Future of Corporate Services

Is Corporate Services your untapped superpower?

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Introduction

Corporate Services must play a larger role in helping deliver enterprise-wide value. To accomplish this, these functions — procurement, human resources (HR), finance, information technology (IT), and legal[1] — should be more closely aligned to support value creation, prevent value loss, and proactively mitigate risk.

Faced with increasing competitive, regulatory, and sustainability pressures, companies are now asking more from their Corporate Services. To gauge how effectively Corporate Services is stepping up to these demands, KPMG carried out a global survey of 250 senior executives representing various industries and functions including front, middle and back office, as well as key C-suite and non-back-office leaders.

Aligning to deliver value

The survey demonstrated that the question of value looms large in executives' thinking: less than one-third of respondents feel Corporate Services currently deliver great and high-quality services. One of the greatest sources of value loss for organizations is a misalignment between business strategy and operating models, yet the survey shows most organizations struggle with alignment, with 73 percent reporting their enterprise's and organization's goals were only moderately aligned. In addition, nearly half of the respondents identify unaligned organizational and functional goals as the main challenge hindering the connection between back-office functions and other units in the organization.

As a collection of functions, Corporate Services has often struggled to successfully adopt common data, processes, and ways of working. But with technology bringing the promise of a fully connected back, middle, and front office the various Corporate Services' functions must now work more closely together to provide the kinds of service quality their customers are seeking. For some organizations, this will require significant change.

Embracing Gen AI

Not surprisingly, our survey shows that the top external factor driving Corporate Services transformation is rapidly advancing technology (23 percent). Businesses must also embrace the fact that generative artificial intelligence (Gen AI) will eventually replace some business processes and capabilities currently performed by people. Companies must determine the right balance of humans and technology, and rethink people's roles to make the most of their talent and harness the potential of automation. This requires a radical re-appraisal of the relationship between people and machines.

All the more reason to aim to ensure a collaborative approach to Gen AI adoption for Corporate Services, particularly for end-to-end processes that span multiple functions.

But is Corporate Services in need of a complete overhaul — or does it merely require some fine tuning? Corporate Services functional leaders must constantly balance stability with disruption, to enable them to deliver essential services while continuing to evolve. In this paper, we discuss how companies can unleash the "untapped superpower" of Corporate Services by addressing four major strategic imperatives that can impact its productivity, structure, and culture.

[1] Front office constitutes customer support operations, product development, and marketing/sales functions. Middle office constitutes research and development, risk and regulatory compliance, and quality assurance. Back office constitutes HR, legal/risk, procurement, supply chain/logistics, IT, and finance.

Key insights

Over 1/2
of executives say a connected back office "improves operational efficiency," yet

only 1/4 describe their Corporate Services as "highly connected."

#1 priority
for leaders is cutting costs and driving efficiencies — both for their organization as whole and their function or group.

Half of key leaders including CEOs, chief strategy and, transformation officers, would reorganize Corporate Services to improve the delivery of services and value.

Over 1/2
say their function's priorities are only "somewhat" aligned with those of the wider organization.

Only 1/4 say Corporate Services deliver "great value."

4 out of 10 say their Corporate Services functions are siloed.

<5% of respondents from finance, IT, legal, and procurement prioritize a "highly skilled and motivated workforce" as a primary objective of back office transformation.

Four strategic imperatives for Corporate Services

1. Focus on enterprise value — and design Corporate Services to support value creation.
2. Harness the power of data to deliver more value for the business.
3. Embrace Gen AI to fundamentally change Corporate Services including the workforce.
4. Incentivize and enable change to advance Corporate Services.

Contents

Releasing the full potential of Corporate Services

In many organizations, Corporate Services are failing to fulfill their full potential. Despite ongoing performance improvement initiatives, two-thirds of survey respondents say Corporate Services functions are "just meeting" the expectations of business partners in terms of quality and efficiency. And only about one-third describe Corporate Services as "effective."

Dysfunctional boundaries undermine effectiveness

One factor that holds back effectiveness is the tendency for each function to work in isolation, with its own goals, working practices, data, and systems. A significant proportion of front and middle office respondents (40 percent) and Corporate Services respondents (42 percent) agree that their organization's Corporate Services functions are siloed.

Another global KPMG survey of C-suite executives, The importance of value streams in the age of AI, reinforces this point. That survey showed a large majority (79 percent) of respondents stating that silos obstruct them from delivering value to customers, with 77 percent saying they are actively breaking down silos to deliver greater value to customers.

These silos, along with a lack of common technology and ways of working, explain why only one in three of respondents describe Corporate Service functions as "highly connected" with other mid-office, and front-office functions. Finance (40 percent) and IT (36 percent) demonstrate higher connectivity, as well as cross-functional collaboration, higher efficiency and higher value delivered — yet these ratings still only demonstrate middling results.

At the same time, respondents acknowledge the power of connectivity. Almost two-thirds (64 percent) believe that a connected and collaborative Corporate Services has a positive impact on operational efficiency, as well as a faster and more agile response to change (41 percent).

Reshaping Corporate Services to help improve connectivity

We see three primary factors holding back the ability to break down the negative effects of functional silos: misalignment between functional and executive leaders; insufficient focus on people and emerging capabilities; and an underdeveloped response to business needs in a dynamic market.

Our survey suggests that Corporate Services functional leaders and senior, non-Corporate Services executives disagree about how to improve service delivery: 51 percent of senior executives say the answer is to reorganize Corporate Services, while 61 percent of Corporate Services functional leaders say the way forward is to take a less radical approach, by improving processes, data, and technology within the current functional model.

This disconnect between the executive and the functional leaders is in part a consequence of traditional cultural factors and siloed organizational structures.

From a cultural perspective, in some organizations, status and rewards are based upon the size of the function in terms of people and budget — and less on the function's contribution to value or management of risk. These cultural norms then play out in the structural decisions, as governance and reporting channels are designed, reinforcing the "feudalization" of Corporate Services and making it difficult to change.

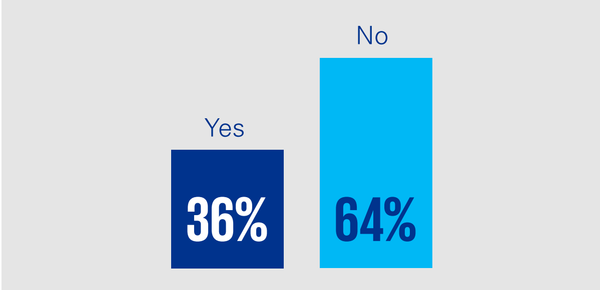
Consequently, supporting value creation takes something of a back seat. Our survey ranking shows efficiency and cost-cutting as leaders' number-one priority and as the primary levers to contribute to value creation. However, by taking such a narrow focus, Corporate Services functions may end up with a workforce unfit to tackle emerging technology and regulatory challenges. Worse still, this could block progress through siloed mindsets, non-collaborative behaviors, and resistance to change.

64% of respondents feel a connected and collaborative Corporate Services improves operational efficiency.

Who wants to reorganize Corporate Services?

