Reimagining managed services

Enabling the next generation with generative AI

KPMG International

kpmg.com/managedservicesgenai

The future is now

Imagine chatbots that not only route users to an appropriate resource but can also diagnose and fix information technology (IT) problems — by writing and implementing new code.

Imagine a tool that can simulate hackers by probing your network for vulnerabilities and finding clever ways to capitalize on them — across thousands of attack surfaces in a fraction of the usual time, generating insights to help you protect critical assets.

Imagine not having to write suspicious activity reports (SARs), instead tasking technology to do them for you, so you can achieve financial crime compliance faster and earn the trust of regulators.

This is not a far-off future. It's already starting to happen, thanks to advances in generative artificial intelligence (genAI). This technology is paving the way for the next generation of managed services, helping companies accelerate their transformation, sustain it, and achieve new outcomes.

© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

Boosting productivity and beyond

While traditional AI recognizes patterns and makes decisions based on historical data, genAI is capable of organizing vast amounts of information, mimicking human understanding, and generating new content, such as text, images, audio, and code. Powered by deep learning models, genAI is rapidly evolving, offering a wide array of applications for managed services that otherwise might take years to build.

In addition to helping to significantly increase productivity by reducing the time for tasks, next-gen managed services deliver other kinds of enterprise value. In fact, in a recent study of more than 400 executives, respondents cited improved revenue, profitability, and customer experience among the top expected outcomes from genAI in third-party services.

Moreover, among Global 2000 companies that are actively exploring and deploying genAI, the business functions expected to see the highest impact in the next 12-18 months include business development and strategy. These findings suggest that genAI, when applied with business acumen, may usher in a new era of business transformation.

And that's the approach being taken in KPMG Managed Services. When combined with other capabilities — including custom-built AI tools, process optimization, data management, analytics, and the knowledge of KPMG professionals — genAI will help deliver even more transformational value

Top 5 benefits from genAI in third-party services

01 **Productivity***

02 **Customer experience** — Tied

03 **Efficiency*** — Tied

04 **Revenue**

05 **Profitability**

*Productivity refers to the amount of work done in a certain period of time. Efficiency refers to how well resources are used to achieve a goal

Top 5 business functions to gain the most value from genAI

01 **Customer service**

02 **Sales/business development**

03 **Strategy-setting (what to do) and implementation (how to get there)**

04 **Supply chain**

05 **Information technology**

Source: HFS Research, 2023

KPMG firms have already begun incorporating genAI in managed services and are also exploring new applications, helping clients achieve additional enterprise outcomes — and faster.

© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

KPMG firms are reimagining managed services in four key areas:

01 Reimagine cybersecurity

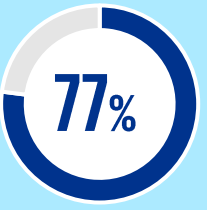
GenAI can bring a new dimension to threat detection, not only by helping to reduce manual effort but also expanding the reach and insights. Ultimately, genAI can enable companies to make more informed decisions based on the real-time data and analytics that it generates, related to the type, location, and criticality of vulnerabilities that are constantly changing.

KPMG Managed Services is exploring genAI capabilities in areas such as:

Penetration testing. KPMG professionals are piloting a genAI tool that mimics a sophisticated hacker. Prowling thousands of internet protocol addresses, the tool can quickly identify security gaps, determine different avenues of attack (such as using the compromised credentials from one system to access another), report the findings, and make recommendations. This faster intel means faster safeguarding of critical assets.

Detection of threats and vulnerabilities. GenAI can also continuously scan data logs, identify suspicious patterns, hypothesize threats, and detect them in real time. These threats include the activities of malicious hackers as well as negligent employees.

For example, in an exploratory test of one genAI tool, it was able to scour a network for anomalies and expose a vulnerable default setting for a group of domain administrator accounts. But even more, the tool could detect that someone had relocated those accounts to another group, without changing the problematic configuration setting — an oversight that could enable an attacker to compromise a very privileged user. As such, this genAI tool is able to identify risks at a behavioral level, which is a next generation of automated detection.



of executives see genAI as the most impactful emerging tech they will use.

