



AI & generative AI in functional transformation

A practical guide to the opportunity for AI
across the front, middle and back office

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Introduction

The world of business is abuzz with the potential of Generative AI (gen AI). While artificial intelligence and machine learning have proven successful in solving specific problems, the user interface and new content creation capabilities of gen AI make it relevant to a wider range of organisations and business functions. Despite AI not being a new concept, it's moving quickly. As a result, CxOs must think fast when it comes to understanding how to leverage this technology.

Embedding gen AI capabilities into functional transformation can drastically improve speed and efficiency by eliminating redundant or manual activities. Furthermore, this technology has the potential to drive significant profitability, improve compliance and enhance the overall customer experience. But, as with all AI technology, the effectiveness of gen AI is entirely dependent on the quality of the underlying data and well-engineered prompts. For gen AI to provide maximum value to organisations, it must be executed and integrated in the right way within key operational functions.

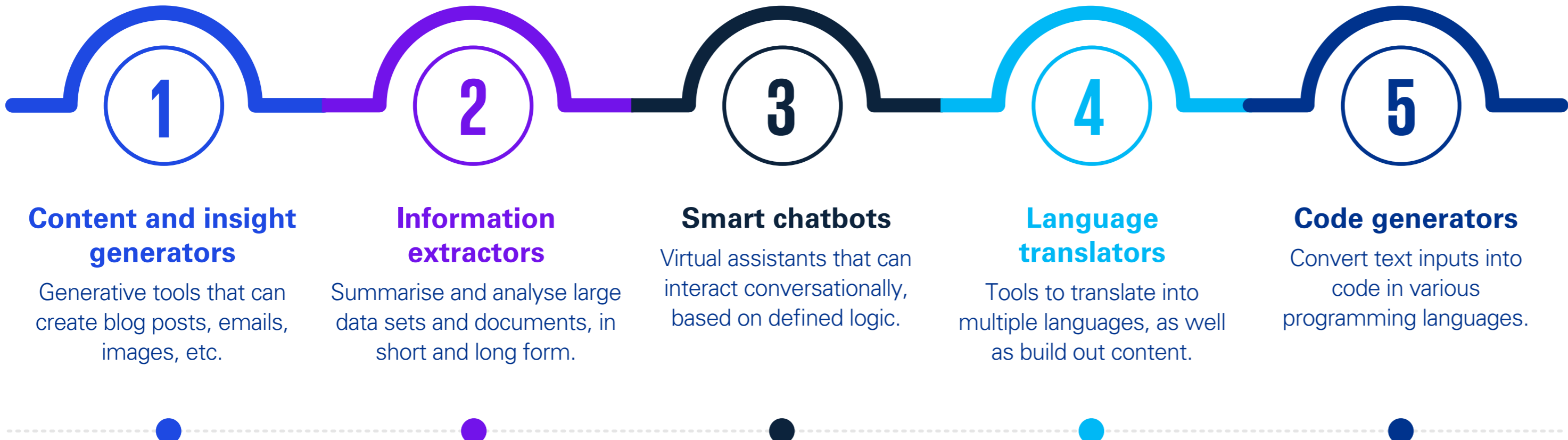
57%

of respondents from the KPMG 2023 global tech report believe generative AI will help them achieve short-term business ambitions over the next one to three years. The finding suggests an opportunity to allay fears, explore possibilities and pursue safe implementation.



Introduction to generative AI in functional transformation

KPMG professionals understand that core organisational functions are the primary drivers of gen AI implementation. These functions have a crucial role in executing organisational strategies, creating and protecting value, building an effective enterprise architecture, and maintaining data. Furthermore, certain operational functions possess potential disruption opportunities and can harness the power of gen AI across five enabler categories:



1
Content and insight generators

Generative tools that can create blog posts, emails, images, etc.

2
Information extractors

Summarise and analyse large data sets and documents, in short and long form.

3
Smart chatbots

Virtual assistants that can interact conversationally, based on defined logic.

4
Language translators

Tools to translate into multiple languages, as well as build out content.

5
Code generators

Convert text inputs into code in various programming languages.

These enabler categories could apply to the main functions as follows:

Type 1 content and insight generators — could be used to reduce time and effort needed to create materials in areas such as:

- Generating financial and management reporting and commentary.
- Creating financial models to help with budgeting, forecasting and scenario analysis and develop presentations to support board meetings.
- Bringing data into templates and models to generate trends, risks and opportunities.

Type 2 information extractors — gen AI can be a powerful research tool, able to find and synthesise data and publicly available material to generate insights on markets, competitors and customers. Analyses could be tailored to geographies or markets.

