Generative AI and finance

Driving the next generation of global business service organizations and service delivery models

New opportunities with GBS

More than ever, organizations are focused on doing more with less, streamlining operations, increasing service effectiveness, and maximizing employee engagement. For CFOs and other business leaders, that means reimagining how services are designed and operated to unlock value by transforming their service delivery model (SDM) and rethinking their global business service (GBS) organizations.

To unlock that value, companies need to transform their SDM and identify new opportunities to evolve their GBS organizations to evaluate three key categories:

01

Increased efficiency:

Organizations need to improve return on investment and align costs to business strategies to achieve organizational objectives. This means indirect-spend optimization, labor arbitrage where possible, and the creation and support of centralized functions to eliminate redundancy.

Not surprisingly, transaction centers are shrinking in size by more than 50 percent due to the automation and elimination of manual tasks and handoffs in a constant drive for greater efficiency.[1]

02

Greater effectiveness:

Organizations need to move from value preservation to value creation by adopting centralized data and analytics that enable predictive insights and enhanced decision support. Effectiveness also needs to be increased through the automation of transactional activity to enable innovation and growth.

In many cases, GBS organizations have become much larger in terms of scope and responsibility, becoming in effect the enterprise transformation office responsible for growth and scalability. These offices need to be built more on data and information flows rather than transactions and process flows. As-a-service processes are being used to match supply with demand and allow on-demand scalability.

03

Enhanced experience:

Organizations need to empower employees and customers with a superior individualized service experience—moments that matter—to support employee engagement and strengthen customer loyalty.

Accordingly, services must be easy to consume and delivered on well-designed user interfaces. Organizations also need to keep pace with a rapidly changing workplace where half of the business services workforce is working remote and/or available on demand, and the other half of work is performed by bots.

[1] Source: HFS Research 2022 and KPMG Maturity Survey 2021

Properly designed and executed, a GBS transformation supporting these three categories can deliver an array of business benefits:

End-to-end solutions focused on business outcomes—not just internal service agreements—and enabled by fully empowered global process owners

Seamless service delivery through a flexible, highly scalable delivery model supporting both operational excellence and expertise

A customer-first approach that enables the integration of internal teamwork and external customer experiences across front-, middle-, and back-office functions

As-a-service capabilities enabled by plug-and-play platforms that offer a customer-focused experience

Information-insights engines that turn information into an asset through an insights-driven ecosystem that helps business partners understand mountains of data and how to run the business better
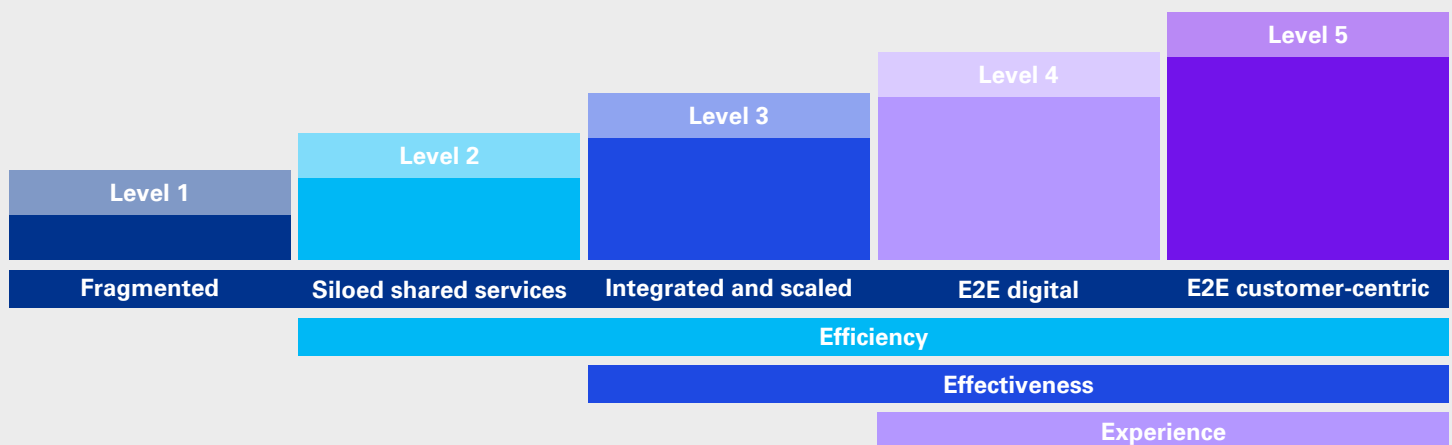
An agile, on-demand workforce that can reshape the business services workforce by enabling people to take advantage of new technology, "run with machines," and find new ideas that can, in turn, be fed back to the organization

