



From ESG to Cyber: 10 major challenges financial executives face right now



In today's business world there's no shortage of volatility as inflation and supply chain disruptions brought on by the COVID-19 pandemic have impacted economies everywhere. For senior financial reporting executives — Corporate Controllers and Chief Accounting Officers in particular — there are a number of challenging issues that remain top of mind as they look to stay competitive in their industries.

In our role serving many of the world's leading organizations, we're in constant contact with this group — and therefore have unique insight on the numerous issues they face. These stakeholders have identified ten critical areas, listed below,

that contain specific opportunities and hurdles. (A forthcoming KPMG series will focus on each individual topic, diving deeper into the nuances and complexities noted here.)



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ESG

This topic represents one of the most critical challenges facing the market, thanks in part to new proposed rules from the Securities and Exchange Commission surrounding ESG disclosure requirements. Ensuring the right teams (e.g., audit, finance, sustainability and legal) are in the right place to properly track, report and disclose compliance information and data, while also absorbing new government regulations, will be key to long term success in this important area. However, due to this ever-evolving landscape, there are still a number of open questions around how to best structure a matrixed organization for facilitating progress.

Regulation

Controllers and CAOs are of course focused on understanding, addressing, and optimizing the rules and regulations surrounding accounting areas like revenue recognition, lease accounting, hedging, goodwill amortization, duration insurance contracts, and statutory audits to name just a few. When it comes to incorporating changes in these areas, getting the proper controls, and staffing levels in place is just the beginning of what can be an incredibly complex process affecting multiple areas of a company's organization.

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Talent

Many Controllers and CAOs face persistent challenges when it comes to attracting, onboarding, developing, and retaining top talent — all points that have become especially salient in the era of hybrid work. This group, for example, views retention as a major priority that’s even more challenging in a hot market increasingly defined by remote working options. Overall, these leaders are staying relatively flexible and focused on optimizing in areas like compensation, diversity & Inclusion, training and internal development to boost employee satisfaction and prevent burnout.

Organizational transformation

When it comes to driving company-wide change, many of these stakeholders are looking at digital innovation, automation and agile approaches, in addition to leveraging operating models that drive cost out of business. But generating a “culture of collaboration” to help push these efforts is difficult to envision when significant portions of the workforce aren’t together in the office. Still, some larger companies are creating micro-cultures or processes where projects can attract funding, assemble teams and move quickly in order to enhance organizational agility.

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Automation

Reducing the number of manual inputs and streamlining the reconciliation process are top priorities, and many in this group are already working with different automated solutions involving robotics, artificial intelligence, and cloud computing; in the near future, Controllers and CAOs expect things like process mining technology and business process automation to be must-haves. One thing to note: adoption and ROI can be pain points during implementation.

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Digital transformation

A number of Controllers and CAOs feel their companies have some catching up to do. Some organizations simply don't have the capacity to properly handle all of the data at their disposal, while others struggle with how to securely migrate to the cloud. For many, moving forward involves tech-oriented approaches — i.e., utilizing data mining and automating various reporting functions. Financial ERP implementation, for example, will hinge to a certain degree on modernizing IT systems to drive integrations and efficiencies.

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Cyber security

Amongst the group, cyber security is a major priority that extends into other areas on this list and warrants a significant amount of vigilance. Regarding the manifold challenges on this front, there is specific concern over how the level of disclosure and requirements would be impacted by the risk of increasingly sophisticated breaches.

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Inflation

Controllers and CAOs are of course navigating their way through rising costs — with the Russia-Ukraine conflict adding a layer of complication to their efforts. Making sure teams have good data intelligence for optimal forecasting and planning is crucial to weathering current macro-level economic conditions.

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M&A

When it comes to this issue, Controllers and CAOs are interested in how M&A structures are being shaped across industries. Are they being integrated fully or separately? And what are the pros and cons associated with these approaches? Best practices around chart of accounts are also a focus — especially with acquisitions. Flexibility seems to come at expense of consistency.

Board of Directors

The board is a key stakeholder for Controllers and CAOs, but it generally has a wide-ranging agenda, encompassing everything from human capital management and ESG strategy to proactive shareholder engagement. Indeed, Controllers and CAOs need a good understanding of this agenda — but they also need to be able to navigate when and how to engage the board on issues concerning their scope.

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