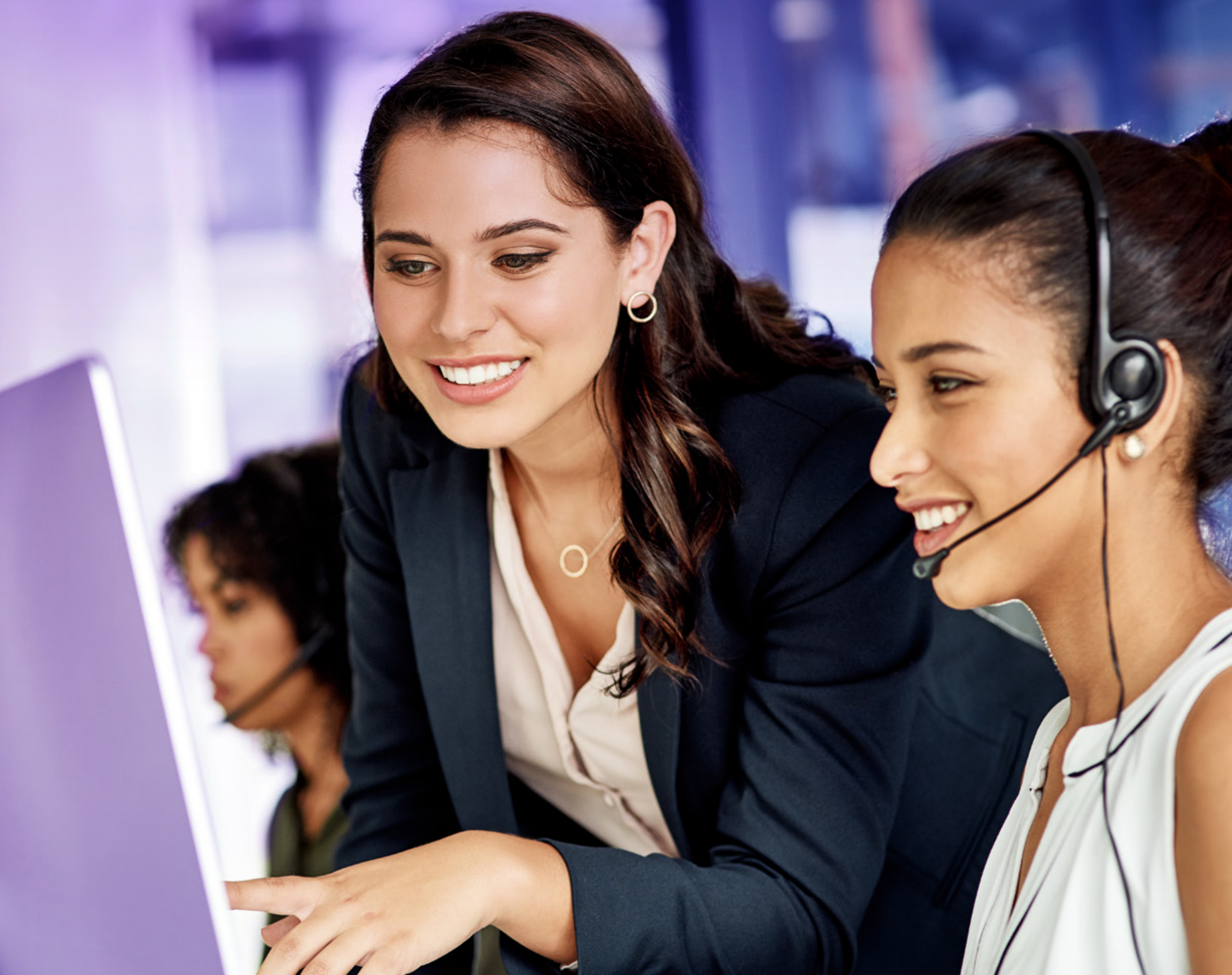
Corporate Controller & CAO Hot Topics

Optimizing the CAO/Controller Operating Model



Finance operating models continue to adapt to changes in technology, talent, and the overall business environment. By leveraging offshore options, nearshore hubs and COEs, and empowering teams with the latest technologies, Corporate Controllers and CAOs are working to keep their organizations at the forefront of business.

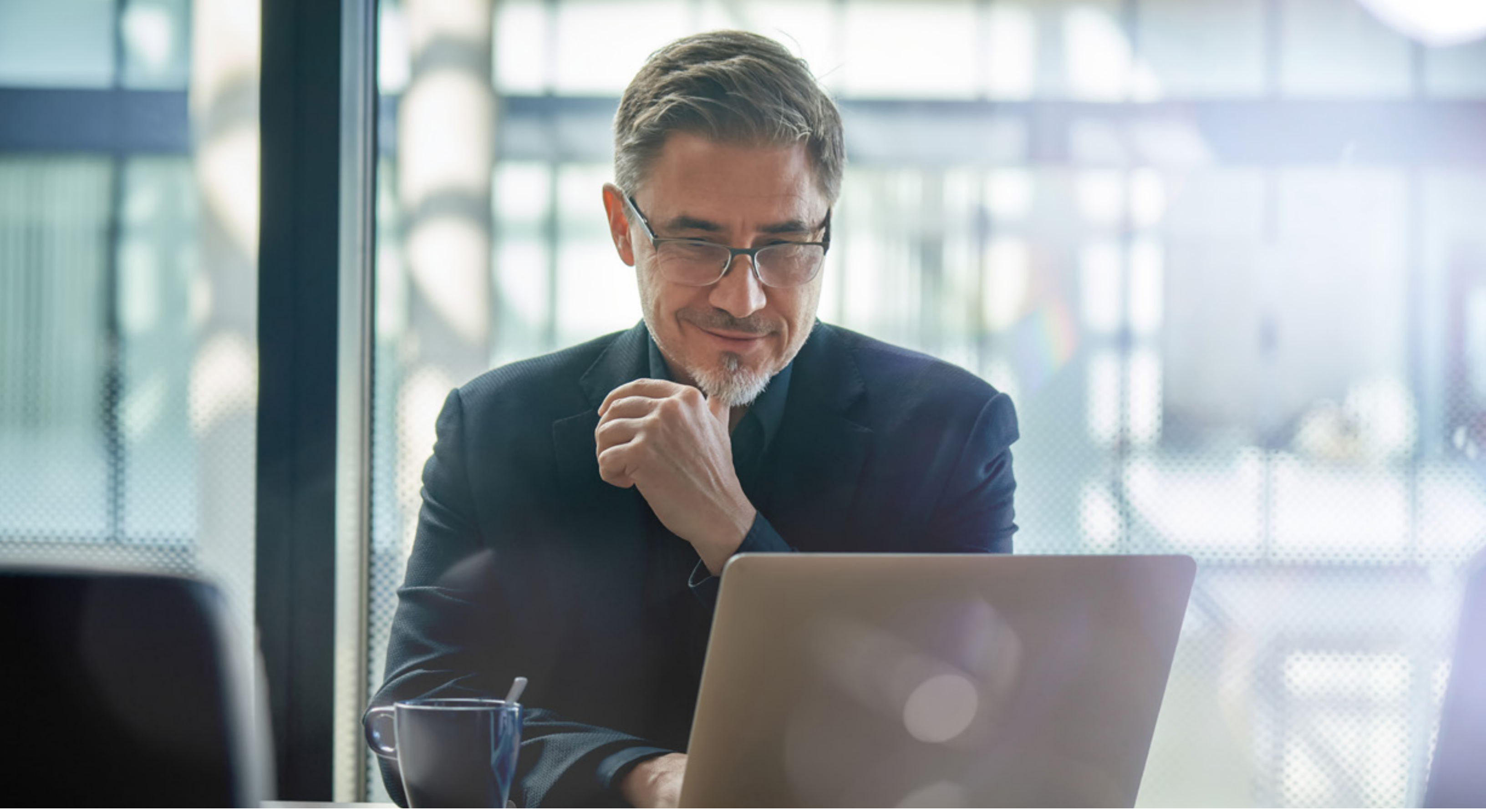
Finance leaders continue to evolve their operating models to stay at the head of business disruption. Continuous process improvement and increased adoption of technology are helping organizations boost efficiency and accuracy. Companies are also expanding nearshore, offshore, and outsourced capabilities to optimize cost of service and provide increased access to high demand skillsets. New talent dynamics and technology advancements are shaping the modern finance function, driving leaders to upskill employees with new curriculums and rotational programs that prioritize digital fluency, data literacy, and strategic partnering. Along with changes at the skill set level, companies are reshaping traditional organizational structures, roles, and responsibilities to enable greater agility and better align by capabilities. By prioritizing these key areas, CAOs and Corporate Controllers continue to modernize their operating models to match the needs of the modern finance function.

Given how closely KPMG works with many of the world's leading organizations, we have unique insights into how finance leaders think about these topics. Below are four main areas that Corporate Controllers and CAOs are focused on as they optimize their functions.

CAO/Controller Operating Models

Companies differ in how they configure their finance functions, with the structure of Finance often reflecting that of the overall organization. In companies that are very decentralized, the support from Finance often is as well. For example, if a company has regional business units, financials are frequently rolled up at the regional level. At companies that follow a more centralized model, the CAO manages a central finance and accounting function for the enterprise. However, in the case of entry-level finance duties, most of those activities, such as general accounting, accounts payable and receivable, etc., typically move away from a centralized location. A "top half and bottom half" model is used at some organizations, with the top half of the organization (managers, SMEs, roles that interface with stakeholders and auditors, etc.) centralized while the bottom half (analysts, routine accounting) is offshore.

Some organizations are using a system of hubs and centers of excellence (COEs) to gain better flexibility in staffing and keep employees in-house rather than offshoring. Hubs serve as a type of repository for both talent and knowledge— workers can be shifted between hubs to meet needs or backfill open positions, and when certain operations get automated or staff leave, the institutional knowledge stays within the



hubs. Finance leaders using this model report improvements in retention and recruitment, as well as better consistency of processes and transition of responsibilities. In some cases, it has enabled organizations to scale dramatically without increasing headcount.

Offshoring and Outsourcing Approaches

Organizations continue to leverage a mix of onshore, nearshore, offshore and vendor partnerships to drive efficiencies, reduce duplication of jobs, and augment their teams. Labor shortages in key areas are also pushing organizations to move some roles offshore that have previously remained in house, granting them necessary skills despite a dearth of talent in the headquarters country. This labor arbitrage enables an organization to continue to scale and differentiate its skillsets, all at a lower cost.

That said, critical mass is required for outsourcing to work; it doesn't usually make sense to move just a few roles. Once a centralized mass is established, an organization can shift to being process-centric and focus on harmonizing and innovating. Companies live and die by their documentation—so significant attention must be paid up front to documenting everything as this will determine how well a company can standardize its processes. More progressive companies with offshore and shared services are looking to scale these efforts beyond finance tasks. To that end, leading companies take a holistic global business strategy, assessing captive and third-party options, and thinking beyond finance and accounting to HR and other functions. This broader view can help with standardization, lead to better arrangements with outsourcing providers and reduce the number of vendor relationships.

Leaders are split on whether a captive offshore model or outsourced third party is preferable. Leveraging a third party can result in immediate cost savings as well as the ability to flex up and down with staffing based on needs. It also allows an organization to gain access to skills and technologies it may not have in house. Conversely, a captive center offers more control. A third-party provider has a contract and defined workflows, while a captive center can more easily change course if needed. This advantage may become more pronounced as technology solutions transform the work in offshore centers—while a third party may retain the benefits of transformation rather than passing them on, those same benefits would be quickly realized in a captive environment.

Automation and AI

Technology is a key enabler of offshore models; especially as common cloud platforms facilitate faster and seamless work among teams regardless of location. Advancements in tech could also lead organizations to reassess which work gets done by humans at all, regardless of whether they are offshore or not. Leaders looking to gain efficiency and scale their business without increasing company headcounts often turn to automation, as implementing automated financial accounting and reporting functions can enable them to facilitate more business operations at the same headcount.

Some larger companies are utilizing applications for lower-level accounting work, and generative AI is expected to handle many of the more mundane, rote tasks that are currently managed offshore. However, AI may not necessarily translate to headcount reductions—organizations with union workforces often need to be mindful of what tasks they automate and cautious about reducing their headcount; in those cases, they can instead use AI to augment the work their employees are doing.

Talent Considerations

While current operating models have advantages in cost savings, speed, and efficiency, leaders are starting to see some unanticipated impacts, specifically around talent. Dispersed teams can make it challenging to achieve the same synergies that are seen when people are working together. The offshoring of lower-level work has also greatly reduced the number of entry-level positions available domestically. This in turn limits development opportunities available to young CPAs who may not be able to get the experience they need.

Succession planning is also impacted by current talent trends. The offshoring of lower-level positions and the increased presence of technology in the work means that talent gaps are emerging, limiting the pool of workers who can fill certain roles. Organizations continue to work with colleges and universities to attract young people into accounting and are also targeting public accounting as a source of talent.

Shared services centers can also be leveraged in succession planning. Given the increasing number of roles being brought into shared services (i.e., centers originally set up as finance shared services centers can sometimes now house areas like operations as well), a manager's job at these centers is not limited to finance but can involve a skill set across multiple disciplines. Providing opportunities to workers from these backgrounds expands the talent pool and acknowledges the reality of the controllership, which now has dozens of responsibilities that don't always require someone to be a CPA.

The responsibilities placed on Corporate Controllers and CAOs only continue to grow. A broader mandate requires a broader solution—to meet this new dynamic, operating models must take full advantage of offshore and outsource opportunities, hubs and COEs, and the efficiencies offered by new technologies. With less talent entering the accounting field every year, fine-tuning the operating model takes on added importance as organizations address widening skill and talent gaps.

Additional resources

The strategic CAO (kpmg.com)

CAO Corner (kpmg.com)

Contact us

Dana Foote
Audit Head of Markets
+1 816-802-5229
dfoote@kpmg.com

Michael Kokotajlo
Partner, Advisory
+1 609-462-7107
mkokotajlo@kpmg.com

home.kpmg/socialmedia

© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.