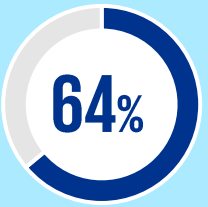
Source: KPMG generative AI Survey, March 2023

Similarly, a genAI tool may discover that a company has a shadow IT problem, with security flaws resulting from the many systems that were connected to a company's environment without involvement from the IT department. In addition to finding and assessing these problems, the tool can potentially address the situation—by, for example, shutting down some systems, fixing vulnerabilities, or creating an asset inventory for analysts to review.

© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

Triage. Going beyond the detection of threats, genAI can help in response and remediation—especially in the triage of security incidents. It can assess severity, gather relevant data, and recommend response actions for security teams.

Importantly, genAI can also remove human bias from triaging, making decisions based on data—and continuing to learn. For instance, when an analyst is faced with numerous security alerts but can only investigate some of them in the time available, subjective factors can inevitably factor into the analyst's decision. GenAI, on the other hand, can be trained to make decisions based on objective factors such as a particular client's risk priorities, business goals, and mission-critical processes.



of executives believe genAI will help their business gain competitive advantage.

Source: KPMG generative AI Survey, March 2023

With these kinds of genAI enhancements in cybersecurity, managed services can help further improve clients' operational resilience, stakeholder trust, competitive advantage, and speed to market with new applications.

02 Reimagine IT service management

To improve IT's capacity for addressing user requests and resolving concerns, today's chatbots can categorize issues, connect users to the right person, or send them a piece of online documentation to help.

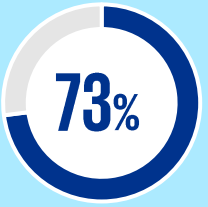
To further transform and accelerate this process, while improving the satisfaction and retention of customers and employees, KPMG Managed Services is exploring new applications. One example is the KPMG Powered Evolution offering for cloud software optimization, where KPMG teams are working on genAI that can:

Gather missing information. If a user submits a vague support request, such as "I'm experiencing an error" or "This isn't working," genAI can have a probing, text-based conversation with the user to determine the specific problem.

Prioritize the issue. Based on the information gathered, genAI can help assess the urgency — based, for example, on the number of users affected or the criticality of the impeded task.

Diagnose and fix the issue. In addition to assessing and categorizing, advanced genAI may be able to evaluate the code, discern what's broken, execute new code, and handle communications with the user.

Proactively develop solutions. In addition to addressing user-reported problems, genAI can be trained to anticipate issues, helping IT support teams take preventive measures. For example, say a cloud-based human capital management system has a recurring issue in which employee leave balances do not update correctly after a leave request is approved. A genAI tool might analyze the past incidents, discover that the issue happens after every update of the software, and propose a solution — such as implementing a script to check employee leave balances after each update, while continuing to monitor for the issue and alerting teams as needed.



of executives believe genAI will increase workforce productivity.

