KPMG

Looking for a better way of working in the cloud?

Start with the model answer.

How the KPMG Target Operating Model can help — A guide for the C-Suite.

Fuel your business functions with
the KPMG Target Operating Model

The KPMG Target
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Fuel your business functions with the KPMG Target Operating Model

The KPMG Target Operating Model may sound like something for your business analysts to sink their teeth into, but it's something we believe the C-Suite must embrace to secure a better and more strategic functional transformation to the cloud.

There are many challenges during a functional transformation program (eg. finance, HR) — none more so than envisioning what you can achieve and validating that it will work for your organization.

KPMG's Powered Enterprise transformation approach guides you through your end-to-end transformational journey. At the heart of it, the KPMG Target Operating Model shapes your business transformation and maps out the optimum way you can operate in the future and the potential consequences of the decisions made along the way.

Its real power is to help you get to a better result by starting with a 'model answer' developed for your chosen cloud platform. It helps you to have a vision of what good looks like and to understand the art of the possible for that particular platform, which in turn promotes best-practice.

Plus, there may be an opportunity to reduce a typical project duration by 30–50 percent, increase certainty and clarity of outcomes in what the organization can achieve, reduce risk from a holistic business perspective, and obtain return on investment sooner. So, it is worthwhile understanding the fundamental role the KPMG Target Operating Model plays.

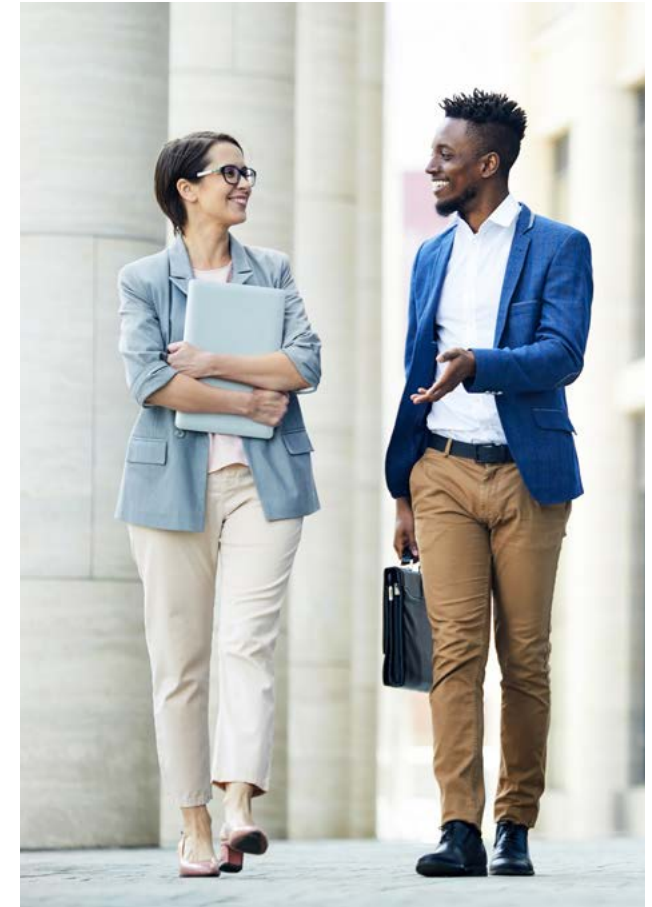# The KPMG Target Operating Model

What is it and why is it important?

The initial stages of your transformational journey have the most profound impact on your ultimate outcome. It is during this stage that the big decisions are made and the place you are trying to end up is determined. The quality of the outcome is a direct function of how clearly you understand where you are trying to go. The C-Suite should be the driving force for the vision, but you need a starting point to work from. That's where KPMG's Target Operating Model can help empower you to move to a 'best in class' vision.