The potential of generative AI

To help realize the benefits of GBS transformation, companies are leaning into innovative technology like generative artificial intelligence (AI). These advancements have the potential to change how and where work is delivered by the finance function, thereby helping deliver greater value from a GBS organization. For years, GBS organizations have served only as transactional centers with a focus on managing efficiencies and costs. With AI and generative AI, finance can take their GBS organizations to the next level—or leapfrog to even higher levels—with an SDM transformation designed for maximum employee engagement and sustainable growth.

To be clear, generative AI will not be the sole driver of SDM transformation. Rather, it will enable and accelerate how organizations can leverage technology, talent, and processes to enhance the measurable impact and business value of service work. This will require a new operating model for finance that will offer the potential to increase operational efficiency, improve service delivery effectiveness, and enhance the service experience of both internal and external users.

Exhibit 1: On the road to transformation—GBS maturity with SDM transformation

Level 1	Level 2	Level 3	Level 4	Level 5
Fragmented	Siloed shared services	Integrated and scaled	E2E digital	E2E customer-centric

Efficiency

Effectiveness

Experience

SDM transformation can be mapped across five levels of maturity (Exhibit 1), beginning with fragmented services and moving toward a greater focus on integrated, customer-centric outcomes. Many organizations stall at Level 3, gaining the benefits from consolidation and scaling but not actually delivering the next level of value. Some of these organizations have yet to effectively apply the available cost levers to position themselves for long-term value.

Traditional SDM frameworks do not always position organizations for competitive advantage. With SDM transformation however, organizations can—

- Continue to optimize labor costs while balancing risk and control through a mix of onshore/nearshore/offshore delivery.

- Improve service management and governance in areas such as demand management and performance management.

- Enhance organizational consolidation and alignment, including right-sizing and right-skilling.

- Embed digital capabilities across the enterprise to support strategic growth in service design and delivery.

- Empower employees and customers with an enhanced, individualized service experience that helps increase productivity and strengthen customer loyalty.

- Increase the potential of service delivery with a truly global model.

Cross-channel integration for greater value

Let's examine value opportunities available with SDM transformation, beginning with cross-channel integration. To achieve higher levels of service delivery maturity, the SDM needs to be transformed in terms of the nature and value of work provided through four channels of finance service delivery:

Corporate: Drives centralized corporate functions involving enterprise strategy, corporate standards, performance, and compliance

Finance business partners: Leverages analytical solutions to play the role of a business partner for the lines of businesses, helping to provide strategic decision support for the growth targets set by corporate

Finance solutions: Provides functional expertise, develops technology and analytical solutions, and maximizes economies of scale through centralized services delivered to internal stakeholders based on service level agreements (SLAs)

Finance operations: Manages and optimizes operational processes across the enterprise to maximize economies of scale through centralized, standardized services for internal stakeholders based on agreed-upon SLAs

At lower maturity levels, the delivery channels are siloed, but with greater maturity, service delivery is enhanced and shared across multiple channels. Organizations move beyond isolated GBS organizations, centers of excellence, or global capability centers and use technology and innovative processes to develop a more integrated and distributed way of working. This means driving new insights and meaning from the work as opposed to simply performing the work. In many cases, the work itself is not changing so much as how it is distributed, shared, and enhanced.