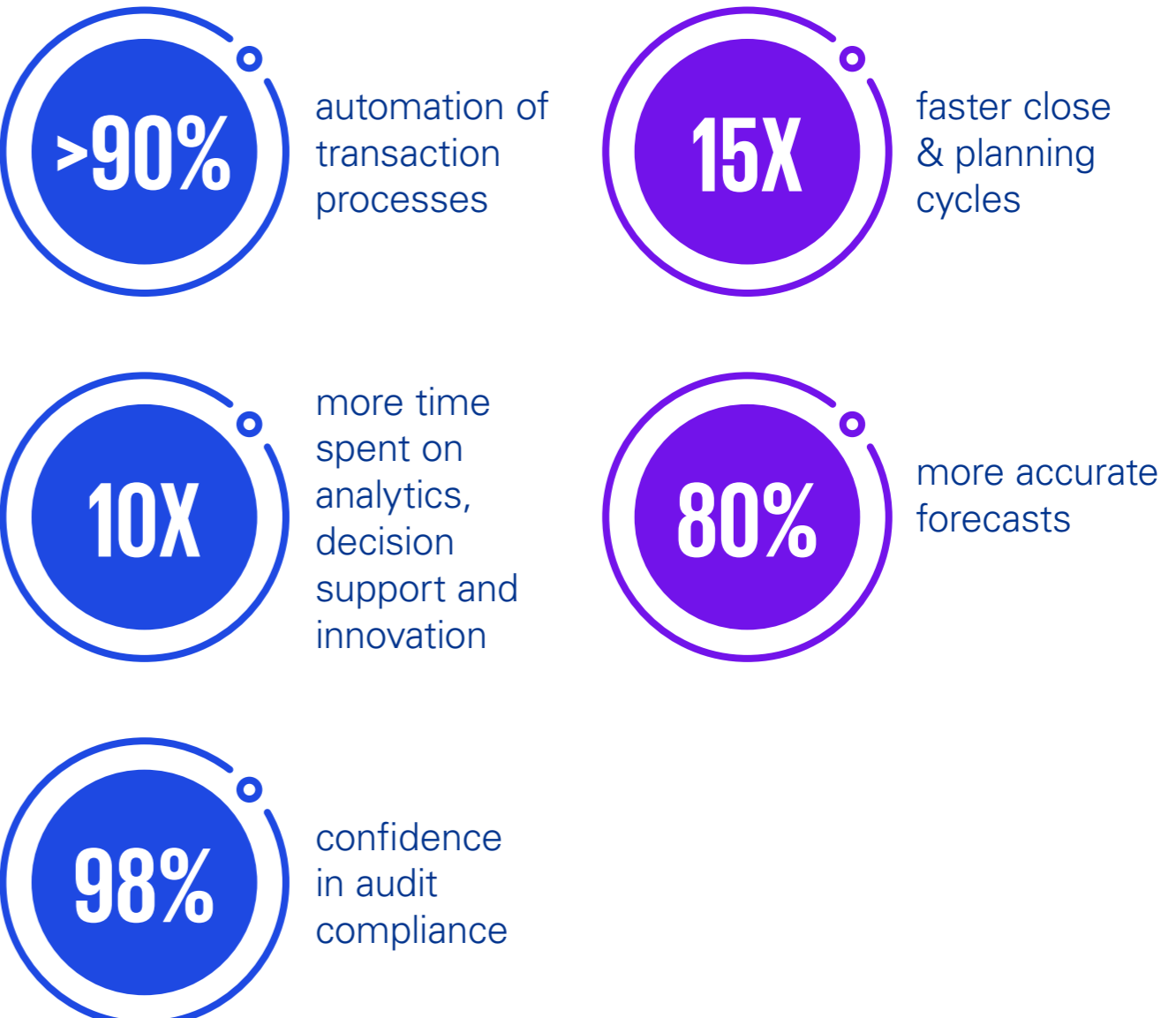
Type 3 smart chatbots — could be used to field incoming inquiries to the function, especially as a first line of support. This can significantly reduce low-value work by staff and improve quality and response times for frequently asked questions.

Type 4 language translators — could help with report generation for multilingual enterprises operating or reporting in foreign jurisdictions, especially where lots of unstructured data is being reported from many sources (e.g., sustainability reporting).

Type 5 code generators — could be used to generate **low-code** apps, removing the need for professionals to perform coding (e.g., helping users to access self-serve data, analyse it and build better story presentation). gen AI can also help diagnose and fix system issues by evaluating code, discerning what's broken and executing new code.

By unlocking the power of digital technologies, AI has the potential to deliver significant value to the organisation's critical business functions.

For example:



Source: Extrapolation of KPMG Surveys and cross-industry assessment of the impact of AI use cases in Finance.