Source: KPMG generative AI Survey, March 2023

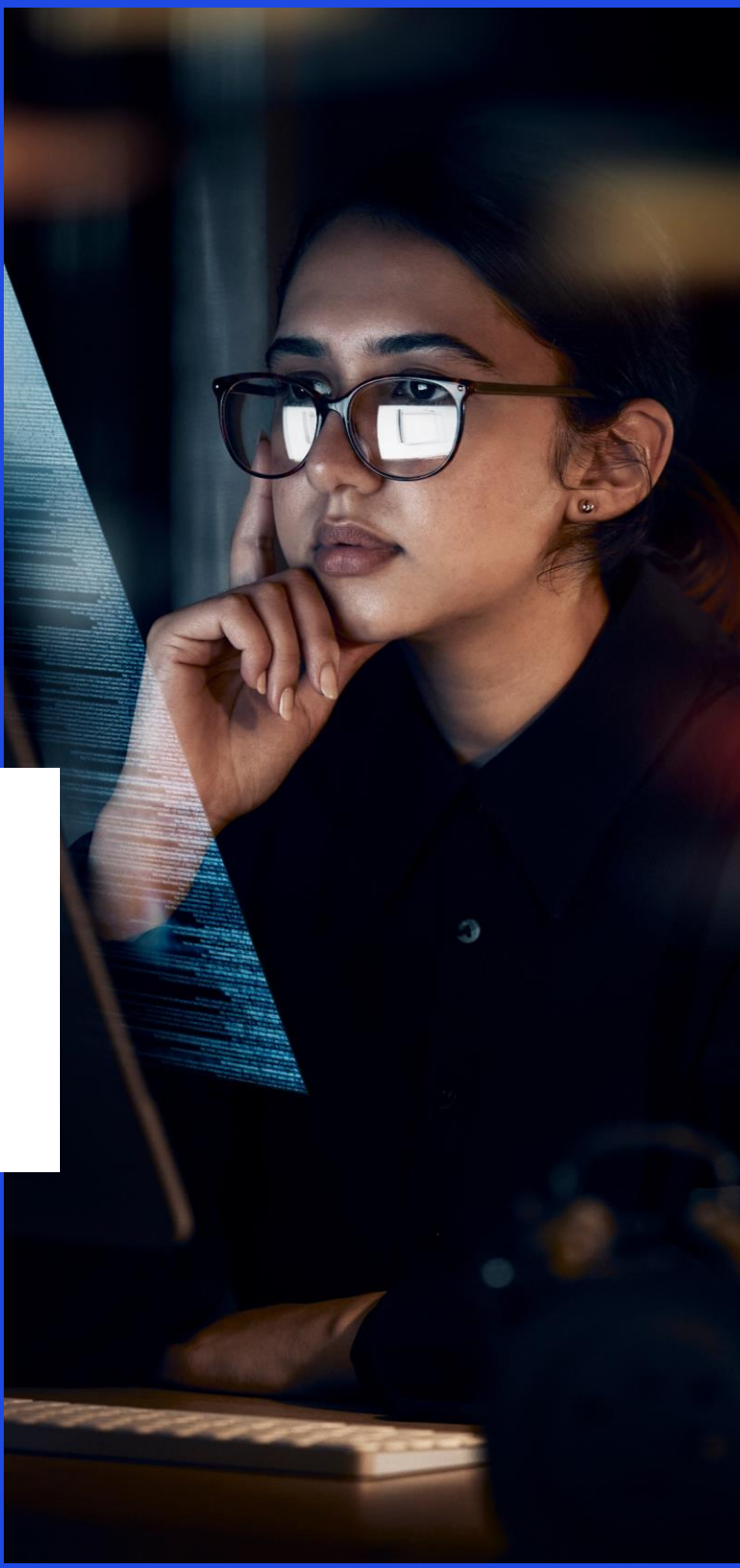
© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

03 Reimagine financial crime compliance

When it comes to Know Your Customer (KYC) and compliance obligations for preventing financial crime, genAI can help the customer verification process by extracting and cross-referencing information from various sources — such as government databases, social media, and public records — and flag discrepancies or anomalies for further investigation.

GenAI can also help turn KYC into a generator of long-term value. For instance, in addition to aggregating data and creating an accurate portrait of each customer, genAI has the potential to further help clients by analyzing that data and recommending new products and services to enrich the customer relationship.

Moreover, by helping to improve efficiency throughout the KYC process, genAI has the potential to minimize the number of touchpoints in the customer onboarding process, leading to improved customer experience and loyalty.



Another genAI capability being explored in the financial crimes domain is the writing of suspicious activity reports, which can be required for questionable transactions observed by financial institutions. These SARs can be complex and time-consuming, as the definition of "suspicious activity" continues to change, but a genAI tool may drastically reduce the effort required, while possibly expediting compliance and inspiring trust from regulators and customers.

© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

04 Reimagine the management of government grants

The process of receiving government funding after a disaster is historically slow and cumbersome — for both applicants and agencies. With genAI, KPMG Managed Services is exploring ways to improve speed, compliance, and user experience, which could help agencies better respond to the needs of business owners and other constituents.

For example, KPMG Managed Services in the US is using genAI to help analyze and adjudicate claims related to hurricane recovery.

In one such scenario, a business owner filed a claim for assistance from the Federal Emergency Management Agency (FEMA), seeking reimbursement for the purchase of temporary facilities while damaged facilities were being repaired. KPMG in the US used genAI to analyze the business owner's rationale for purchasing instead of leasing; compare the details with FEMA grant criteria; and confirm that the purchase was an appropriate expense. At scale, these kinds of automated investigations — which are much faster and more consistent than human analysis — are enabling agencies to quickly deploy assistance where it's needed most.

