How to elevate finance value through Generative AI
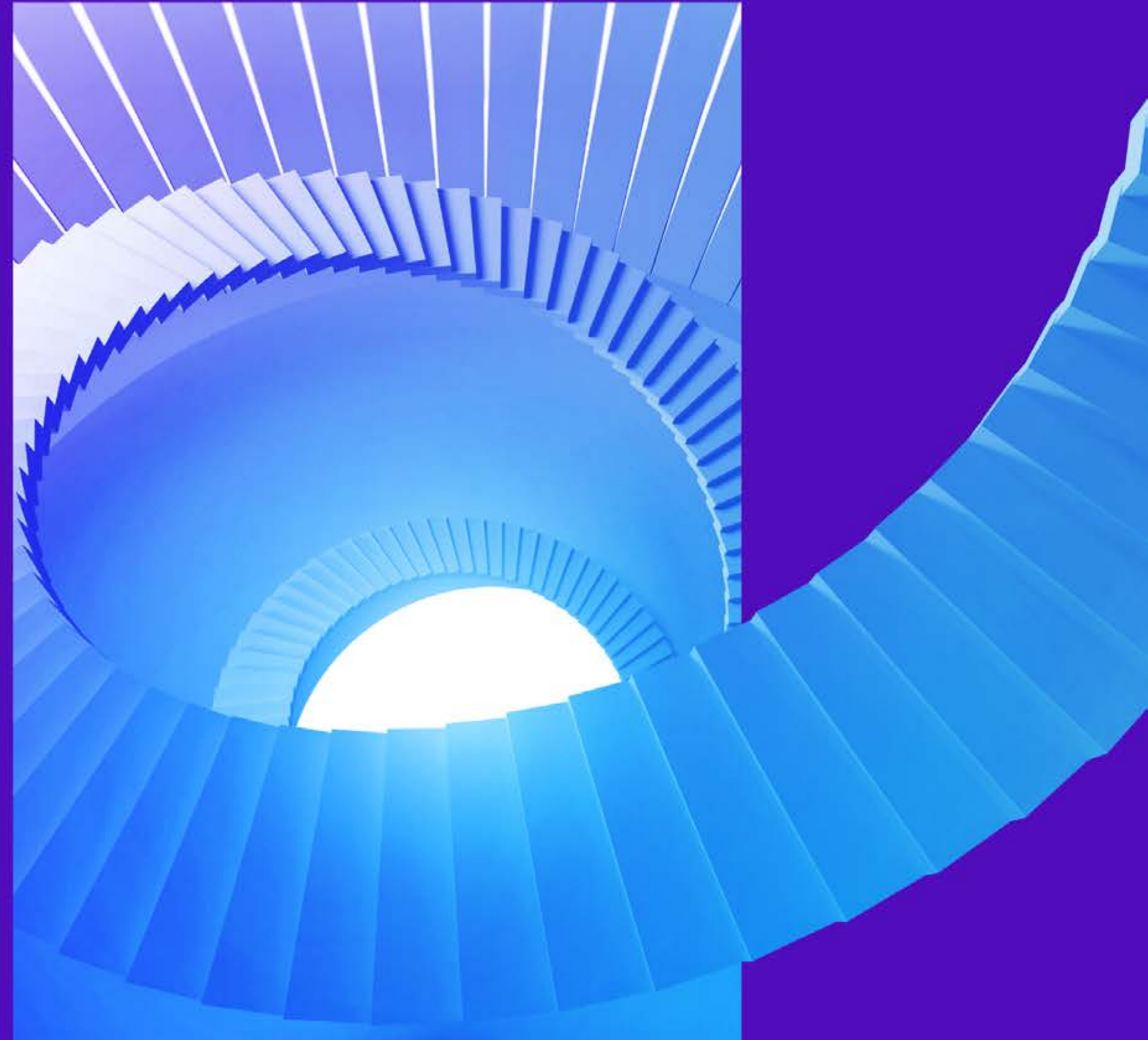
Strategies to get more value from your finance transformation

KPMG International

Introduction

Generative AI (Gen AI) is currently causing a buzz across the commercial world. While artificial intelligence and machine learning have been successfully applied to specific problems for some time, the ability of Gen AI to generate new content and its accessible user interface makes it hugely relevant to a broad spectrum of organizations as well as to their finance functions. AI might not be new, but it is moving very fast, and CFOs need to think differently and quickly understand how to leverage it.

A marriage of Gen AI capabilities and finance can create better speed and efficiency by eliminating redundant or manual activities, allowing finance professionals to focus on higher value tasks. But like its predecessors, Gen AI is only as good the underlying data and well-engineered prompts and will only be effective when it is embedded in the right way within the finance function.