Generative AI can help deliver value across critical functions, including:



Marketing, sales, service and commerce



Procurement



Supply chain management



Finance



HR

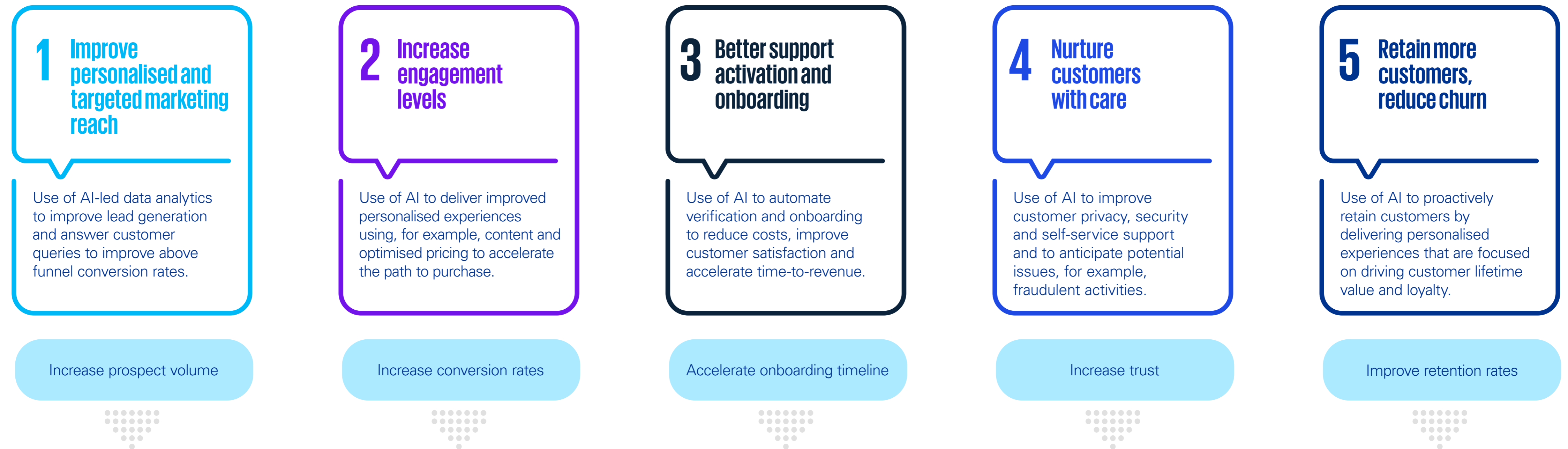


IT management

Five emerging use cases of gen AI in marketing, sales, service and commerce

Orchestrated customer experience can help to increase profitable sales

Five gen AI applications in the marketing, sales, service and commerce function that could contribute to attracting more customers and increased retention

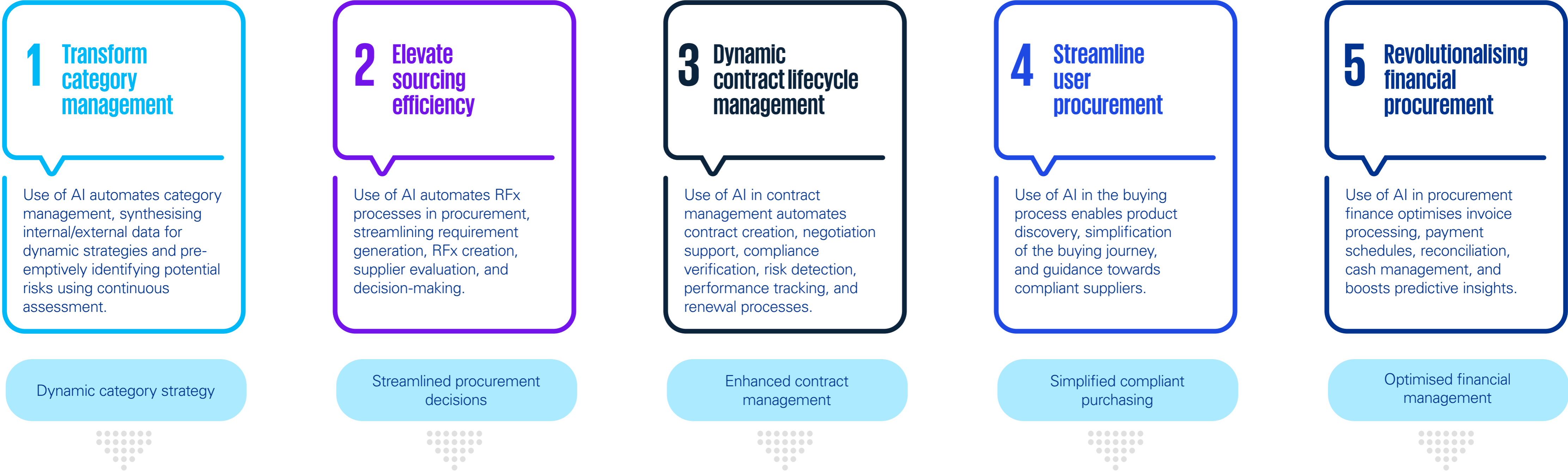


Potential benefits and productivity gains

Five emerging use cases of gen AI in procurement

Generative AI has the potential to automate, optimise and transform procurement processes, driving enhanced efficiency and strategic decision-making