KPMG Managed Services is also contemplating other uses of genAI in grants management:

Application review. GenAI can automate the assessment of grant applications, helping to determine eligibility by cross-referencing submitted information with predefined criteria — potentially increasing speed and reducing errors.

The model can also help analysts prioritize their caseload. By "watching" analysts process cases, genAI can learn which applications are the "low-hanging fruit" that take the least time to process versus those that may have a discrepancy.

Auditing. KPMG professionals are exploring a genAI tool to help analysts evaluate whether emergency funding is used appropriately. For example, in a state audit of how payroll protection funds were spent during the COVID-19 pandemic, this tool could be used to research expenditures, compare them with the applicable criteria at the time, and identify instances where the state should recoup funds. Similarly, genAI can potentially monitor grant recipients for unusual financial activity, flagging those that show possible misuse of funds.

Analytics. How many grant applications are open? How much funding is in the pipeline? What are the most common application problems? Analysts can ask these kinds of questions of a genAI tool, producing a real-time view of the caseload and gathering insights for continuous process improvement.

Applicant support. In addition to enhancing processes for agencies, genAI may make the grants experience easier for applicants. One way is with a chatbot to address technical questions about applications — by, for example, listing the reasons an application was rejected, explaining information that needs to be provided, or suggesting ways to better articulate a certain section of the application. KPMG teams are also exploring a "voicebot" that can address these kinds of technical matters over the phone, while accommodating for language, dialect, accent, and conversational style.

KPMG
© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

Reimagining sustained transformation

GenAI, with its ability to automate tasks, enhance customer and employee experiences, and provide valuable insights, is poised to herald a new generation of managed services — with new kinds of enterprise value for clients.

But for clients to take meaningful advantage of genAI, providers must bring a combination of technical domain expertise, industry-specific process knowledge, advisory services, and change management. These providers should focus on creating the right operating model and digital foundation, with particular attention to cloud infrastructure and data management.

That's how companies can go from genAI vision to long-term value. KPMG Managed Services is ready.

© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

About KPMG Managed Services

Business transformation is the path to sustained advantage. But transformation is not a fixed destination; it's an ongoing journey. How can you continually evolve your business functions to keep up with ever-changing targets?

KPMG Managed Services can help — by handling knowledge-intensive processes across your enterprise on a subscription, as-a-service basis. This outcome-based approach has the potential to reduce your total cost of operations by as much as 15 to 45 percent, in addition to driving priorities like resilience, customer and employee retention, and stakeholder trust.

Combining advanced technology with functional, process and sector expertise — plus smart analytics, data governance, and change management — KPMG firms can take you beyond traditional managed services. This approach can help you operationalize your growth ambition, so you can gain competitive advantage, sustain it through ongoing transformation, and limit disruption and risk.

Learn more at: home.kpmg/managedservices

© 2024 Copyright owned by one or more of the KPMG International entities.
KPMG International entities provide no services to clients. All rights reserved.

Contact us

Dave Brown
Global Head, Managed Services
Principal, Advisory
KPMG in the US
djbrown@kpmg.com

Karlie Lytas
Managed Services Leader
and Partner
KPMG in Australia
klytas@kpmg.com.au

Thomas Davies
Managed Services Leader
and Partner
KPMG in Canada
thomasdavies@kpmg.ca

Stephen Walsh
Asia-Pacific regional lead,
Managed Services
KPMG in China
stephen.walsh@kpmg.com

Benoit Durand
Managed Services Leader
and Partner
KPMG in France
bdurand@kpmg.fr

Maneesha Garg
Managed Services Leader
KPMG in India
maneesha@kpmg.com

Gernot Gutjahr
Managed Services Leader
KPMG in Germany
ggutjahr@kpmg.com

Andrew Tonkin
Managed Services Leader
and Partner
KPMG in the UK
atonkin@kpmg.co.uk

Ron Walker
Managed Services Leader
and Principal
KPMG in the US
rwalker@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit kpmg.com/governance.

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

Throughout this document, "we", "KPMG", "us" and "our" refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity.