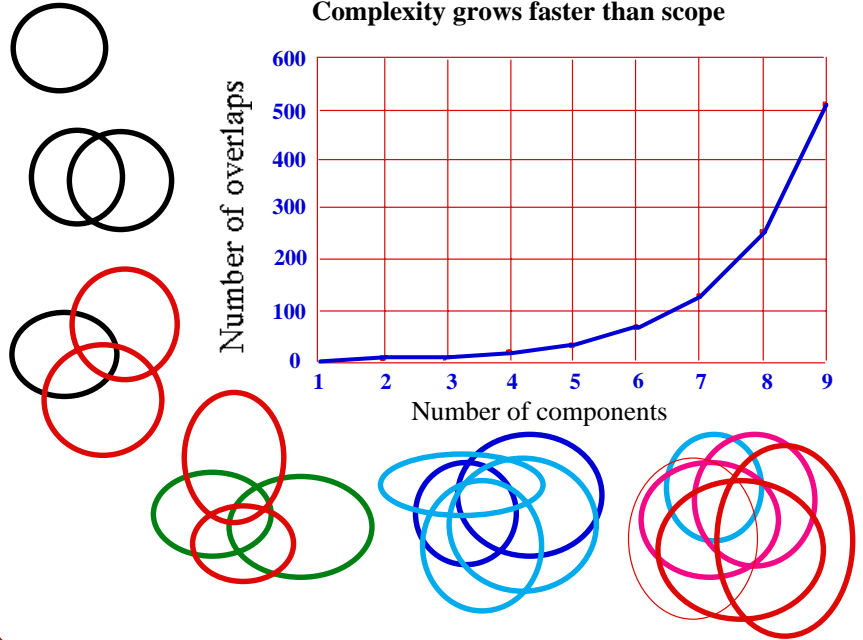
Preferred implementation approach



Digitising The Financial System: Getting Wired Up!

Implementation pitfalls

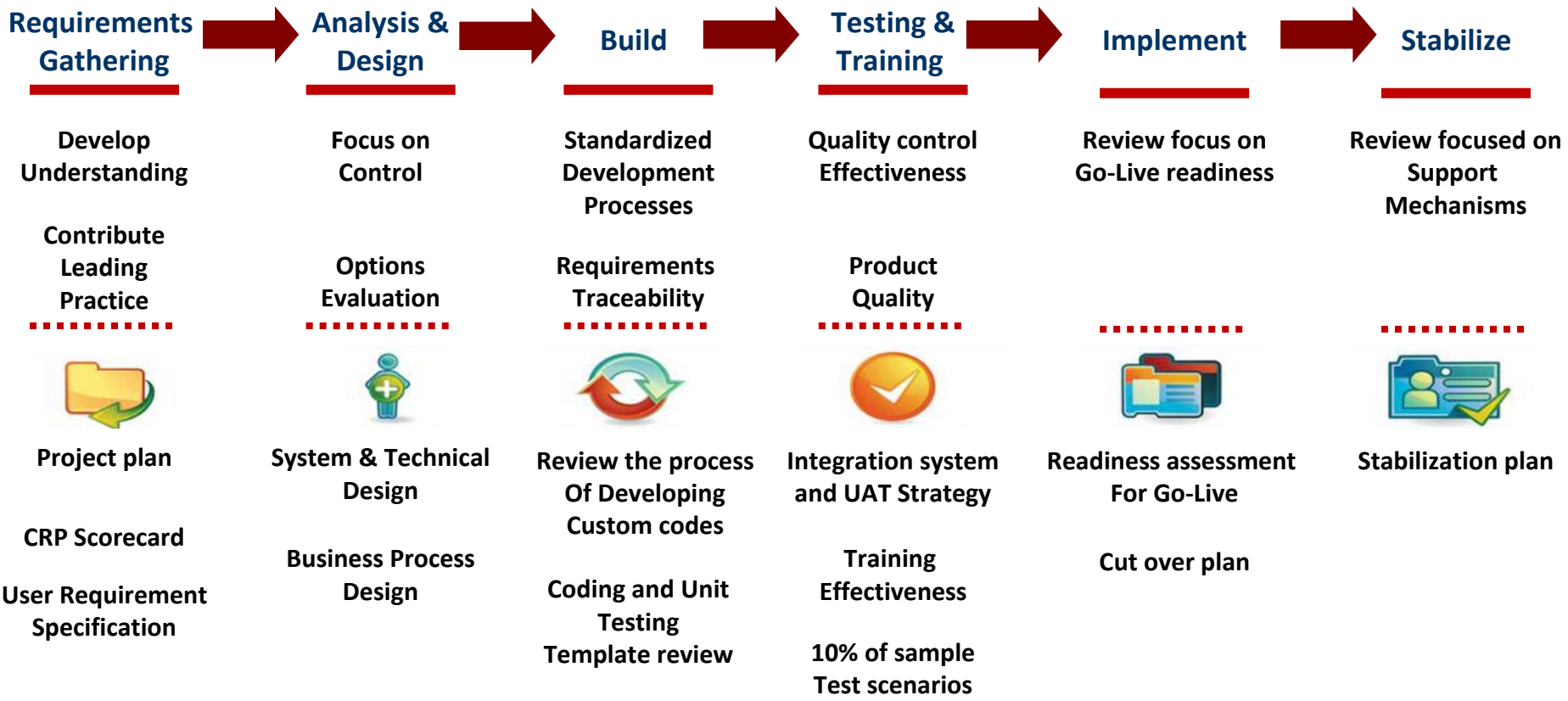
- Organisation is new to products
- Implementer focus – fixed price
- Low involvement of business
- IT driven
- Tool driven