In effect, the key objective for SDM transformation is determining how to drive the appropriate work to the appropriate people in the appropriate parts of the world, based on a flexible yet tightly integrated global SDM.

Enhancing SDM transformation with generative AI

Another value opportunity with SDM transformation is generative AI working as part of a comprehensive technology and process ecosystem that includes enterprise resource planning, machine learning (ML), reporting packages, and other components. Generative AI has the potential to enhance the employee and customer experience across a wide variety of business services.

Simply in terms of cost and efficiency, SDM transformation with generative AI and automation tools offers the possibility of improving the speed and quality of routine tasks such as payroll, tax filings, reconciliations, and calculations. The finance team can do more with less, helping produce an increased number of reports, statements, forecasts, budgets, and analyses in greater detail with fewer errors and in less time.

In broader terms, SDM transformation and generative AI have the power to significantly reshape the delivery of finance services, providing the ability to:

- Establish cross-enterprise capability hubs for the enhanced development and delivery of services

- Drive further efficiencies by leveraging generative AI in a "co-work" role

- Directly address user inquiries and reduce the volume of work that is assigned to shared-service knowledge workers

- Transfer activities that had previously been difficult to move—such as gross margin reporting, technical accounting, and financial consolidations—from one function to another, according to the need for specialized skills or knowledge

- Deliver advanced analytics and analysis across multiple functions

- Support governance frameworks, controls, operating models, and ethics and technology designed to promote the responsible use of AI

SDM transformation combined with generative AI can also support key services involving intelligent monitoring, continuous processing, and actionable business intelligence.

Intelligent monitoring services can include anomaly detection, general ledger analysis, the detection of expense fraud, and vendor risk management. Intelligent processing can involve areas such as language modeling, revenue leakage, cost assurance, contract management, and regulatory compliance.

Intelligent forecasting can be applied to predictive modeling, business planning, taxes, sales, channel and product growth, working capital, cash flow management, and pricing. Prescriptive insights can support market intelligence, contract optimization, compliance, analysis of customer trends, and sales performance.

We can consider the potential of generative AI in terms of the following use cases involving the four service delivery channels outlined earlier:

01 **At the corporate level,** generative AI with ML can analyze vast amounts of data to identify trends, patterns, and insights that can inform corporate-level financial strategy decisions. Solutions can automate the process of analyzing variances between actual and budgeted results, providing corporate finance with quicker insights into areas that need attention. Generative AI can also be used to develop predictive models to forecast future financial performance, allowing corporate finance to better allocate resources and prepare for potential challenges.

02 **For business partners,** generative AI solutions with intelligent forecasting can analyze individual business unit data to create tailored financial reports and dashboards, providing business partners with actionable insights for their specific operations. Solutions can analyze market data and identify potential new business opportunities, thereby supporting business partners in expanding their reach and revenue streams. Solutions can also analyze financial data to identify potential risks and recommend mitigation strategies, helping business partners make informed decisions to protect the organization's financial position. In addition, generative AI can provide real-time analytics and insights to business partners, enabling them to make informed decisions on the fly and respond quickly to market changes.

03 **For finance solutions,** generative AI can automate the process of building and deploying financial models such as planning and forecasting models and ML models, thereby reducing the time and effort required for complex analyses. Generative AI solutions can also be integrated with robotic process automation to automate routine tasks like data extraction, data cleansing, and report generation, freeing up team members to focus on more strategic initiatives.

04 **For operational support,** generative AI can automate data reconciliation and exception handling, reducing errors and ensuring the accuracy of financial records. Solutions can analyze transaction data to identify patterns and anomalies that may indicate fraudulent activities, helping operations teams prevent financial losses. Generative AI can also streamline the financial close process by automating tasks, ensuring timely and accurate financial reporting.