With only

57%

of respondents from the KPMG 2023 Global Technology Survey believing that Generative AI will be most important in helping their business achieve its short-term ambitions over the next 1-3 years, there is scope to allay some fears and support more risk averse potential adopters to understand what is possible and how to implement safely.

Content

Intro to Generative AI in Finance

KPMG professionals believe that CFOs and finance functions are well positioned to lead the way with Gen AI. Finance already has a key role in driving the execution of organizational strategy, creating and protecting value and shaping an effective enterprise architecture and are often tasked with data stewardship. In addition, finance functions are ripe with potential opportunities to disrupt themselves and harness the power of Gen AI across five broad enabler categories:

1
Content and Insight Generators

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

2
Information Extractors

Summarize and analyze 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 finance function 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 synthesize 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 finance, especially as a first line of support. This can significantly reduce low value work by finance 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** finance apps, removing the need for finance professionals to perform coding, e.g., helping users to access self-serve data, analyze it and build better story presentation.

By unlocking the power of digital, AI has the potential to deliver significant value to the finance function.

For example:

>90%	15x	10x	80%	98%
automation of transaction processes	faster financial close & planning cycles	more time spent on analytics, decision support and innovation	more accurate forecasts	confidence in finance statement audit compliance

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

Let us look at how combining information extractors and code generators can deliver a powerful Gen AI use case for finance.

Real world example: insights and story telling

KPMG professionals have learned from work around the **Future of Finance** that leading organizations are investing heavily in effective business partnering, focusing on competencies such as impactful storytelling, empathy, and leadership. The ability to tell a story behind the insights is more important than ever.

Impactful storytellers:

- Translate and interpret data, framing the narrative for external and internal stakeholders
- Offer a deep understanding of the business and external conditions
- Become part of the story as respected influencers with a seat at the decision-making table

KPMG firms have leveraged Generative AI technology to facilitate interactive and intelligent data visualization, enabling users to gain insights not only through charts and graphs, but also with an accompanying narrative commentary. This allows finance users to query their data more easily and rapidly deliver insightful commentary that can be tailored to specific audiences. It offers the following benefits:

- Instantly visualizes the data and generates text that describes it, saving precious time at period end.
- Makes it easier to make sense of thousands of lines of data, such as multiple trial balances coming from different systems, Chart of Accounts, geographies, timeframes.
- Can get 'smarter' over time, learning from past historical patterns and commentaries.
- Can deal with continuously expanding data sets (e.g., plug-ins to connect it to external sources to monitor macro trends, commodity pricing, etc.).

Real-time Data Updates

As the underlying dataset changes or gets updated, the visualizations automatically reflect these changes ensuring users always work with the most accurate and up-to-date insights.

Dynamic Content Customization

By asking follow-up questions or refining their queries, users can fine-tune the visualization in real-time. This dynamic content customization grants users complete control over their data representations, ensuring that they efficiently analyze, present and share the most relevant insights with others.

Versatility and Accessibility

Wide range of data formats and sources are supported, making it versatile and applicable to various industries. Additionally, its ease of use and accessibility enables users of all levels of technical expertise to effectively harness the power of this tool.
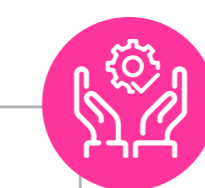
This can help CFOs:

Deliver faster and more insightful analysis across the organization

Enable tailored commentary and rapid fire 'answers' to stakeholder questions

Forecast through text to reasoning to help CFOs 'predict' the results

Help identify risks and potential new strategies for tackling recurring problems.

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Cross-functional Gen AI

The power of Gen AI is magnified when it can be used across functions to break down silos within the organization, achieving scalable AI solutions across the enterprise and unlocking cost savings.

For example, the period end close process can be challenging for organizations, even those using a cloud ERP system. Leaders often struggle to get timely and insightful information that supports better decision making. They face issues such as inefficient processes, limited access to real-time data, and workforce burnout, all of which can hinder decision-making.

KPMG analysis reveals that only the top 25 percent of organizations are producing consolidated reports within five working days. That means that 75 percent of organizations take longer to generate their period end results, leaving executives struggling to make key decisions with static information rather than real-time data at their fingertips.

Generative AI can be a valuable tool in the period end close process to break down functional siloes and improve efficiency and collaboration among various teams within an organization.

- **Data Integration:** It can help integrate data from various sources, such as financial systems, procurement records, operational systems

and inventory databases. It can automatically consolidate and harmonize data, reducing manual entry and errors.

- **Automated Reporting:** It can generate reports, summaries and dashboards to ensure data is readily available to all the relevant teams without the need for back and forth communication and delays.
- **Predictive Analytics:** It can provide insights into future financial trends, helping teams anticipate issues and facilitate cross-functional discussions proactively.
- **Workflow Automation:** It can streamline the month-end close process by assigning tasks, tracking progress and sending notifications to relevant teams, promoting collaboration and synchronization.