Five gen AI applications in procurement that can automate processes, enhance strategic planning, optimise financial management and improve procurement efficiency

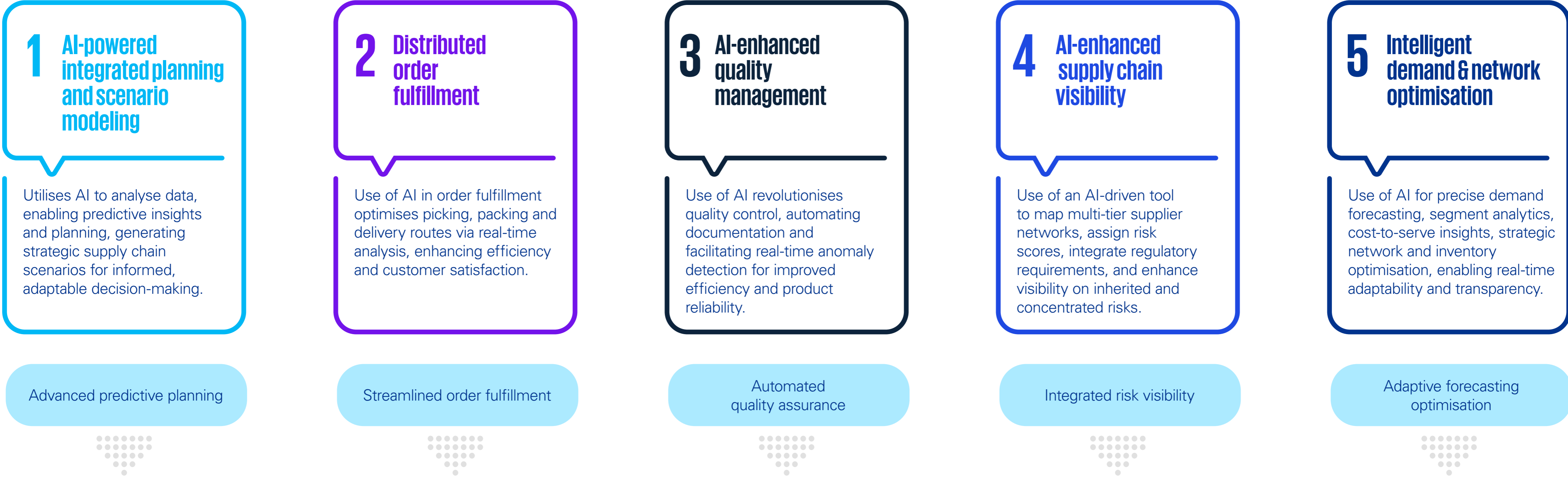


Potential benefits and productivity gains

Five emerging use cases of gen AI in supply chain

Generative AI has the potential to significantly improve efficiency, decision-making, compliance and maintenance in supply chains

Five gen AI applications in the supply chain function that can help drive efficiency, facilitate predictive insights, enhance compliance, optimise maintenance and advance sustainability

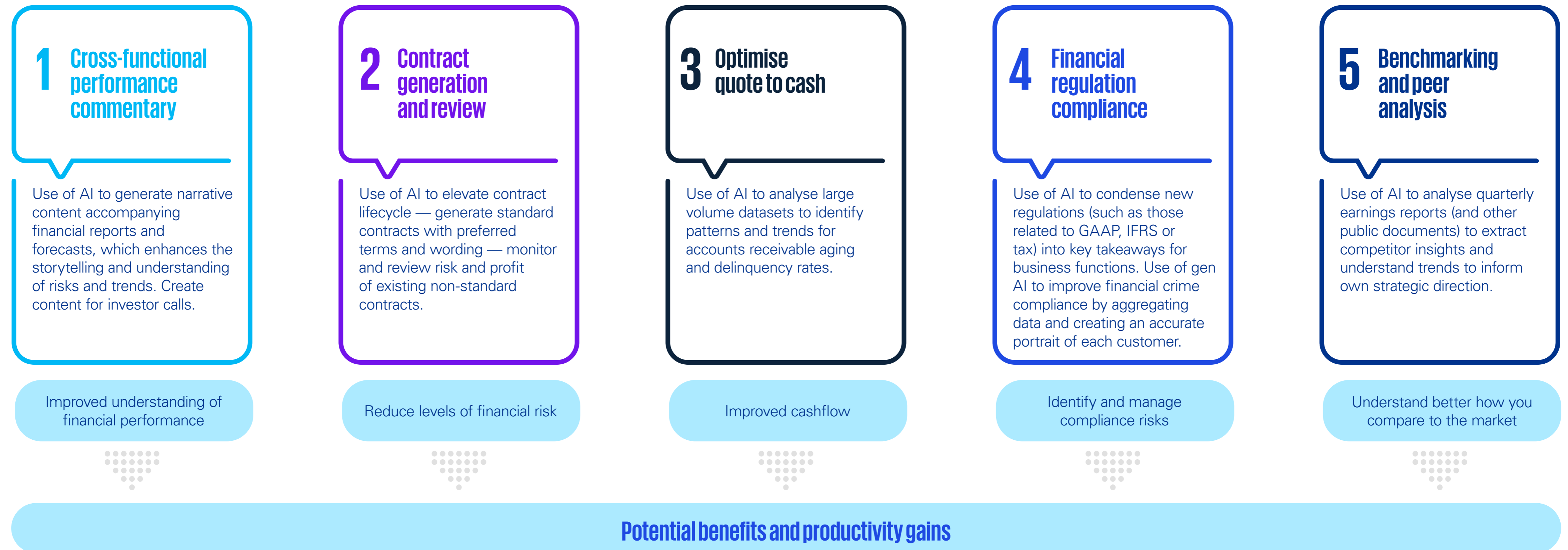


Potential benefits and productivity gains

Five emerging use cases of gen AI in finance

Finance should be at the center of gen AI adoption across the organisation

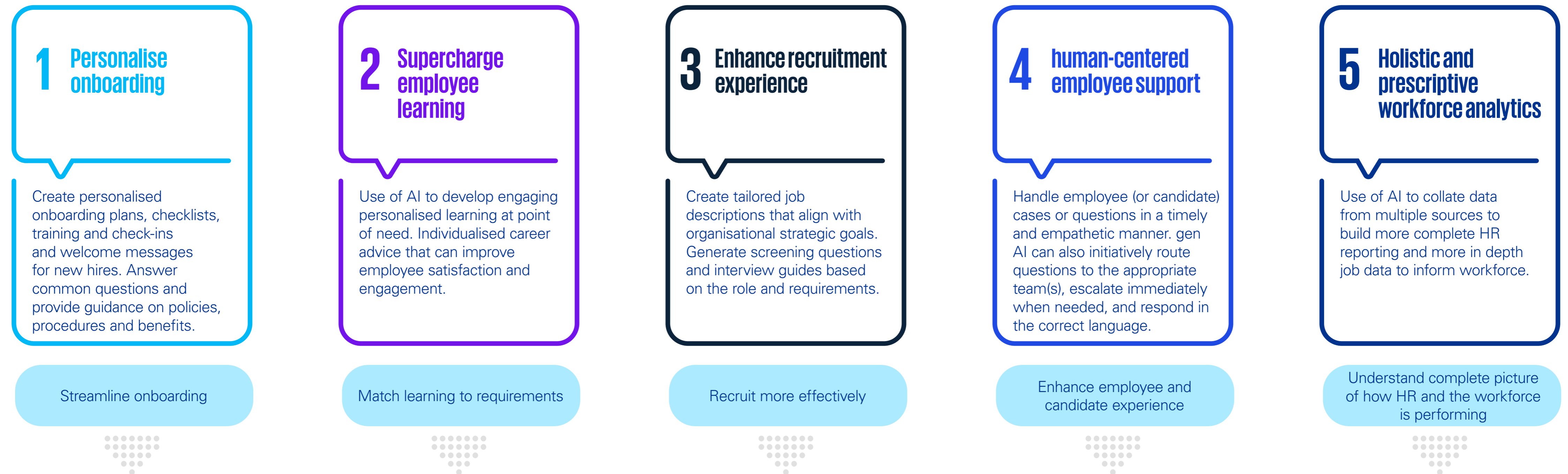
Five gen AI applications in the finance function that can improve organisation-wide understanding and storytelling



Five emerging use cases of gen AI in HR

Some HR leaders recognise the role gen AI has in shaping the workforce of the future

Five gen AI applications in the HR function to improve employee experience and retention



Potential benefits and productivity gains

Five emerging use cases of AI & gen AI in IT management

Improving IT delivery and return on IT investments

Five AI and gen AI applications in the IT management function that can help accelerate deployment and aid talent development

<p>1 Improve service availability and performance</p> <p>Using AI Ops and predictive maintenance to improve service performance through intelligent alerting, root cause analysis, anomaly and threat detection, auto-healing, automated patching, and capacity optimisation capabilities.</p> <p>Maximise availability to users</p>	<p>2 Drive innovation and faster feature development</p> <p>Using gen AI code generation and TestOps capabilities for rapid prototyping to accelerate time to market for new features, while freeing up time to focus on discovery and innovation.</p> <p>Deploy at market speed</p>	<p>3 Prevent security incidents and resolve them faster</p> <p>Leveraging AI as force multiplier for SOC to enable faster threat detection and resolution, using advanced pattern detection capabilities for AI to take autonomous, preventative action, escalating for SOC validation where needed.</p> <p>Reduce security incidents and risks</p>	<p>4 Automate IT documentation and scheduling</p> <p>Using RPA and gen AI for IT knowledge asset development and management — e.g. for troubleshooting guides, end user FAQs, process documentation or job descriptions, or for IT workforce scheduling and optimisation.</p> <p>Increase IT productivity and reduce costs</p>	<p>5 Improve and personalise employee experience</p> <p>Using AI-powered content search, customisation and summarisation capabilities with results personalised for different user personas. This involves using conversational AI to tailor training and end user support for different employee archetypes.</p> <p>Upskill user and IT workforce and improve satisfaction</p>
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Potential benefits and productivity gains