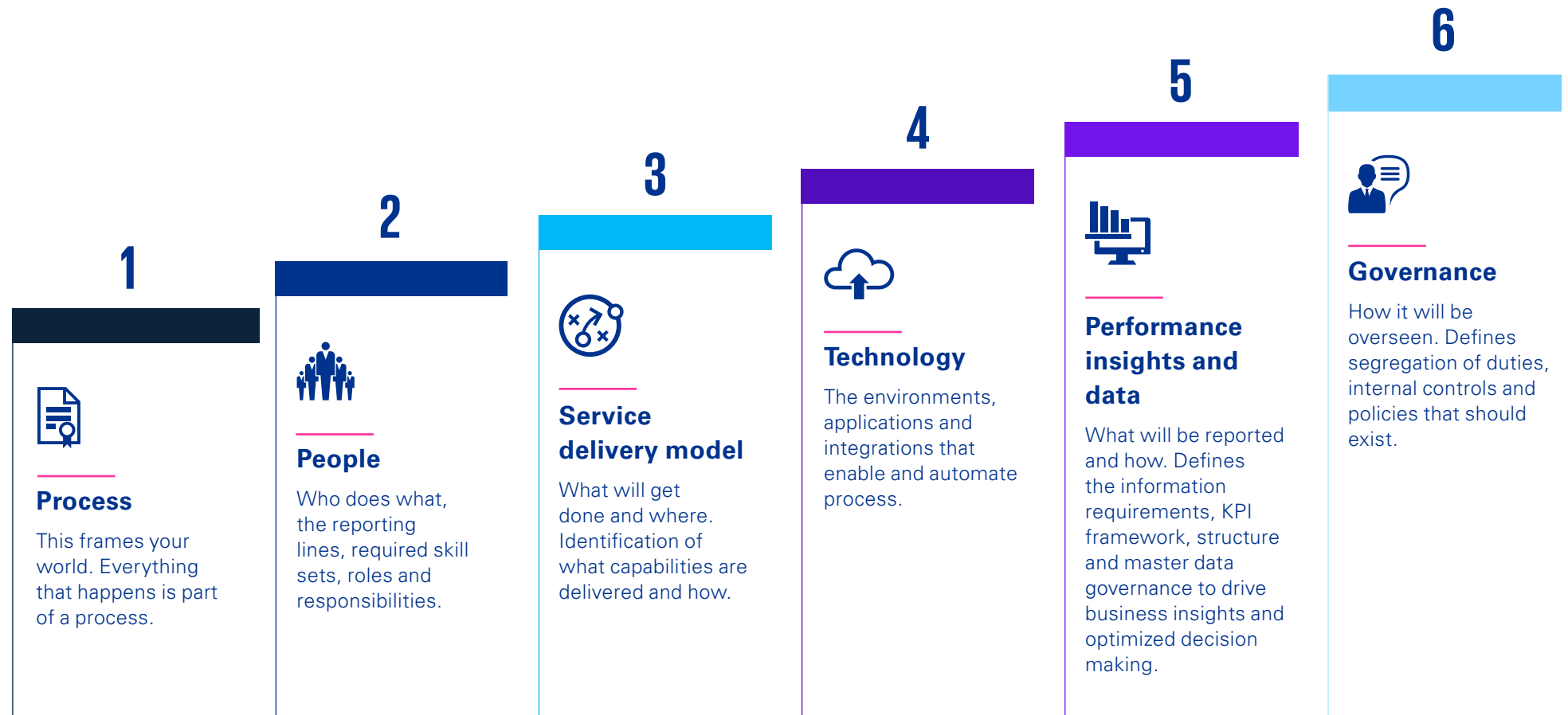Part of the problem with 'traditional' target operating models that aim to get you there (where they exist) is that they are often not comprehensive enough in scope. If they only cover the traditional process-people-technology relationship, they can miss where the work will get done, how it will be reported and measured and how it will be governed and controlled.

For a successful project, all these factors need to be taken into account. **Service delivery, performance insights** and **governance** can no longer be an added after thought — they're too important for that, plus, they form a critical part of any transformation plan. Your stakeholders need to think through all these areas as an integral part of the transformation to get the complete picture.

Looking for a better way of working in the cloud?

You need a detailed answer so, within the KPMG Target Operating Model we include these six 'layers':

1

Process

This frames your world. Everything that happens is part of a process.

2

People

Who does what, the reporting lines, required skill sets, roles and responsibilities.

3

Service delivery model

What will get done and where. Identification of what capabilities are delivered and how.

4

Technology

The environments, applications and integrations that enable and automate process.

5

Performance insights and data

What will be reported and how. Defines the information requirements, KPI framework, structure and master data governance to drive business insights and optimized decision making.

6

Governance

How it will be overseen. Defines segregation of duties, internal controls and policies that should exist.

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Understanding how all six components of your Target Operating Model relate to each other is key to creating an integrated and highly functional solution. It provides unparalleled visibility of each potential change and their corresponding consequence. By comparison, typical technology-led transformations provide limited scope and depth resulting in less forward thinking and unforeseen consequences.