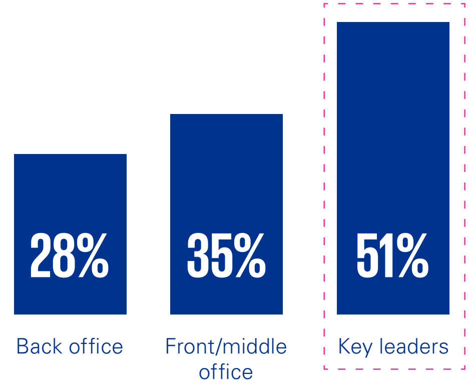
About a third (36 percent) of respondents would fundamentally reorganize Corporate Services.

Would you reorganize?



But when we look at select groups, the interest in reorganizing increases.

Role cut of those who would reorganize



These two groups also preferred a more compressive solution — fundamentally reorganizing to deliver services to value streams.

Insufficient focus on people

In the next 3–5 years, one of the highest priorities for leaders from the front to the back office is innovating in response to new technologies and ways to enhance value; yet, very few survey respondents place "people" high on their agendas. With the exception of those from HR, only a tiny proportion say their transformation objective is to "build a highly skilled and motivated workforce in a culture of continuous learning." Talent development and alignment to roles are ranked as the least important factors in terms of changing Corporate Services functions.

Such a mindset could deprive Corporate Services functions of teams that are skillful, motivated (or incentivized) to change, and understanding of end-customer needs. The impact of changing sustainability and regulatory requirements is also not currently top of mind for Corporate Services functional leaders, despite being major and growing challenges for the wider business. People are the most crucial factor in any change journey, so it is vital to place them at the center of any efforts to reshape Corporate Services.

Past versus future priorities

Primary focus for Corporate Services over the past 3 years:

68% digital and technology transformation initiatives

52% functional transformation

41% performance transformation

Expected changes to Corporate Services in the next 3-5 years:

43% expect to become more innovative in response to competitive pressures and new technologies

38% expect to embrace digital transformation and automation

30% expect to fundamentally reorganize to support value streams through new cross-functional operating models

The world is increasingly unpredictable, as a result of rapidly evolving technological, regulatory, and competitive forces. As organizations face intensified market demands, they need business models that can adapt to fast change — and Corporate Services functions that are jointly aligned to their strategy and can support agility.

Until business leaders and functional leaders can harmonize their views on what needs to change, it is likely that these challenges will continue to hold back Corporate Services' "superpower" potential, and prevent the much-needed focus on supporting enterprise value creation and protection. These findings point to a broad and complex agenda for the future of Corporate Services, which we discuss in the next section.

Strategic imperatives

Corporate Services is unlikely to remain a collection of disparate functions acting independently. A connected enterprise needs connected Corporate Services, with a common goal of driving, enhancing, and preserving value. This includes supporting the middle and front offices by offering fast service, and providing data, to understand the business, serve end customers better, and improve operational effectiveness. It also means enhancing business capabilities by using AI and Gen AI to boost performance. To do so, Corporate Services must address these four strategic imperatives.

01 **Focus on enterprise value — and design Corporate Services to support value creation**

02 **Harness the power of data to deliver more value for the business**

03 **Embrace Gen AI to fundamentally change Corporate Services, including the workforce**

04 **Incentivize and enable change to advance Corporate Services**

1

Focus on enterprise value — and design Corporate Services to support value creation

Competitive and technology pressures can quickly make existing business models redundant. To thrive (or even survive), companies need to constantly assess their value proposition, and future winners will be agile, able to swiftly change to new sources of value. But they can only do this if they have an equally agile Corporate Services that can support value creation and protect against value loss.

Enterprises should clearly understand their value levers — strategic, financial and operational — and align subsequent business and operating models accordingly.

In KPMG's global survey, The importance of value streams in the age of AI, found that 84 percent of C-suite executives believe managing value streams has driven cost efficiencies across the organization.

84%

of C-suite executives believe managing value streams has driven cost efficiencies across the organization.

Source: The importance of value streams in the age of AI, KPMG International, 2024

And, although its immediate customers are internal, Corporate Services is a vital part of this effort. This may mean driving value through enhancing efficiency and insights or enabling better internal and external customer experiences. And it may also mean reducing the risk of value loss through cybersecurity, regulatory compliance, and effective talent retention.

By shifting its focus from narrow, functional objectives to broader, enterprise goals — and measuring its contribution to value creation and risk management — Corporate Services can raise its profile and build trust among leadership. Our survey, however, suggests that value creation remains low on the agenda. For example, the Corporate Services functional executives surveyed place a higher priority on improving their own function's cost profile and capital allocation than they do on that of the organization as a whole.

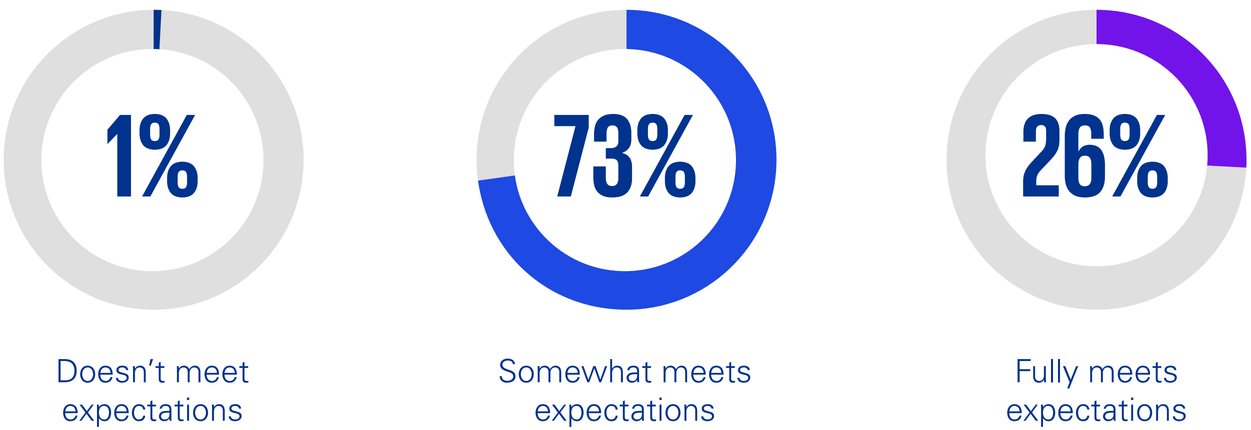
Key actions

1. Focus business and operating models on enterprise value creation

Organizations need to define how they create value for themselves and their customers, and then review every process to understand its role in value delivery. When the front, middle and back offices are aligned on a single goal of enterprise value, they are more likely to deliver and protect that value. Insufficient alignment will inevitably lead to friction and value loss, which calls for a very clear definition of "value" from the perspective of the "customer"— both internal and external. This could mean better supplier management to prevent overpayment on contracts, or proactively managing controls and preventing fraud.

Respondents acknowledge there is some way to go to achieve these alignment goals, with 73 percent believing the alignment "Somewhat meets expectations" (Exhibit 1).

Exhibit 1: How would you describe the alignment between the top priorities of your function and those of your organization as a whole?



2. Identify priority value streams that Corporate Services can align around

Once an organization has clarified how it creates value, it can then tailor operational support — data, analytics, automation, workflows, and workforce skills — towards these through identifying value streams. Our survey suggests that leaders are in favor of a collective approach to value — even if they have not necessarily worked out how to achieve this. According to respondents, the main barriers to a connected front, middle and back office are "processes and platforms not aligned to value streams," while the key route to collaboration and connectedness is to reorganize around value streams.

Mapping Corporate Services processes against value streams helps identify and eliminate inefficiencies (Exhibit 3). Automation, standardization, and continuous improvement can reduce bottlenecks and overhead costs. A recent KPMG article, Minimum viable company — the new cyber paradigm for Consumer & Retail, discusses how companies can become more value-oriented, by focusing on the most essential components that are critical to success. For Corporate Services, it means optimizing operations through lean methods, driven by AI, Gen AI, and automation, all aligned to the organization's value.

Case study

Towards a value-focused operating model

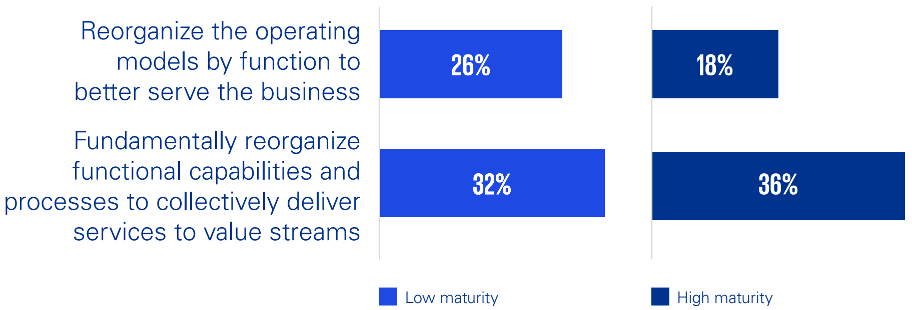
This retail bank sought to transform its operating model, to focus on value streams and enable a more agile response to changing customer needs. KPMG in the UK, along with the organization's executives and Corporate Services staff, were directly involved in the design of the new model and the change program, which included coaching on value streams and agile ways of working. Joint planning and "inspiration" sessions helped to bring stakeholders together behind a shared vision, with the designs tested via a pilot ahead of a wider roll-out.

The new operating model is now in place, with Corporate Services functions more closely aligned with value streams. Cooperation between functions has increased, which, along with more agile working practices, has sped up decision making, increasing efficiency by 20 percent.

"Digitally mature" functions are tearing down silos

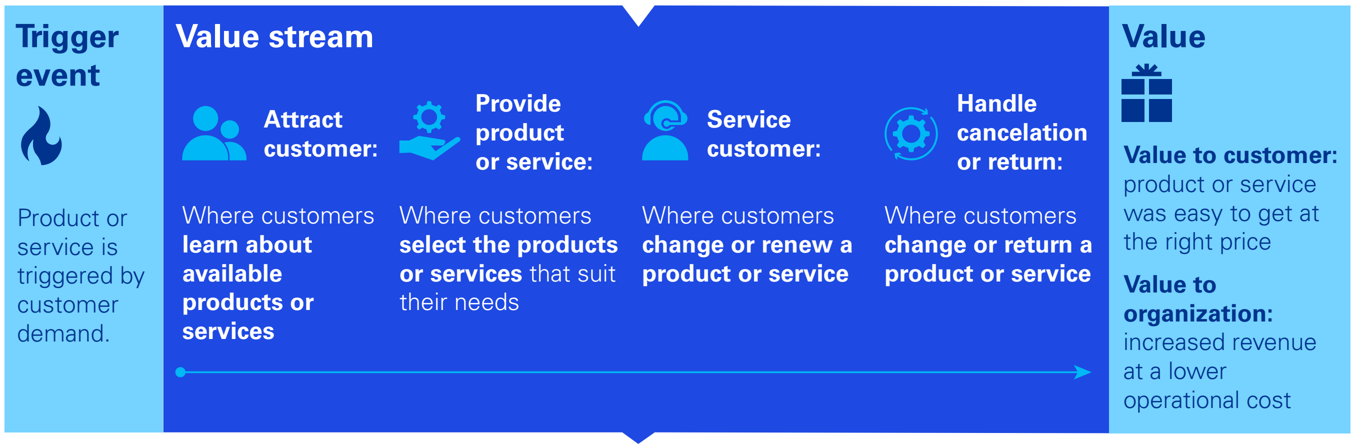
About one-third of respondents (36 percent) want to reorganize their back office. The less digitally mature were most likely to perpetuate silos by reorganizing within their functions. As digital maturity increases, the appetite and scope of transformation increases.

Exhibit 2: Digital maturity drives greater appetite for fundamental changes



The issue of effective re-organization is not purely a technology problem, but also a conceptual problem. As organizations become more digitally mature, they stop thinking in silos and turn toward a more holistic view of the organization's capacity to deliver on value.

Exhibit 3: Value streams map out the steps to value



3. Assess the maturity of the current Corporate Services model

The ways individual Corporate Services, functions connect — with each other and through the middle and front office — will determine their ability to deliver value. A mature model should exhibit a high degree of connectivity, and leaders should ask the following questions: Is data treated as a strategic asset? Do we have consistent governance across our functions and capabilities? Do we have "digitally literate" workers at all levels?

A maturity model assessment should look at how effectively Corporate Services addresses the six key layers of the operating model collectively. The key is to assess cross-organizational maturity rather than individual functions.

When asked to describe the difficulties in integrating core operational processes, answers by low digitally mature respondents varied significantly. Nearly half of the HR respondents stated the effort is "very low difficulty," while over a quarter of IT respondents described the same effort as "highly difficult." For respondents of high digital maturity, the answers maintained a relative consistency with 79 percent of all functions stating the effort is moderately difficult.

Assessing the maturity of the current Corporate Services model

A maturity model assessment should look collectively at the six key layers of the operating model:

Functional process

Outlines how processes link to functions and/or departments, with policies and procedures guiding when performing the process steps.

Enabling technology

Includes systems and applications that are used to enable processes, policy compliance, internal controls, and generation of reports.

Performance insights and data

Gathers information requirements to drive business insight and decision-making, including reporting needs and analytics.

Governance and controls

The approach to align the organization's governance, risk and compliance processes to its strategy, allowing for convergence and transparency of information.

People and organization

The structure, reporting and accountability hierarchy, capabilities, skills, culture and performance expectations for people and organizational units.

Service delivery model

Describes what work is done and where to optimize delivery of business services. Includes corporate, business partnering, shared services, centers of excellence (CoE), and virtual.

The functions' maturity must be assessed cross-organizationally, not individually.

4. Protect value by continually aligning Corporate Services with business strategy

Corporate Services functions' operating models should align with the business value proposition and strategy. Once the enterprise has a value framework and blueprint, and has identified priority value streams, Corporate Services need to be aligned. Typically, organizations look to the front-or middle-office functions when aligning business capabilities to a value framework. However, to deliver on the value creation and management objectives, Corporate Services functions should also be aligned.