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

Offering point-AI solutions across different functional areas may provide short-term benefits, but it is unlikely to deliver significant long-term advantages. In fact, it could create a technology legacy problem in the future. Instead, a more strategic approach is recommended, in which gen AI can complement and enhance existing transformation initiatives and can be ingrained within the organisation's operating and technology model.

Organisations that have undergone a transformation with KPMG Powered Enterprise are in the ideal position to exploit the KPMG Target Operating Model and integrate gen AI into their function. KPMG professionals can help establish how the organisation's AI strategy is aligned with the overall vision, identifying the most impactful AI priorities within their function's processes. Following that, they can develop digital solutions focusing on those priorities to drive an AI-driven functional transformation.

KPMG firms' functional gen AI starts with the model answer, leveraging leading practice and pre-configured on the world's leading SaaS platforms. This approach to implementation of gen AI has numerous benefits, such as ensuring a strong connection between intelligent automation and essential processes, having a reliable data model that aligns with the business's needs, and an efficient organisational structure with the appropriate roles, capacities, and digital fluency to support the transformed function. This way, organisations can confidently operate within the established governance framework for that function, allowing for more effective decision-making opportunities.

“The number of businesses with leadership buy-in for emerging tech has more than tripled, from 10 percent to 38 percent in 2023.”

Source: KPMG 2023 global tech report

Media attention has highlighted the reputational risks brands can face when using gen AI if not implemented correctly. Therefore, proper planning and testing should be conducted before deploying this technology. It is crucial to fully understand ethical, cyber, IP and other considerations before proceeding.

KPMG's approach can help organisations reduce risk by adopting KPMG's leading gen AI practices. Through the KPMG Target Operating Model, AI capabilities are already designed and integrated into the approach, with possible impacts considered across all six layers.

Governance

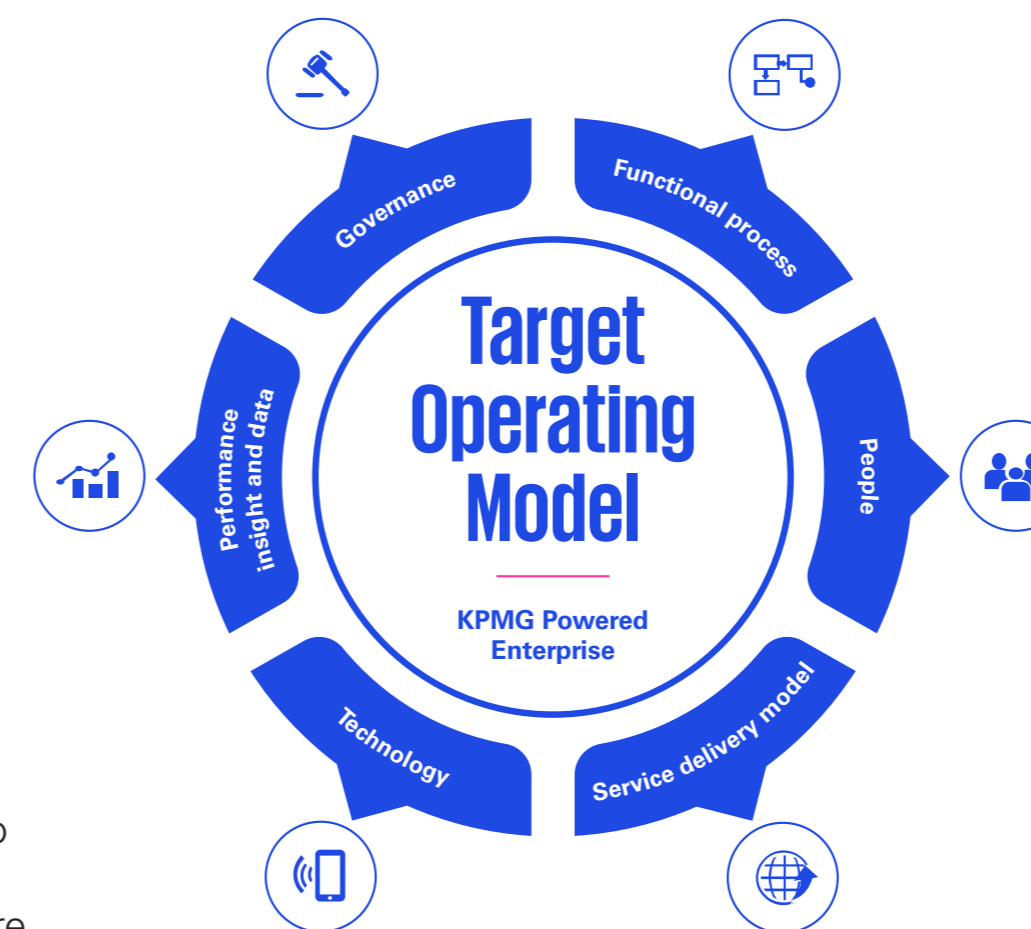
Adapting to reflect emerging gen-AI-related governance structures, e.g. Responsible AI principles