It should be noted that the adoption of AI and generative AI provides organizations with the potential for moving activities much more easily across these service delivery channels. For example, the business partner channel is often responsible for aggregating data and generating reports with commentary. With an intelligent forecasting model and generative AI, a reporting and analytics hub can be established with a standard set of reports and initial analytics for business partners, helping them save time and labor. In other cases, the operational and solutions channels can prepare shareholder reports and investor relations materials by leveraging ML and generative AI.

KPMG in action: Developing SDM transformation and generative AI solutions for industry leaders

KPMG recently helped a major internet services technology company leverage generative AI and an ML-forecasting model to create automatic commentary. The commentary was created using the company's large language models, and it included summaries and business insights related to financial forecasts at different levels of the P&L and across every business unit and product group.

KPMG also helped a major professional services organization by implementing generative AI models to automate key items of their finance organization. The first item was the automatic creation of summaries of financial results. These summaries were written in different formats for different audiences and at various levels and units of the business. Automation replaced a process that previously took financial analysts significant amounts of time to execute each month.

The second item was the creation of a chatbot to allow finance analysts and leadership to ask natural language questions in near real time about many key financial data sets such as month-over-month results, pipeline activity, or remaining contract values.

Unlock the power of people

One of the most important value opportunities with SDM transformation involves talent. An SDM transformation with generative AI can bring together not only innovative service delivery models and innovative technology, but also new ways to think about how talent can help deliver greater business value.

Already, digital capabilities with traditional AI and analytics have automated and streamlined operations ranging from transactional processing to reporting. With the addition of generative AI-enabled capabilities, the finance function can dramatically transform the finance operating model and introduce new services and higher levels of service delivery. Organizations can recruit, train, and leverage the capabilities of personnel with business acumen, digital fluency, data literacy, adaptability, and creative problem solving. These new operating models will also encourage more collaboration, storytelling, intellectual curiosity, and the ability to apply AI-related ethics and governance to business issues and activities.

Organizations focused on transforming their workforce with generative AI can consider the following questions as they identify new capabilities, augment new roles, and capture more value:

- How can we quantify the impact of generative AI on organizational structures and roles?

- What roles deliver the largest value impact in capacity and productivity?

- How can we identify redundant capabilities to achieve cost savings?

- How do we bring to life the new technology and impacts on roles in a rapid and scalable way?

- How will we encourage leaders to embrace the workforce impacts?

- What is the additional capacity or productivity to our operating model?

- How do we scale while keeping a focus on value realization and workforce experience?

Using our own in-house solutions

At KPMG, we are already using our own generative AI solution, KPMG GenAI for Advisory, in our finance and accounting shared service center. KPMG GenAI for Advisory has already shown its value, significantly reducing the labor required to analyze and provide commentary on financial statements issued to our partners and the board of directors.

KPMG GenAI for Advisory is also being used for the primary analysis of financial and operational data. As a result, our finance professionals have more time to focus on secondary analyses and the refinement of commentaries.

How KPMG can help

KPMG is a leader in finance transformation. We help organizations modernize and use generative AI to drive service delivery model transformation. With a workforce-centric mindset and a role-based strategy and adoption approach, our framework helps clients harness the power of generative AI by focusing on measurable value and accelerated adoption. This careful approach ensures that CFOs and other business leaders can make a difference in their organizations.

Our deep experience in machine learning and natural language processing informs how we guide your organization through all stages of transformation—from strateg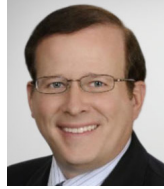y and use-case development to vendor selection and ongoing support—enabling you to unlock value. We recognize that along with the promise of generative AI come operational and cultural changes, requiring the correct processes and controls to identify and mitigate risks. We can help you navigate these risks using our Trusted AI framework.

Failure to innovate can bring substantial risk, and there has never been a more critical time for organizations to embracetransformative technologies like generative AI. Our holistic approach helps you think big and act boldly to realize the possibilities of generative AI, positioning your organization for success in the future.

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