In addition to aligning Corporate Services capabilities to the value blueprint, Corporate Services performance should be regularly evaluated, in aggregate, as well as individually. Corporate service functions tend towards pursuing the objectives of their individual fiefdoms. By collectively assessing performance, leaders can track key value objectives and better understand how the functions interact and mutually support enterprise value creation or risk management.

According to our global survey, a quarter of respondents (25 percent) do not assess their Corporate Services performance at all, close to half (48 percent) assess their performance periodically (annually or semi-annually), while a mere 27 percent do so on an ongoing basis.

5. Drive cross-organizational alignment through governance and objectives and key results (OKRs)

Measurement, in the form of objectives and key results (OKRs), helps bring Corporate Services functions together and retain a focus on value. The reverse is also the case, as our survey indicates: "Lack of value measures" was seen as a major obstacle to collaboration between Corporate Services functions and other units within the organization. OKRs are not new, and the intention is not to burden leaders with another set of performance parameters; to truly align Corporate Services functions, it is an imperative to identify a minimal set of unified objectives to drive a collective value and risk focus.

By measuring a few, key value-related strategic indicators at a macro level, OKRs can track activity against the value it delivers — or loses. For example, aligning leaders from different functions on an objective that balances the impact of credit terms, increased sales, and market dynamics (for example changing interest rates) will not only help better align Corporate Service functions to the business, but can also improve overall business performance.

Attempts to harmonize the various Corporate Services functions require clear direction and strong governance. Just 18 percent of respondents admit that their current governance structures actively enable the delivery of services, through facilitating effective processes, enhancing communication, and enabling innovation.

Case study

Aligning Corporate Services with corporate value

A global aerospace and defense organization wanted to establish a more effective and efficient operation to meet customer needs and power future growth. This involved a complex, enterprise-wide operating model change — including Corporate Services — to align with the long-term strategic objectives of the business. The key activities involved:

- **Integrating siloed business units:** to break down barriers, encouraging people to work more closely with colleagues in other functions, and share knowledge freely. The company subsequently witnessed a real increase in communication and coordination.
- **Analyzing the benefits of transformation:** the company unlocked opportunities for delivering greater value, including economies of scale and automation, to allocate resources effectively and save significant costs.
- **Establishing a new data team:** with strong central governance and data and information cataloguing, to gain a better control over and trust in data quality. Data is now routinely used to generate reports, dashboards, analytics and OKRs, which brings real value to the business — including several data-driven improvement projects.

The company has now transformed its end-to-end business and operating models, to identify and deliver value opportunities estimated at US$2 billion over 5 years. The front, middle and back offices have become 'data led' and 'digital first', underpinned with behavioral and capability change.

2

Harness the power of data to deliver more value for the business

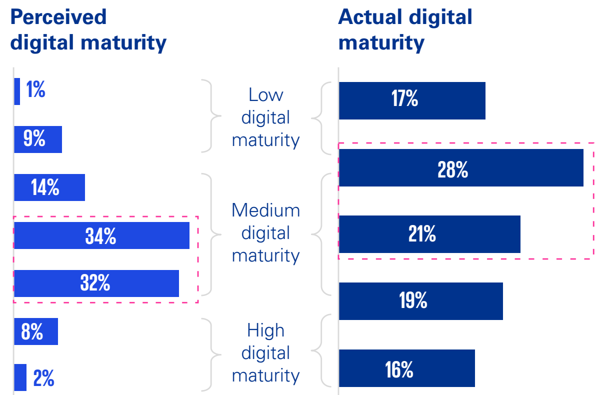
The various Corporate Services functions are the natural custodians of enterprise data. This means a connected, integrated Corporate Services function is dependent upon the fast flow of and seamless access to common data. Today's strategic decision-making demands streamlined processes, with connected, cross-organizational data repositories. These processes can deliver accurate, up-to-date information to drive productivity improvements, cost savings, and new insights about customers, competitors, threats, and opportunities.

But underlying legacy data and technology approaches and infrastructure (including architecture, governance, hardware, software, and networks) are holding back collaboration, preventing data sharing and ultimately limiting the ability to deliver actionable insights. Just one in ten survey respondents rate their organization's digital (technical) maturity as "high," meaning that they leverage AI and Gen AI at all levels, that data is integrated across the enterprise, and they have cloud and hybrid cloud strategically architected infrastructure.

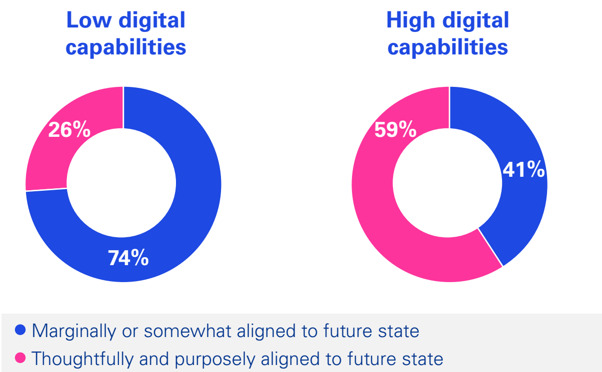
The survey also reveals several data-related challenges that hinder a majority of our respondents: siloed or functional organizational approach to data; an incohesive data strategy; and technology architecture that results in fragmented data repositories and data management. Mastering data is a key capability that enables connectivity and collaboration and is the fuel that drives large language models and advanced AI. When Corporate Services has a cross-functional data architecture (with access to data assets), and a well-trained, digitally literate workforce, it can provide insights to its internal customers and support value streams. For example, data can help product teams better understand product profitability, linking cost-to-serve (incurred by the middle office) to topline revenues (generated by the commercial and front office).

Companies are not as digitally mature as they think

Our survey found a difference between respondent's perceived versus actual data maturity and IT capabilities:



Digitally mature firms are better at aligning their ecosystem partners with their business strategy.



Firms might overestimate their digital capabilities and misunderstand their partners' abilities, leaving them woefully unprepared.

Key actions

1. Focus design on delivering data to support your business

Digital literacy is all about knowing how to gather and use data safely, creatively, and effectively. However, even those respondents from digitally mature organizations are held back by legacy systems and infrastructure, and poor IT, data governance, and master data management. This leads to inconsistent data standards and tools, and, ultimately, poor data quality — and a lack of data to drive business productivity, align with customers, understand markets and ultimately deliver value to stakeholders.

For data to be available and usable by the business, the resources that provide data (i.e., technology, people, or processes) must be designed with the end-state business and data objective in mind. Far too often, technology or processes are built to solve a discrete problem, rather than holistically.

There is broader agreement across all survey participants for the need to streamline data products to support business and value streams. In the KPMG report Transforming the enterprise of the future, we discuss how organizations should take an enterprise-wide approach to translate data into value-adding data products. Such efforts should be supported by cloud, AI and Gen AI, automation, security, and as-a-service technologies. By viewing data as a core strategic asset, the business's data needs should drive operating models, technology design, architecture, and supporting capabilities.

2. Build enterprise capabilities cross-functionally (data, technology, and processes)

When questioned on the preferred way to improve Corporate Services delivery over the next 3–5 years, the two most popular answers (for 57 percent of our respondents) are clear ownership of capabilities with accountability and responsibility, along with cross-organizational process alignment.

An integrated Corporate Services model breaks down inter-functional boundaries and agrees on common goals. When procurement is more closely integrated with finance, for instance, there should be fewer "hand-offs" between the two functions, and a clearer view of suppliers' commercial terms. This in turn should reduce the incidence of breach of commercial contract terms and make supplier payments more accurate. Almost two-thirds (64 percent) of survey respondents say a more connected Corporate Services has improved operational efficiency, and 41 percent feel it has enabled a faster and more agile response to change. They also feel that alignment of the functional team with larger organizational goals is a top enabler of collaboration between Corporate Services and other units.

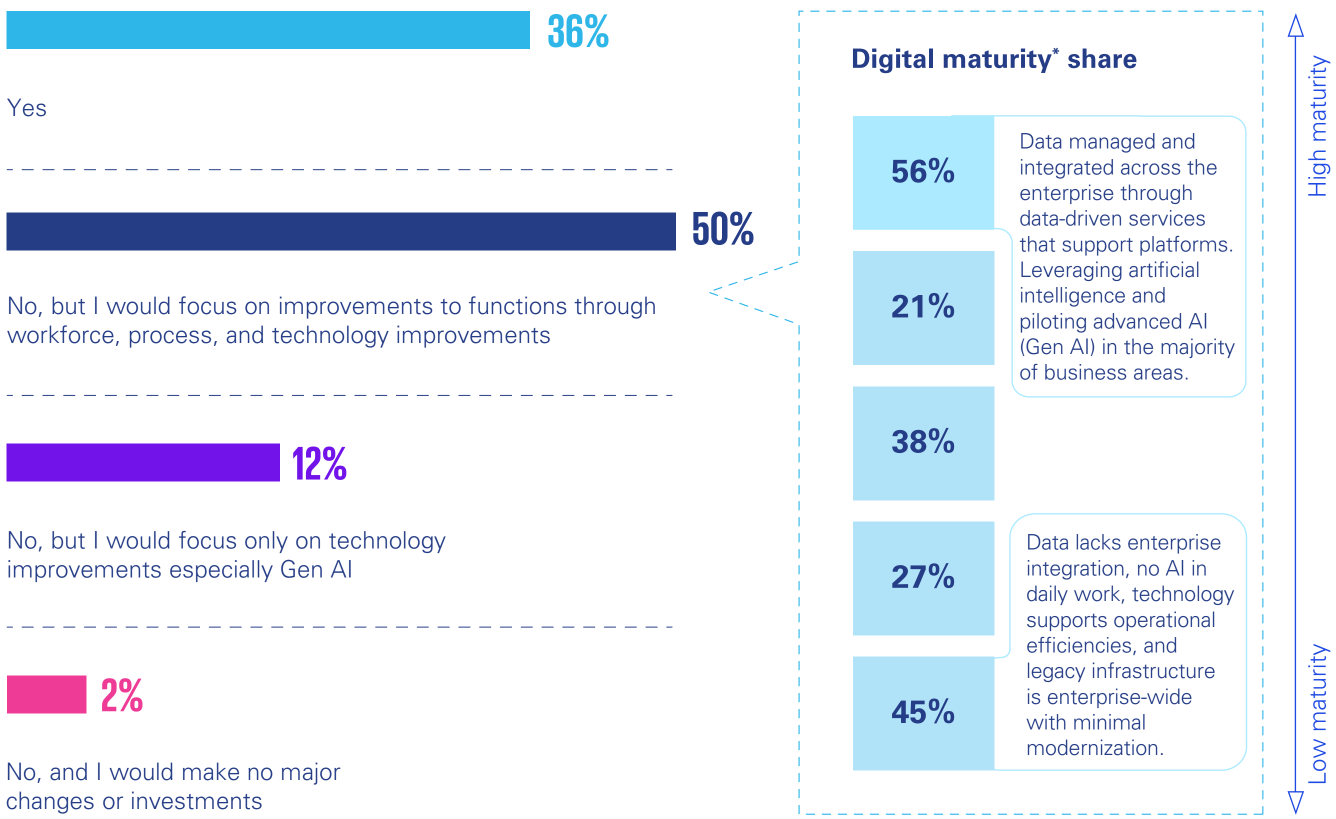
Just 41 percent of respondents report that their organizations have adopted global process owners (GPOs) —individuals who own an end-to-end process across functional silos, geographic and business unit boundaries. And only 36 percent say they are open to reorganizing their Corporate Services (Exhibit 4).

Organizations need a cohesive, cross-functional approach across the front, middle and back office. Our survey indicates that organizations with low digital maturity are more likely to view themselves from a siloed perspective. In contrast, 57 percent of respondents from organizations rated as "digitally mature" — with unified data management — say they are focused on reorganizing Corporate Services functions to improve cross-organizational processes, to deliver services to value streams.

64% say a more connected Corporate Services has improved operational efficiency.

41% feel it has enabled faster and more agile responses to change.

Exhibit 4: Would you reorganize Corporate Services to deliver more value?



*These are the common definition of Corporate Services, or the 'back office', however the exact functions that make up this set of collected activities can vary by region and industry.

3. Evaluate and develop your ecosystem to enable your future state

The KPMG report, Transforming the enterprise of the future, explains how ecosystems should be closely aligned with business strategy and value streams. When consolidating Corporate Services activities into a Global Business Services organization, it is important to clarify which activities create value directly — such as customer service — and retain these in-house. Other activities that are less connected to value — like payroll and pensions accounting — could be delivered through a partner ecosystem.

The ecosystem of partners — vendors and shared services providers — can play an important role in helping Corporate Services functions work more closely together. More than six out of ten respondents (63 percent) feel partners bring expertise and experience, as well as best practices in deployment and industry standard processes. These capabilities can then be shared across functions.

Senior executives in enterprise non-functional leadership roles (key leaders) in our survey were especially enthusiastic about partners. A significant proportion (69 percent) say partners bring innovative ideas and new perspectives, which can break down existing siloes. Corporate Services respondents are less positive, with just 40 percent agreeing — suggesting that executives within the functions are less open to new ways of collaboration.

3

Embrace Gen AI to fundamentally change Corporate Services, including the workforce

Advanced AI — and specifically Gen AI — is profoundly reshaping Corporate Services, replacing many types of jobs and processes. But it will only reach its potential when paired with human expertise and ingenuity. Leaders need to consider how to balance digital and human capabilities to enhance the expected benefits while maintaining trust in AI. One UK healthcare organization piloted the use of workforce Gen AI, with initial results suggesting that nurses save 4 hours per month in administration, giving them more time to spend on front line care.

Gen AI does not just enhance or supersede work previously performed by people; it delivers completely new capabilities and processes. While this is an exciting development, the possibilities of Gen AI are so vast — and potentially very costly — that organizations must carefully consider where to use it and learn to regularly test on a small scale to determine its best uses. Gen AI also introduces significant complexity and risks, such as incorrect conclusions based on flawed data input, and bias. This calls for constant oversight over its reliability, and strong governance to ensure ethical and responsible usage.

Finally, it is imperative that the Gen AI approach is aligned with the enterprise value framework and supports the transformation goals of the Corporate Service functions. In shifting from small-scale initiatives to broader efforts, it is important to establish enterprise governance and oversight that balances innovation with capability integration and value creation.

Key actions

1. Evaluate where you need Gen AI and, if necessary, completely rebuild processes

The recent KPMG report The future of work highlights the impact of technology on people's jobs, with 66 percent of employees expecting technology to enhance their productivity over the next 3 years. More than a third of employees surveyed say new technology will automate as much as 30 percent of their job, and a quarter think it could automate up to half of their job. But, Gen AI has the potential to not only automate and expedite existing processes, but also completely reconfigure the approach to delivering a process or service.

In The future of work, we discuss how a full-time, dedicated team can get the most out of Gen AI. The team would consider the best deployment of Gen AI, develop new business and service delivery models, and constantly build and test use cases. This could be in the form of a Digital Labor Center of Excellence, to help govern, scale, and improve connectivity within and across functions.

Expected ROI from technology investments

Respondents who chose to focus on technology improvements (especially Gen AI) expect greater than 7 percent ROI from these investments.

Desired investment (% of cost base)	1%–2%	3%–4%	5%–6%	7%–10%	Greater than 10%
Less than 1%	0%	3%	0%	3%	0%
1%–2%	0%	3%	7%	10%	0%
3%–4%	0%	7%	7%	7%	7%
5%–6%	0%	0%	0%	13%	3%
7%–10%	3%	3%	3%	3%	7%
Greater than 10%	0%	0%	0%	0%	7%

2. Redesign workforce roles

Corporate Services will have to rethink people's roles so that they complement Gen AI, with an emphasis on using "human" capabilities like insights, creativity, influencing skills, and empathy. People also need to continue checking on the trustworthiness of Gen AI, carrying out ongoing "integrity checks." Using ChatGPT, KPMG developed an innovative, AI-powered tool for a client, which gives employees personalized career guidance and generates tailored job descriptions.

Given the rising deployment of Gen AI, workers will need new skills to work alongside this technology. According to The future of work survey, 72 percent of workers say they will need continuous learning and upskilling to stay relevant in their field. Yet only 56 percent of workers say their organization is proactively investing in reskilling and upskilling.

To shape a future, "Gen AI-first" workforce, Corporate Services should redesign roles with an emphasis on employee flexibility. The new approach should blend physical and digital environments, continuously balance hiring versus upskilling, and leverage both internal and external talent through talent marketplaces.

3. Leverage ecosystem partners to drive Gen AI goals

The pace of technological change, and the costs of investment, are causing enterprises to seek an integrated set of partners and alliances to help improve speed to market, reduce costs, mitigate risks, and bridge capability gaps. The KPMG paper Transforming the enterprise of the future shows that demand for AI-related partners is growing as senior leaders align partner ecosystems to their transformation goals. Some are even considering performance-based models that will share rewards for excellence if partners meet targets.

Respondents to the Corporate Services survey have not fully embraced the role of the ecosystem in accelerating Gen AI adoption. Just 37 percent say partners can provide access to newer and emerging technologies, including customized tools, platforms, and resources not available within the organization. And even fewer (29 percent) acknowledge that partners can offer scalable and flexible services, eliminating the need to do this in-house.

Case study

Transforming strategic workforce planning through generative AI

A large global pharmaceutical company wanted to assess its future skills requirements to meet evolving market changes, hybrid work models, and new technological adoption. Leadership was particularly keen to foster a culture of continuous employee upskilling.

KPMG in the UK helped the organization use generative AI to map skills supply and demand and identify upskilling and recruitment scenarios. The company then developed an AI 'Career Companion' chatbot to provide personalized career advice, upskilling and mobility opportunities for company employees.

More than 15,000 employees have proactively developed new skills that meet evolving business requirements, enhancing workforce agility. The AI tool also generated tailored job descriptions and career pathways that aligned with company objectives, reducing external recruitment costs. The time taken to develop new skills and tasks reduced by a dramatic 99.75 percent, while employee satisfaction and engagement rose significantly.

Gen AI value requires the human touch

Unlocking Gen AI value requires a new approach defined by identifying and augmenting previously hard-to-automate tasks. Without an intentional approach and clear success criteria, it will likely be difficult for organizations to effectively transform and augment their workforce. To accelerate the value of your investment, we recommend a three-step, human-centered approach.

Before you deploy Gen AI...
Identify workforce opportunity
Assess and model automation impacts and opportunities to the workforce

While you deploy Gen AI...
Augment the workforce
Initiate worker upskilling and drive adoption by establishing re-visioned experiences

Following Gen AI worker impacts…
Reshape the workforce
Shift roles and operating model to deliver organizational value

Eight critical focus areas when deploying Generative AI

1 **Experience:** Think and work differently, prioritizing optimization of Gen AI-enabled experiences as a desired business outcome.

2 **ROI and business value:** Consider factors such as cost savings and customer experience to evaluate the business value and ROI.

3 **Data quality and availability:** Consider data completeness, accuracy, and security to learn and make precise AI predictions.

4 **Change activation:** Build awareness to quickly adopt AI, highlighting potential job and career benefits while addressing trust, fear, and perceived culture considerations.

5 **Technology and infrastructure:** Evaluate current technology solutions and ERP platforms to determine additional investments and road map implications.

6 **Gen AI talent:** Assess in-house AI talent, options, and partners; deploying augmented roles requires upskilling for impacted and supporting roles.

7 **Operating model impacts:** Manage operating model impacts to processes, systems, and culture while managing impacts to roles to simplify change management.

8 **Risk and compliance:** Design responsible AI systems that are ethical, legal, and incorporate cyber risk mitigation.

4

Incentivize and enable change to advance Corporate Services

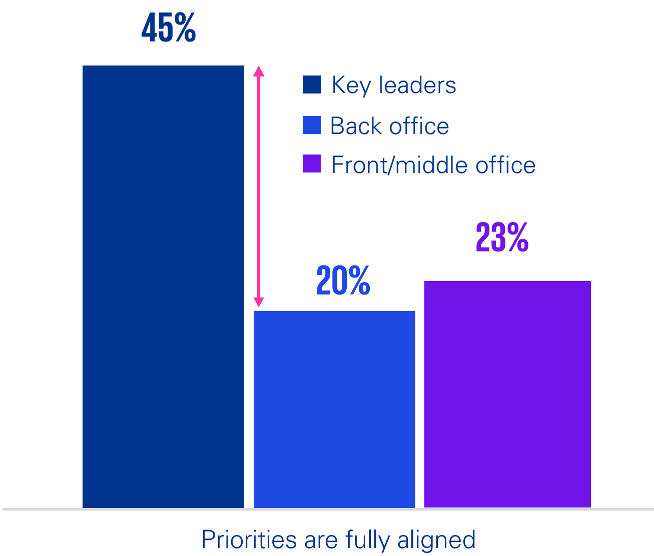
C-suite executives wish to align Corporate Services functions more closely with each other — and with the rest of the business. In some Corporate Services functions, forces are holding back such change, in the form of entrenched, siloed structures and ways of working. A significant proportion (45 percent) of key leaders from outside of Corporate Services believe the top priorities of their function and the wider organization are fully aligned; but for Corporate Services functional leaders, the response drops dramatically to just 20 percent (Exhibit 5).

To evolve, Corporate Services functional leaders face a careful balancing act, between meeting challenges like regulatory change, technological transformation, and cost-efficiency, while moving towards greater collaboration. Culture and incentives may also favor traditional structures, with siloed objectives. Executives in some organizations are often rewarded according to the size of their teams and their functional budget — not through their alignment to value streams or support of value creation.

The goal of reorganizing around value streams — to increase connectedness — is a high priority for front and middle office and key leaders, but not for respondents from Corporate Services. It seems that Corporate Services functional executives are more inclined to seek improvements within the current, siloed model, rather than look for a more connected way forward.

Corporate Services leaders — and employees — must be incentivized to break down inter-functional boundaries, collaborate with other functions, and align their goals with those of the wider business. The survey respondents acknowledge this, stating that transformation calls for clear, tailored communications and OKRs, as well as clearly defined roles and responsibilities.

Exhibit 5: Alignment of functional priorities with the wider organization



Key actions

1. Influence functional leaders to promote and support the change

In bringing functions closer together, organizations will need to address the intrinsic (i.e., emotional) and extrinsic (i.e., rewards and corporate status) motivations of functional leaders and workers. A more integrated structure is likely to lead to new roles emerging, some roles disappearing, and, for certain individuals, a decline in power or influence. As with a corporate merger, such change must be addressed resolutely, but also with sensitivity, using a combination of financial and personal career incentives, to convince people that it is in their interests to change and adapt. Underpinning all of this, there should be a clear business case showing that reorganization creates more value and synergies, and that it is not just about cost-cutting. Once this case has been established, leaders can create OKRs for end-to-end processes, which can be used to measure and guide people.

One way to facilitate this change is to create fusion teams at an operational level (Director or senior manager line leader) that can pilot new approaches or combined functional capabilities. These fusion teams are not just ad-hoc working groups that disband when the project or effort is complete; they are established teams that should bring together different capabilities to translate value and risk management objectives into new cross-functional processes, methods, and ways of working. Forming these teams can both serve to train a new generation of leaders to think cross-functionally while also creating a means to influence the broader organization.

2. Lead people through change

Successful transformations depend on trust in leadership. According to the KPMG 2024 report, Transforming the enterprise of the future, high trust in the dependability and competence of senior leaders is associated with lower change fatigue. This survey also found that trust in senior leaders was higher in organizations considered "digitally mature," where executives are able to skillfully navigate complexity and continuous change.

Organizational change can be unsettling for employees, but, if leaders can champion the benefits of a new, more integrated organization, they are more likely to convince people that a closely aligned Corporate Services is an exciting prospect that can deliver value to customers, the organization, and its people. Respondents to the Corporate Services survey are most likely to be happy with their organization's change capabilities when it comes with clear, tailored communications and OKRs for functions, as well as clearly defined roles and responsibilities.

3. Place people at the center of change

When asked what they aim to achieve through transformation, respondents from finance, IT, legal, and procurement barely give "people" a mention. Only those survey participants from HR (30 percent) say their highest priority is to create a highly skilled and motivated workforce that thrives in a culture of continuous learning (Exhibit 6). Interestingly, when looking ahead 3–5 years, the people agenda rises in importance. Unless it becomes a continual priority, workforce issues like upskilling and motivation risk being sidelined by cost-cutting and other efficiency initiatives.

Exhibit 6: Is a highly skilled and motivated workforce a primary objective of back office transformation?

HR	Procurement	IT	Finance	Legal
30% agree	2% agree	3% agree	4% agree	0% agree

However, there is some acknowledgement that the workforce is a key stakeholder in any efforts to build a more collaborative and unified Corporate Services. Six out of ten respondents are using "employee satisfaction level or employee engagement scores" as a metric to assess their Corporate Services change programs.

In the KPMG report, Transforming the Enterprise of the Future, the authors articulate a clear view of the role of the workforce and the value of culture in helping organizations transform and transition in an era of continuous change. Workforce resilience is balanced with compassion and a clear employee value proposition. For Corporate Services to effectively transition to a value-aligned, risk-centric, and strategically aligned set of business capabilities, issues of employee development and experience need to be prioritized in the present — and not simply be a vision on the 3–5 year plan.

Summary of key recommendations by strategic priority

01
Focus on enterprise value — and design Corporate Services to support value creation

- ☑ Focus business and operating models on enterprise value creation
- ☑ Identify priority value streams that Corporate Services can align around
- ☑ Assess the maturity of the current Corporate Services model
- ☑ Protect value by continually aligning Corporate Services with business strategy
- ☑ Drive cross-organizational alignment through governance and objectives and key results (OKRs)

02
Harness the power of data to deliver more value for the business

- ☑ Focus design on delivering data to support your business
- ☑ Build enterprise capabilities cross-functionally (data, technology, and processes)
- ☑ Evaluate and develop your ecosystem to enable your future state

03
Embrace Gen AI to fundamentally change Corporate Services, including the workforce

- ☑ Evaluate where you need Gen AI and, if necessary, completely rebuild processes
- ☑ Redesign workforce roles
- ☑ Leverage ecosystem partners to drive Gen AI goals

04
Incentivize and enable change to advance Corporate Services

- ☑ Influence functional leaders to promote and support the change
- ☑ Lead people through change
- ☑ Place people at the center of change

Building a digitally literate, people-centric, and value-focused Corporate Services

As Corporate Services focuses more closely on organizational value streams, by connecting its component functions, harmonizing data, and integrating emerging technology, it will need to rethink its capabilities. Here are some steps to help release the untapped superpower:

Continually audit and upgrade skills

To create a digitally literate workforce, Corporate Services needs to deconstruct its roles and work out what kind of role Gen AI and emerging technologies should play. To do so, they should conduct a technology readiness assessment, and then develop an organization-wide skills framework, with a shared "digital vocabulary" and a comprehensive upskilling strategy. They must clearly demonstrate expected benefits like saving time and unlocking value — rather than merely focusing on cost reduction.

Focus on "human" skills

Although employees must be comfortable with technology, "human" skills will likely become more important than ever. People should be able to influence and check technology — especially Gen AI-related activity — to help ensure it aligns with value streams and, most critically, acts in a trusted manner.

Encourage an agile, curious mindset

The pace of change, and the uncertainty over which direction it may take Corporate Services, calls for a highly agile approach. That means workers should be open to new ways of working, and ever-changing processes. It will require brave leadership to give people greater freedom to experiment and find their proper connections to emerging technology.

Address fear of change

If people have had bad experiences with technology transformations before, they might be skeptical about how technology is driving change in ways of working. It is not just about technology; employees may be concerned about the fast pace of organizational change that could alter their roles and demand new skills. For instance, breaking functional siloes can appear as a big threat to the status quo. Because of that, Corporate Services must shape its change program around people's perceptions, to challenge longstanding (often unconscious) biases. Leaders must be fully committed to change, presenting a clear picture and managing communications throughout the Corporate Services organization.