Performance insights and data

Adapting the data architecture to enable gen-AI-centric data intelligence to allow for more compelling storytelling

Technology

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



Functional process

Enhancing the point of view of 'what good looks like' deep into the maturity model to reflect the impact of gen AI. 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

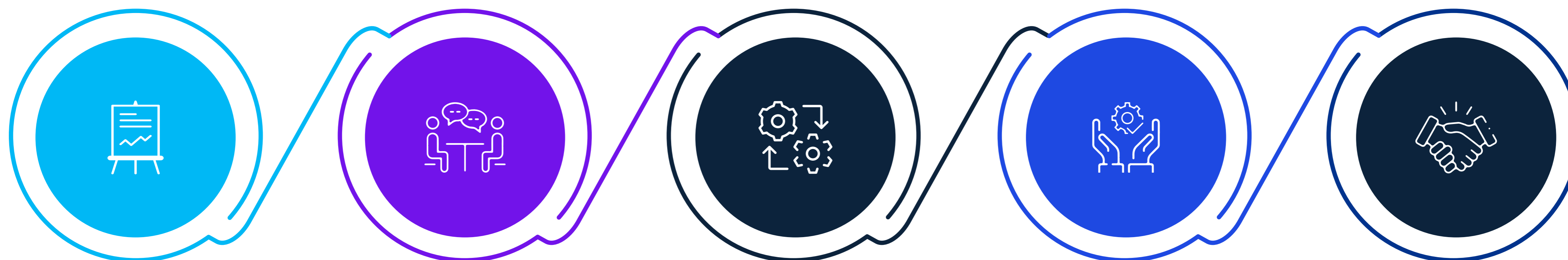
People

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

Service delivery model

Reshaping to account for service delivery through automation and reflect potential impact of digital labor on shared service centers and centers of excellence

Effective implementation of gen AI relies heavily on data readiness. To achieve optimal results when implementing gen AI, businesses must focus on the Performance Insights & Data Layer of the Target Operating Model. However, most organisations may need to undertake significant work surrounding their data before fully capitalising on its potential. Therefore, it is crucial to work alongside advisors who possess the right combination of data skills and experience to maximise the capability of data within an AI-enabled function.



Data strategy

Robust framework to capture the business use cases, model inventory, model limitations and any net new risks can help to enable firms to more closely align the business ambitions with the use of these technologies to demonstrate value while complying with relevant regulations and legislations including ethical considerations.

Data management, governance and lineage

Clear data accountability including well-defined roles and responsibilities in sourcing, processing and distributing the data. Track Data Lineage and Data Catalogue to enable better discoverability and improve on understanding of the data to help ensure its used for the right purpose here.

Data architecture

Having a highly interoperable and seamless integration between the various platforms in your ecosystem can reduce data friction and enable quicker access to the data needed.