When transforming a part of your business, what are the outcomes you seek? You're looking for a successful transformation to functional leading practise to achieve specific business benefits.

There's no need to limit your ambition. Cloud platforms offer a level of functional process support that businesses need to modernize their operations, together with the opportunity to replace legacy systems and make significant cost savings.

We know that member firm clients can take a significant step into a better place by implementing a cloud platform, but not necessarily the step change the business (and the investment case) demands. Successful implementations are not just about plugging the old ways of working into a new cloud solution — that could potentially lead to immediate failure. Instead, it should be about supporting an ambition for industry leading-practice, top-decile performance, or any other priorities the business function might have.

The goal of the KPMG Target Operating Model, in short, is to turn a potentially standard cloud implementation project into a dynamic functional transformation. The KPMG Target Operating Model provides a business-centric, output-focused approach based on a deep understanding of how transformation works within, and across, an enterprise.

It does this by building on the excellent work of the wider functional and specialist practices across the KPMG network of member firms to help you envision your model, on your chosen cloud platform (or a short-list of cloud platforms), for your particular business. This is why we — and you — can be so confident of the outcome and the value potential it brings.

The KPMG Target Operating Model presents you and your team with pre-designed leading-practice solutions that help you to achieve better outcomes in a more-timely manner, with less cost and lower risk.

These technology solutions can help to break the chicken-and-egg cycle of firstly not knowing where you want to get to because you don't know what's possible and, secondly, not knowing what's possible for your particular organization because you can't visualize the end state in enough detail.

Understanding how each of the layers are interrelated is critical for a successful business transformation.

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What is in it?

**Six layers, the model answer specific to
individual cloud platforms, and so much more…**

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KPMG Powered Enterprise. Start with the model answer and deliver your transformation vision in the cloud.

The real strength of the KPMG Target Operating Model is what is inside. Across the six design layers: **functional process, people, service delivery model, technology, performance insights and data, governance**, KPMG member firms have preconfigured a deep asset base that incorporates leading practices and the significant experience with clients.

How is it deployed?

Operating model layer	What's inside
Process	Hundreds of predefined processes for Finance, HR, IT, Customer Operations, Procurement, Supply Chain, Cyber and Risk
People	Organization and job definitions with process connections
Technology	Reference cloud architecture, pre-built integrations, pre-built conversions and thousands of test scripts
Performance insights and data	KPI's, process performance indicators and enhanced reporting, beyond the vendor supplied reports to satisfy your organization
Governance	Risks and internal controls for every process, plus segregation of duties reference and policy identification
Service delivery model	Shared service center, centers of excellence and outsourcing operating models, to optimize service delivery

Each asset can be thought of as a collection of solution accelerators comprised of hundreds of predefined or prebuilt processes, workflows, definitions, integrations, reports, dashboards and even training programs.

This combination of assets paves the way for achieving functional excellence because it is designed for the target platform, broad ranging and works in mature, complex organizations.

Depending where you're at and where you want to get to, our skill is to help you to decide what combination of assets need leveraging to design your optimized business function and to guide you through the potential changes that can arise from decisions you make relating to any of the six layers.

Each asset can be thought of as a collection of solution accelerators comprised of hundreds of predefined or prebuilt processes.

How it works

We see what's possible.

KPMG professionals can create a tangible and implementable answer that aligns to your strategic vision and goals.

In KPMG member firms' experience, many clients don't even know where they're currently at, let alone what's possible and where they could get to. So, we use empirical data and benchmarking to map this potential transformation, then to measure how successful it has been.

We also use LEAN concepts together with activity and data analysis to support the process and create an environment where the business can learn to exploit technology such as RPA and AI to make the most of what they offer.

You could think of it as the fusion point between KPMG's functional process capabilities and change management expertise with the capability offered by market leading cloud technology platforms.

There are significant change management benefits of using the KPMG Target Operating Model to provide a complete picture of the model end state. Not least in communicating where you are going. Programs continue to fail in managing the human factors of change management and the employee experiences, they are far too often relegated in importance or postponed.

The KPMG Target Operating Model allows you to take the organization forward in a concerted and purposeful way.

Finally, you won't need to stop innovating. The possibilities are continually evolving within the KPMG Target Operating Model, helping sustain the advantages you are creating.
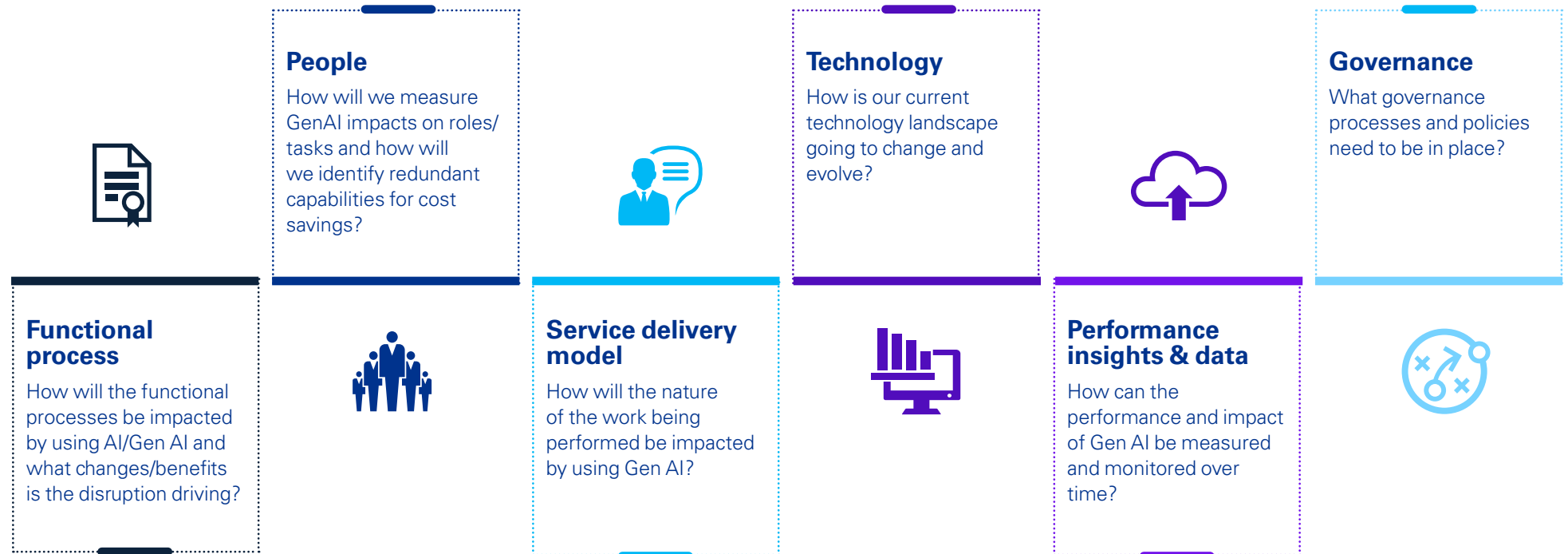
But what about Gen AI...

57%

With only 57 percent of respondents from the KPMG Global tech report 2023 believing that generative AI (Gen AI) will be most important in helping their business achieve its short-term ambitions over the next one to three years.

People
How will we measure GenAI impacts on roles/tasks and how will we identify redundant capabilities for cost savings?

Technology
How is our current technology landscape going to change and evolve?

Governance
What governance processes and policies need to be in place?

Functional process
How will the functional processes be impacted by using AI/Gen AI and what changes/benefits is the disruption driving?

Service delivery model
How will the nature of the work being performed be impacted by using Gen AI?

Performance insights & data
How can the performance and impact of Gen AI be measured and monitored over time?

Aligning Gen AI with your functional transformation: a strategy for success

Organizations should adopt a more strategic approach in which Gen AI can align with and enhance your existing transformation initiatives and is embedded within your operating and technology models.

Organizations that have been through a transformation with KPMG Powered Enterprise are well placed to utilize the expected benefits of the KPMG Target Operating Model (KPMG TOM) to embed Gen AI into their functions. KPMG professionals can help determine how the AI strategy fits into the overall vision. We can help extend your functional transformation to be AI-driven by identifying the most impactful AI priorities for your enterprise within your functional processes, then developing digital solutions around those priorities.

KPMG firms' strategy for Gen AI starts with the model answer, enabled by leading practices and pre-configured on leading software-as-a-service (SaaS) platforms. The existing vision should embed Gen AI throughout the KPMG Target Operating Model of your transformation. Benefits could include:

- Surety around the connection between intelligent automation and the processes.
- The comfort of knowing that your data model effectively supports your business and information needs.
- An effective organizational structure with the right roles.
- Capabilities and digital fluency to support your transformed function with more confidence that your business is operating within the governance structures you have in place.

> " The number of businesses with leadership buy-in for emerging tech has more than tripled, from **10 percent to 38 percent** "
> Source: KPMG global tech report 2023

Media have amplified how the use of Gen AI can have serious reputational risks for brands when it's not implemented correctly, so it's essential to properly plan and test before deploying AI and to fully understand understand ethical, cyber, intellectual property and other considerations. KPMG's approach can help reduce risks by allowing you to adopt leading practices for Gen AI. And through the KPMG TOM, AI capabilities are already designed into the approach, with the impacts considered across all six layers of the TOM.
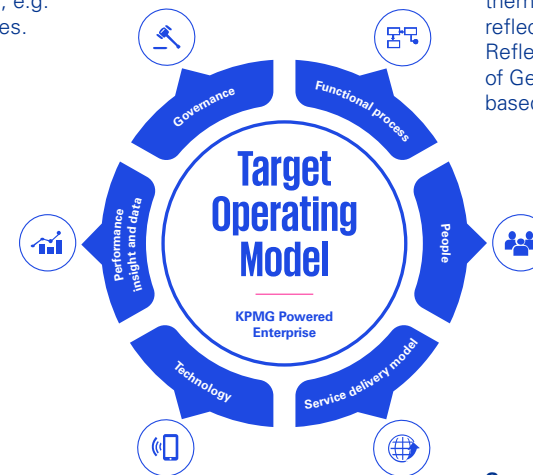
Governance

Adapting to reflect emerging Gen AI related governance structures, e.g. responsible AI principles.

Functional process

Augmenting the vast selection of leading practices to bring them to life with Gen AI and reflect responsible AI principles. Reflecting the highest impact uses of Gen AI throughout the role-based process flows.

Performance insights and data

Adapting the data architecture to enable Gen AI centric data intelligence.

People

Highlighting new labor roles used throughout the organization as well as the capabilities needed to support their use.

Technology

Extending the technical architecture to include Gen AI tools and technologies. Highlighting new AI capabilities that are created by cloud platforms, including the impact on existing technical footprint.

Service delivery model

Reshaping to account for service delivery through automation and reflect the potential impact of digital labor.

Target Operating Model — KPMG Powered Enterprise (circular diagram with segments: Governance, Functional process, People, Service delivery model, Technology, Performance insight and data)

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What does this all mean?

Functional transformation can be difficult. Trying to standardize and move to the cloud is challenging. You should by now have gained the impression that there's quite a lot to it.

We believe that the KPMG Target Operating Model is a well thought through solution that's designed to help make the visioning and validating of a functional transformation more complete and get you to a better place, faster. In turn, we know from experience that this can lead to better outcomes and to lower risk.

It can lead to better outcomes because it has 'what good looks like' for everything you may need, including internal controls, technology specific process flows, built-in integrations, all based on a leading practice for your chosen cloud technology platform. It adds additional value over and above this (for example) by providing additional assets such as extensive reports and dashboards.

It can lower risk because of its rigor — stakeholders can see to where they are heading at every step — and therefore reduces the likelihood of blind alleys, misunderstandings and surprises.

By working with the KPMG Target Operating Model for your particular business function, you can overcome the traditional shortcomings of a complex cloud transformation project and elevate from where you are now, to where you need to be.

But it's more powerful and leads to even better outcomes when there is C-Suite leadership involved. KPMG professional have seen this at global organizations across all industries. The KPMG Target Operating Model is a truly strategic approach to transformation that offers the agility for dynamic evolution towards a new reality. This is not a legacy to discard in 5 years' time, because what you build today is a solid foundation and context for what you may need tomorrow.

KPMG's clients have now been able to maintain growth with a clear understanding of the consequences to the business based on better decision making and deeper customer insights. Organization wide standardization of back-office operations has led to efficiencies, reduced cost and risks, through the exploitation of technology. Importantly, the KPMG Target Operating Model is designed to offer timely results without compromise in the quality of the business transformation.

Think of the KPMG Target Operating Model as your transformation guide, helping you and your team to get where you want to be, whatever the terrain under foot!

Functional transformation can be difficult. Trying to standardize and move to the cloud is challenging.

If you don't want to miss out on the best possibilities start with the model answer.

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To find out more about the KPMG Target Operating Model and KPMG Powered Enterprise go to:
kpmg.com/powered

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