Study methodology

The KPMG 2024 Global Corporate Services survey features the responses from 250 senior executives from diverse functional areas, encompassing front, middle and back office, along with key executive leaders.

n=250

Current role

44% C-suite or equivalent

28% Business unit lead or general manager equivalent

28% VP or equivalent

Primary functional area[a][b][c]

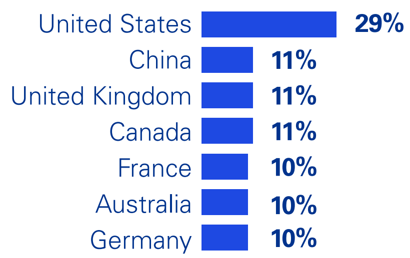
47% Front and middle office

33% Back office

20% Key leaders

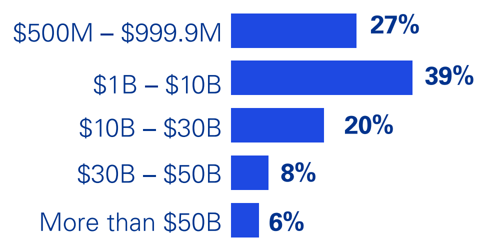
Company headquarters

(Represented top 7)

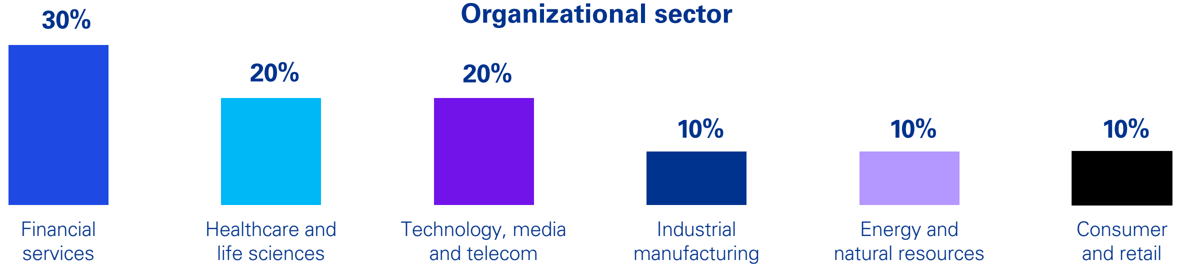


Company annual revenue

(US$ equivalent)



Organizational sector



Note(s): (a) Front office constitutes customer support operations, product development, and marketing/sales functions. Back office constitutes HR, legal/risk, procurement, supply chain/logistics, IT, and finance. Key leaders constitutes strategy, operations, transformation/special projects and multi-functional roles who are C-suite executives and front office members who receive services from the back office; (b) "Others" and "Key leaders — Non executive" have not been included in the chart; (c) For better clarity and due to space constraints, we have streamlined the options.
Source(s): Future of Corporate Services survey, March 2024

Meet our authors

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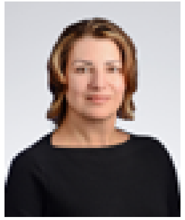
Ian is Global Head of Consulting, KPMG International and is a member of the Global Advisory Steering Group. Ian's consulting career, which spans over 25 years, has seen him offer advisory services in various areas, including technology, performance, governance, project risk management, and business systems control assessments. He has held significant roles at KPMG Australia, including leading the Management Consulting practice and being a part of the national executive team.



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Svilena is Global Head of Corporate Services, KPMG International and also leads the Corporate Services transformation team in the UK. Svilena joined KPMG in the UK in 2006 and has amassed consulting experience across a range of sectors — consumer goods, retail, oil and gas, and telecommunications. Svilena is passionate about helping clients harness the latest technology, leading business practices and tested solutions for a smarter, faster path to the future operating model across the Corporate Services functions.

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Adrian is the Global Head of Connected Enterprise, KPMG International leading a customer-centric, sector-specific approach to digital transformation. Adrian invests in new sector-specific value streams and global capabilities, collaborating with KPMG's strategic technology alliances. He has worked across various industries in both private and public sectors, coaching leadership teams in financial services, consumer goods, retail, private equity, energy, utilities, healthcare and government. His expertise includes delivering large, complex programs that deploy new processes, digital technologies, and service design. Adrian is committed to technology-enabled innovation and has led a digital incubator to launch disruptive online services.

How KPMG can help

KPMG professionals believe that business transformation is now a necessity — and that successful transformation requires the right tech and industry best processes with people whose insights are as broad as they are deep.

KPMG firms have worked at the heart of global businesses for many decades, helping clients realize the full potential of their people and technology, and working together to achieve real-world outcomes. Because when people and technology are in harmony, great things happen.

Making a world of difference

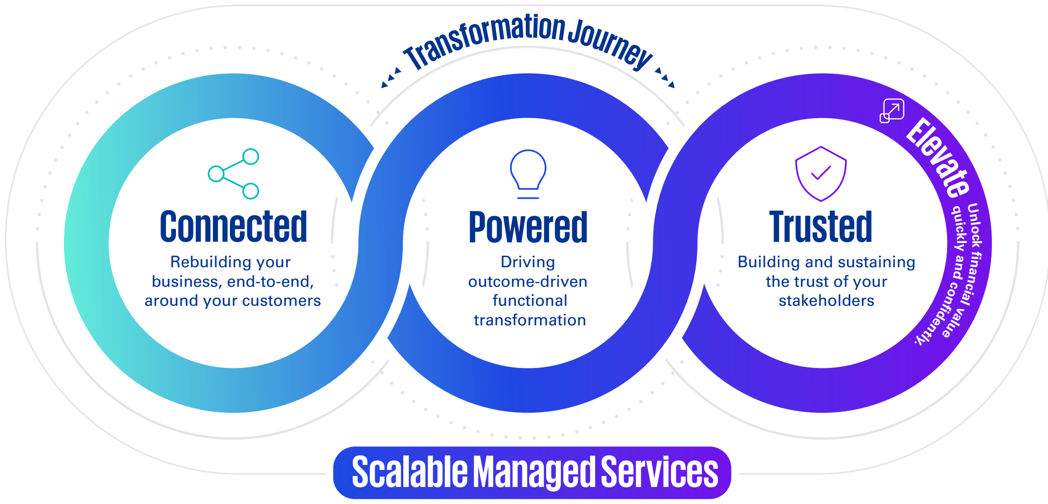
KPMG professionals can make all the difference on your transformation journey. Together we can help you orient your business around the customer, enhance functions for a new era, address enterprise risk and regulation for a safer future, rise to a new level of value creation, and create an environment for managing ongoing change.

Through the richness of their digital transformation, KPMG firms are helping clients build modern, intelligent, and resilient businesses that can deliver leading results for people and the planet.

Transforming for a future of value

The KPMG suite of business transformation products and services helps clients get to more productive and sustainable futures. Tailored to meet specific challenges across different business or operating models, our products and services aim to drive continuous innovation and create lasting value beyond implementation. Each contains rich insights and is underpinned by KPMG firms' leading transformation methodology.

The KPMG digital transformation suite



Helping to sustain your business transformation across the front, middle and back office.

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