Data quality

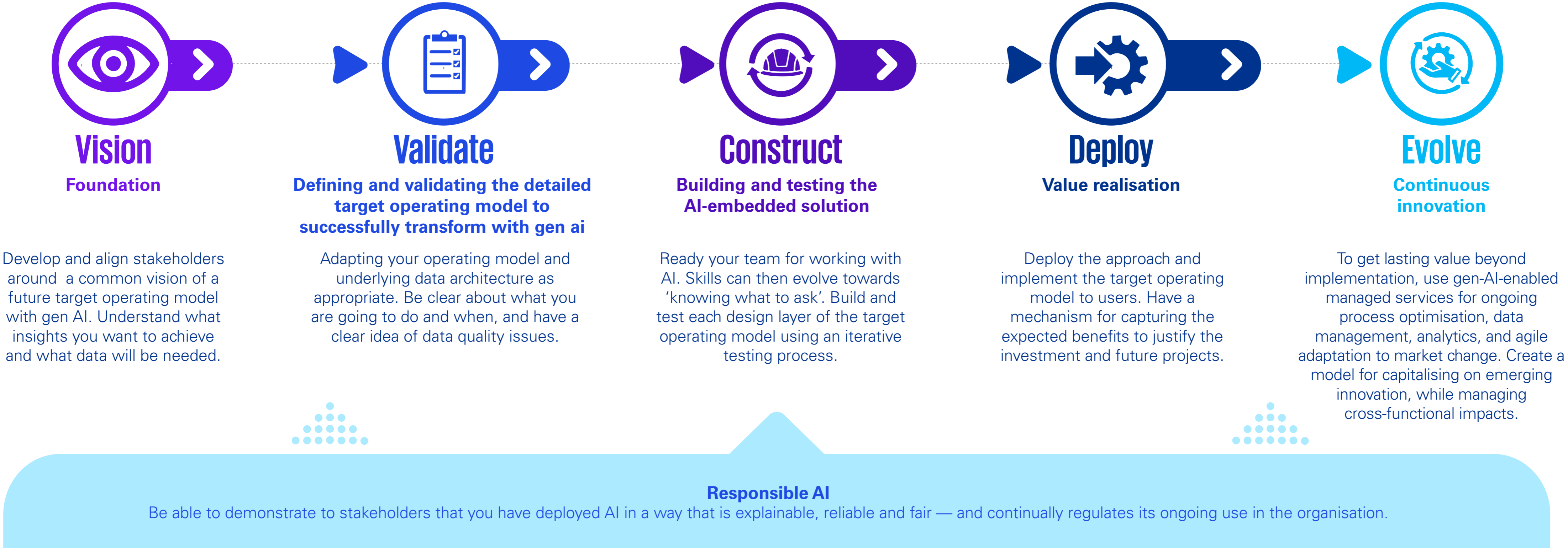
Clearly defined single sources of data truth can help to ensure there is a baseline of 'clean' and reliable data to use. Large quantities of good quality data is needed to effectively 'train' your AI-based model/machine to automate processes and produce desired outputs such as security classifications, trend analysis and prediction generation.

Data enablement and literacy

Secure buy-in from senior stakeholders to be 'ambassadors' of the benefits of data and AI in order to drive adoption and embed a culture of good data practice and innovation. Build data literacy with user communities to democratise the power of good data and its ability to power technologies such as AI and ML.

The wider transformation picture

The KPMG Powered Enterprise transformation methodology is highly adaptable to gen AI, enabling businesses to deliver this technology seamlessly across their crucial front, middle and back-office functions. Our methodology excels in areas such as vision, data architecture, talent development and value realisation, intercepting emerging technology as well as providing a sound framework for deploying (and maintaining) Responsible AI.

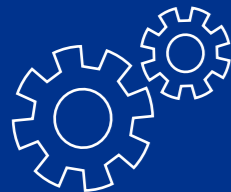


How KPMG professionals can help

KPMG firms believe that the full potential of AI can only be achieved when its power is combined with human experience and creativity, underpinned by the foundational principles of trust. This will allow business models to be changed and value to be accelerated, unleashing new opportunities for growth and success.

KPMG's experienced professionals can help guide organisations through enabling responsible gen AI and implementing other leading practices that drive change and transformation across the organisation. This includes optimising operating models or launching the necessary transformation initiatives to drive organisation-wide change.

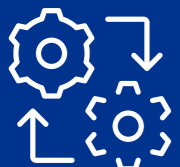
With a dedication to helping organisations recuperate their investment in AI/gen AI, KPMG firms leverage their advisory capabilities and managed services to drive strategic outcomes for the transformation of core organisational functions. The KPMG team's approach to functional transformation focuses on achieving measurable results while enhancing organisational performance.



For organisations that have a modern ERP platform but have not yet invested in a modern target operating model, KPMG professionals can guide you through an operating model-led transformation. This can help bring KPMG leading practices together with gen-AI-enabled processes.



For organisations that haven't yet undergone a KPMG Powered Enterprise transformation, still running on legacy software, or early on in their transformation journey, KPMG professionals can help you through a transformation with Powered Enterprise, enabled by gen AI, on the leading cloud platforms such as Microsoft, Oracle, SAP and Workday.



For organisations that have a modern ERP and operating model but want to continually optimise them for long-term value, KPMG firms offer managed services through KPMG Powered Evolution. These services combine advanced technology and human experience to help you absorb software updates, integrate data and systems, and drive ongoing return from your cloud investment.



KPMG Powered Enterprise brings a collection of advanced tools, platforms and accelerators that help organisations to manage change, implement digital-first and keep improving. KPMG Powered Enterprise and the KPMG Target Operating Model are designed to reflect that transformation should be a continuous process of evolution, while intercepting technologies that can be revolutionary.

Contact us



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Global Executive Sponsor —
Powered Enterprise
KPMG International

For more information on how KPMG is using Generative AI to transform member firms' own processes, and our approach to transformation, click the links below:

[Leveraging Generative AI in the workplace](#)

[KPMG Target Operating Model — KPMG Global](#)

[KPMG Trusted AI](#)



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