Digitising The Financial System: Getting Wired Up!

Approach to benefits realisation

Classic QA Principles – Fit for purpose and right first time

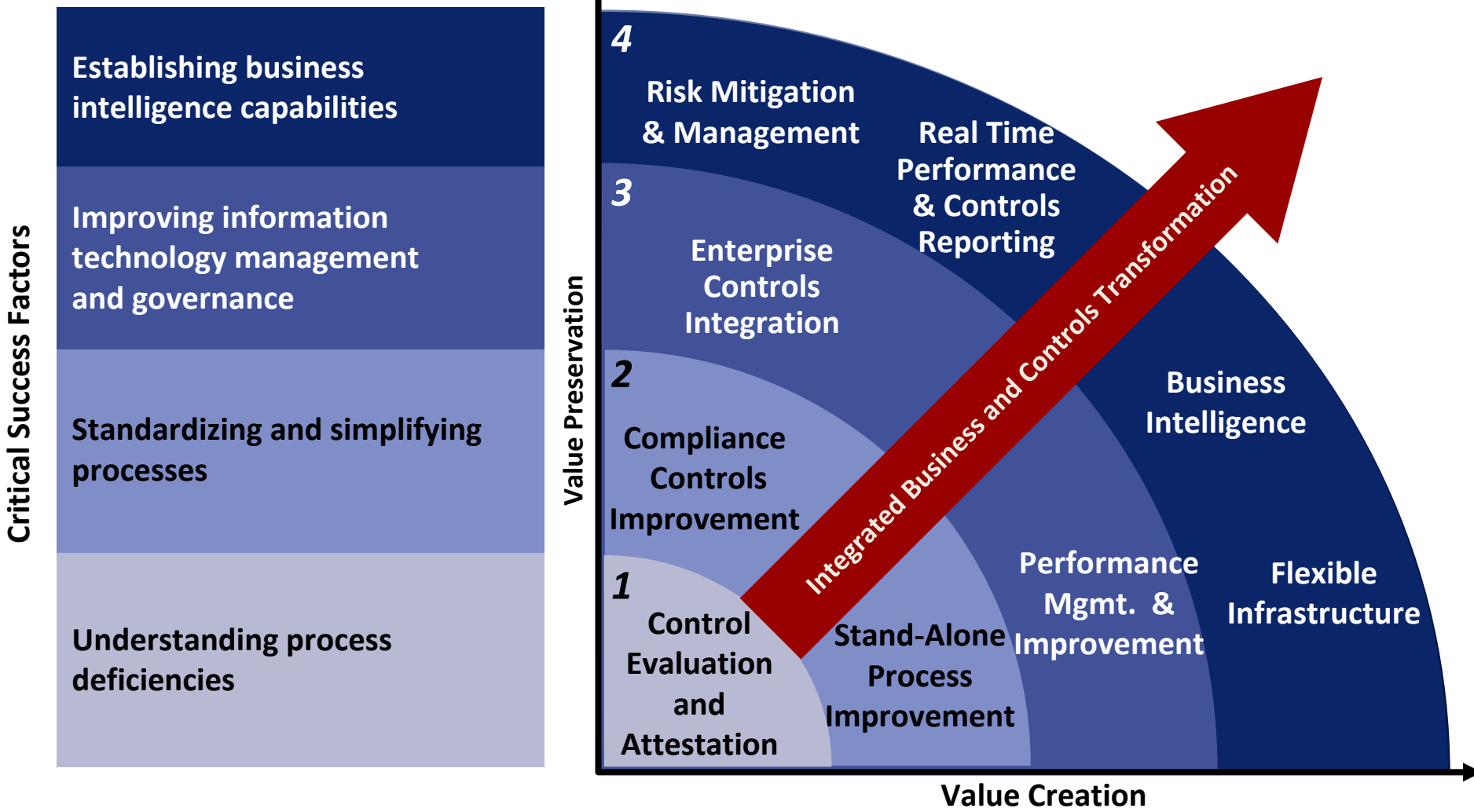


Metamorphosis

The Transformation Process

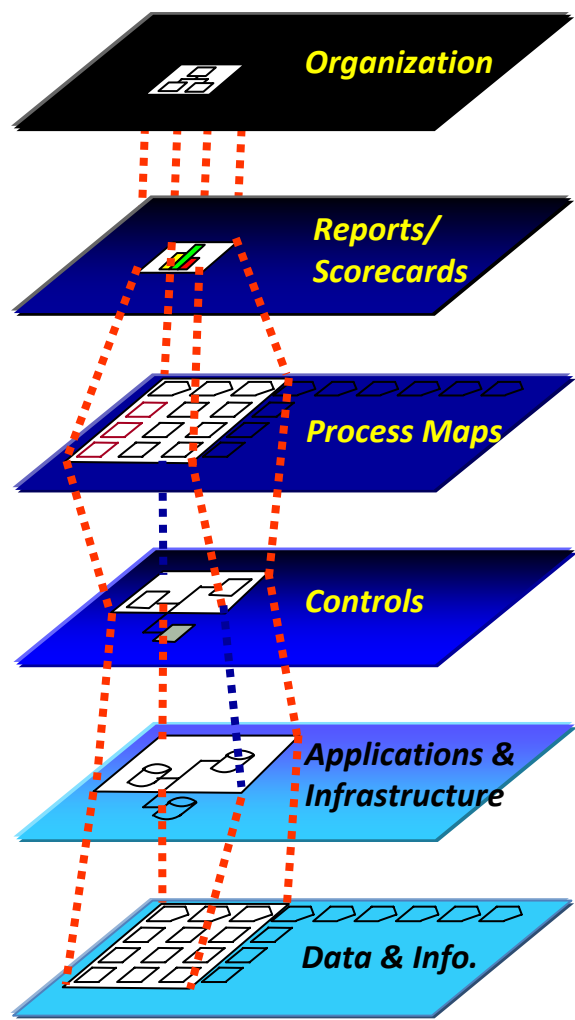
Metamorphosis: The Transformation Process

Transcending to the next state



Metamorphosis: The Transformation Process

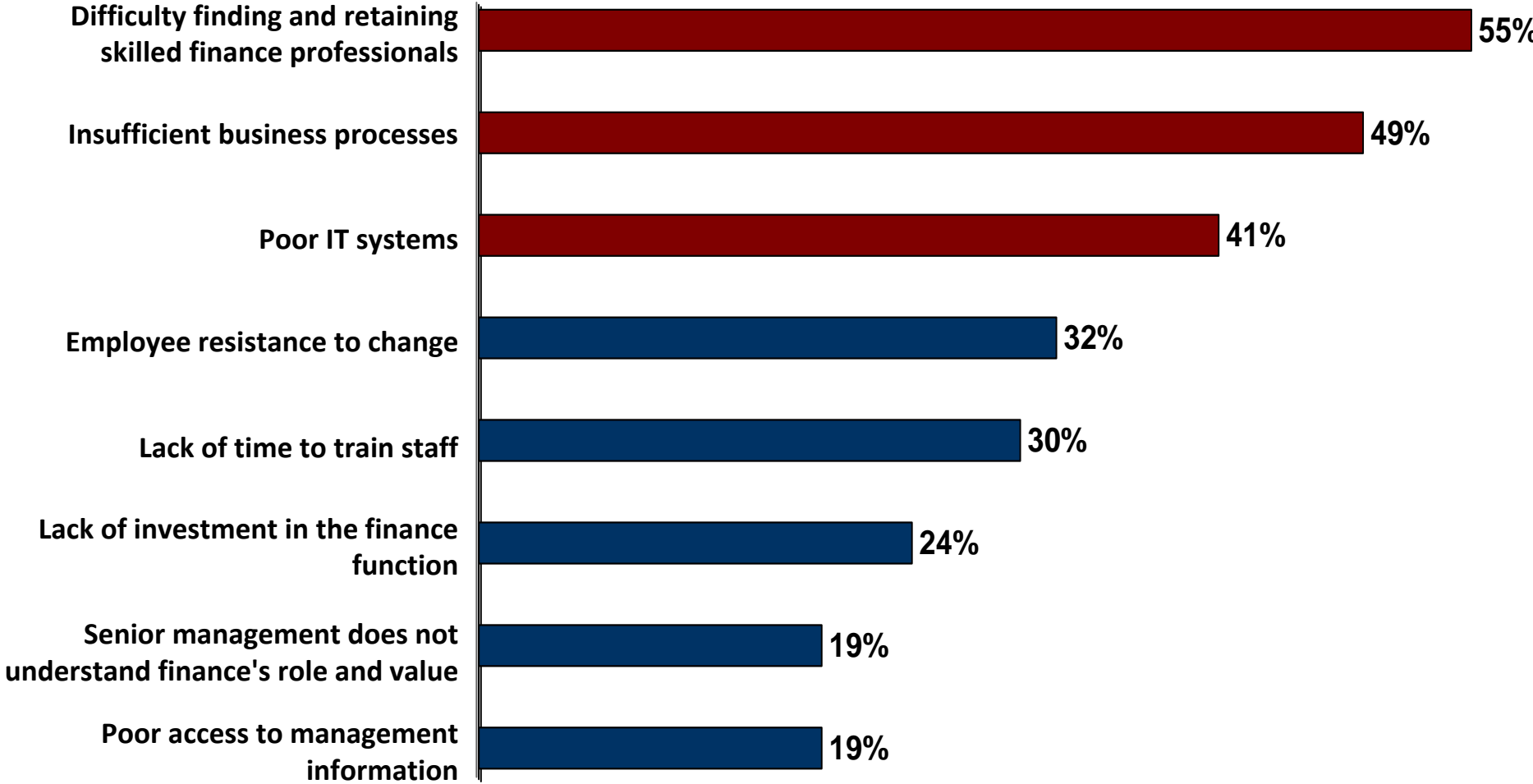
Reprogramming the genetic code



- Re-align Target Operating Model
- Develop/ enhance skills
- Review key drivers of value
- Enhance management reporting
- Optimise and automate processes
- Establish/ strengthen controls
- Define/ review policies & procedures
- Increase automated controls
- Re-align IT strategy
- Review CoA
- Review code block and values

Metamorphosis: Barriers to Change

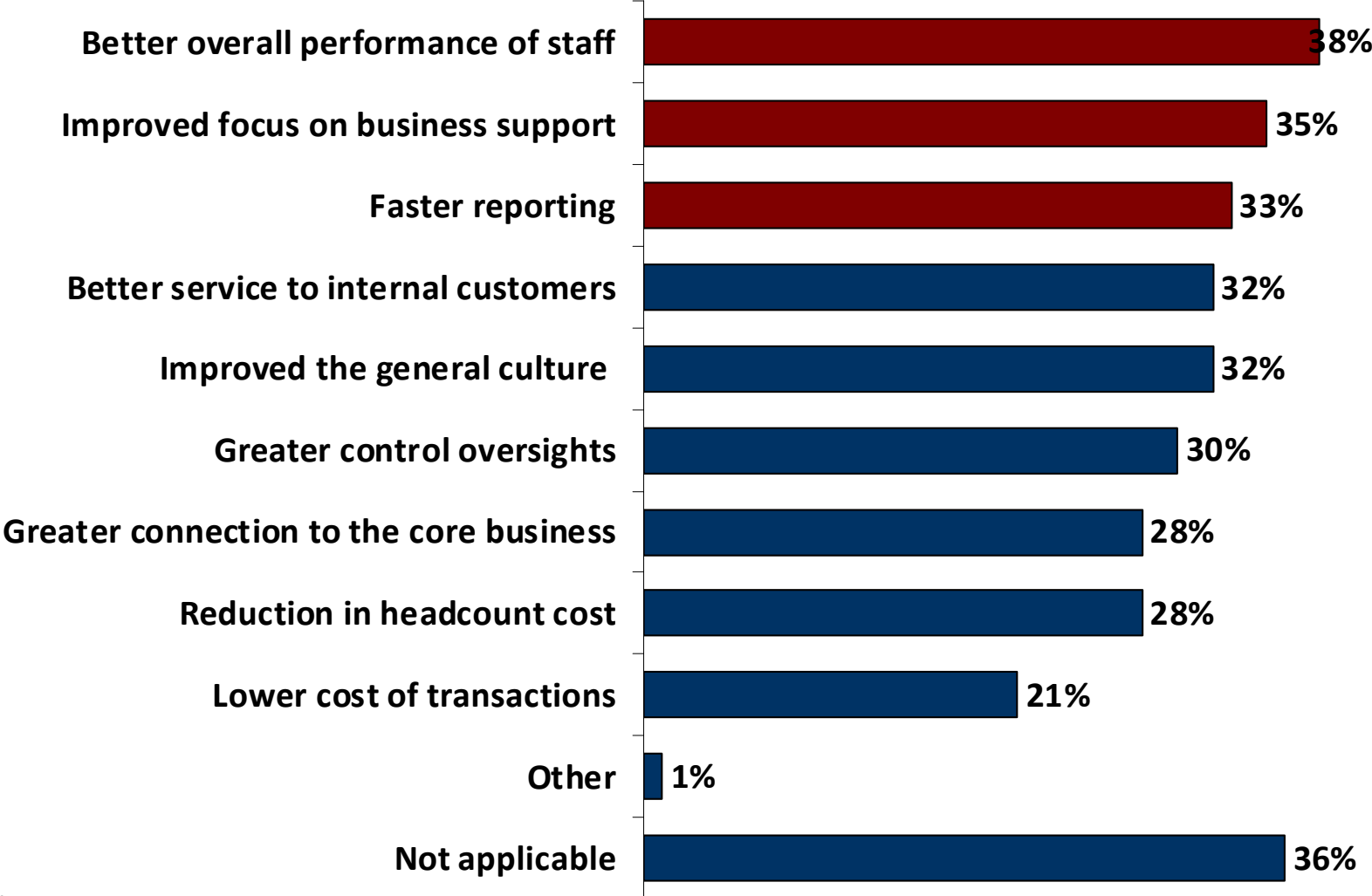
Key barriers to change



Source: KPMG/ Economist Intelligence Unit, 2006

Metamorphosis: The Benefits

Benefits realised after a transformation exercise



Source: KPMG/ Economist Intelligence Unit, 2006



Thank you

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