Overall, Gen AI can help speed the close process by streamlining and automating close activities, allowing finance professionals to focus their energy on insights and decision making. It allows organizations to increase their chances of getting it right first time.

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Risks and challenges

Internal risks and considerations

Breaking confidentiality and intellectual property
Disclosure of sensitive or confidential information from user-input data.

Employee misuse and inaccuracies
False or malicious content impact business' outcomes or create liability issues.

Generative AI evolution
Generative AI will continue to be integrated into many common applications, systems and processes, use of AI needs to comply with growing global regulations.

Talent implications
High-quality, expert output can only be achieved with high-quality, expert queries. The role of professionals will shift from problem solving to problem defining.

External risks and considerations

Data privacy
Privacy watchdog banned this in Italy.

Misinformation, bias and discrimination
Generative AI can create deepfake images and videos, which often look extremely realistic and lack forensic traces.

Copyright and plagiarism
Questions abound around who owns content once it's run through generative AI applications, and there's no one-size-fits-all answer.

Financial, brand and reputational risk
Using AI-produced information or code in any deliverable or product may negatively impact company's bottom line.

Cybersecurity
Cybercriminals can use generative AI to create more realistic and sophisticated phishing scams or credentials to hack into systems.

Adversarial attacks and data poisoning
Generative AI models are vulnerable to deliberate manipulation by sophisticated external users. This could happen when the solution is exposed to the public.

Ethical risks and considerations

Malicious use
Spreading misinformation, targeted phishing scams and generating malware.

Job security
As technology is evolving, the impacts of LLMs on economics will likely increase, posing rising concerns about job security.

Hallucinations
ChatGPT has been found to produce AI Hallucinations — producing confident responses that does not seem to be justified by its training data and are made up.

Environmental impact
The increasing demand for computing power and data storage required to support large language models like ChatGPT.

CFOs navigating the growth of Gen AI must consider the multitude of risks, including data protection, false or biased decisions, compliance with regulations, upskilling, intellectual property, and environmental sustainability.

Mitigating these risks requires a strong Gen AI Strategy, operating model, and governance structure. Effective risk management is crucial for organizations to prioritize in order to mitigate these risks. Organizations' leaders will need to answer key questions such as:

How do we ensure sensitive or confidential data is protected?

How do we prevent decisions from being made based on false or biased data?

What is the best way to make sure the Gen AI technology complies with the rapidly growing regulations around it?

How do we upskill people to shift their activities away from those being replaced by GenAI and into the right value-adding activities?

How do we prevent issues surrounding intellectual property?

How do we ensure the widespread use of GenAI is handled in an environmentally sustainable way?

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

Implementing 'point-AI' solutions here and there across the finance function is unlikely to deliver significant long-term benefits. In fact, it could create a legacy problem for tomorrow. Instead organizations should adopt a more strategic approach, in which Gen AI can align with, and enhance, your existing finance transformation initiatives and is embedded within your operating and technology model.

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

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

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

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

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

Governance

Adapting to reflect emerging Gen AI related governance structures, e.g. Responsible AI principals

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 principals. Reflecting the highest impact uses of Gen AI throughout the role-based process flows

Performance insights and data

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

Target Operating Model

KPMG Powered Enterprise

People

Highlighting new labor roles used throughout the finance organization as well as the capabilities needed to support thier use

Technology

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

Service delivery model

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

By the nature of it, a program of Gen AI implementation is heavily data-ready centric. To get the best results requires focus on the Performance Insights & Data Layer of the Target Operating Model. For most organizations, there's much to do around data to be able to exploit it to the full. Therefore, it is important to work with partners that have the right combination of data skills, together with the experience of how to maximize the capability of data within an AI enabled finance function:

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

Data Management, Governance & 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 ensure its used for the right purpose here.
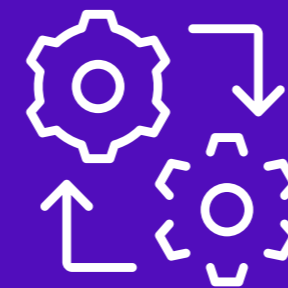
Data Architecture:
Having a highly interoperable and seamless integration between the various platforms in your eco-system will reduce data friction and enable quicker access to the data needed.
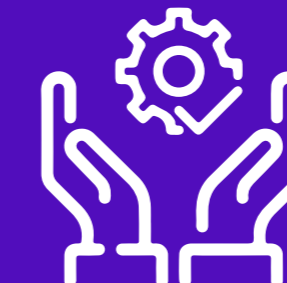
Data Quality:
Clearly defined single sources of data truth will ensure there is a baseline of 'clean' and reliable data to use. Large quantities of good quality data is needed to effectively 'train' your AI-based model/machine to automate processes and produce desired outputs such as security classifications, trend analysis and prediction generation.
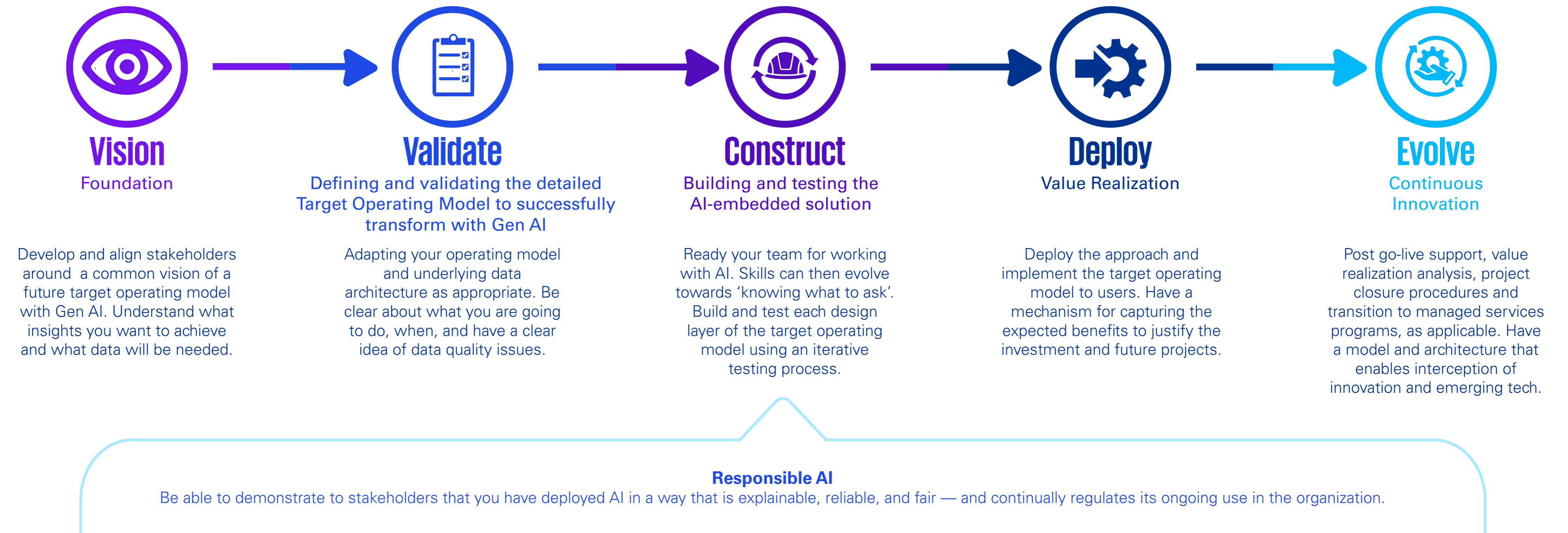
Data Enablement & Literacy:
Secure buy-in from senior stakeholders to be 'ambassadors' of the benefits of data and AI in order to drive adoption and embed a culture of good data practise and innovation. Build data literacy with user communities to democratize the power of good data and its ability to power technologies such as AI and ML.

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The KPMG Powered Enterprise transformation methodology adapts well to the world of Gen AI and the disciplines required to deliver it in finance. This is especially so around vision, data architecture, talent upskilling, value realization and intercepting emerging tech — as well as providing an effective framework for deploying (and maintaining) responsible AI.

Vision
Foundation

Develop and align stakeholders around a common vision of a future target operating model with Gen AI. Understand what insights you want to achieve and what data will be needed.

Validate
Defining and validating the detailed Target Operating Model to successfully transform with Gen AI

Adapting your operating model and underlying data architecture as appropriate. Be clear about what you are going to do, when, and have a clear idea of data quality issues.

Construct
Building and testing the AI-embedded solution

Ready your team for working with AI. Skills can then evolve towards 'knowing what to ask'. Build and test each design layer of the target operating model using an iterative testing process.

Deploy
Value Realization

Deploy the approach and implement the target operating model to users. Have a mechanism for capturing the expected benefits to justify the investment and future projects.

Evolve
Continuous Innovation

Post go-live support, value realization analysis, project closure procedures and transition to managed services programs, as applicable. Have a model and architecture that enables interception of innovation and emerging tech.

Responsible AI
Be able to demonstrate to stakeholders that you have deployed AI in a way that is explainable, reliable, and fair — and continually regulates its ongoing use in the organization.

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How KPMG professionals can help

KPMG professionals can guide you through what is needed to enable responsible Gen AI and other leading practices across and beyond your finance function, including full finance transformation or optimizing your finance operating model.

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

For organizations who 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 finance transformation with Powered Finance, enabled by Gen AI, on the leading finance cloud platforms such as Microsoft, Oracle, SAP, and Workday.

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

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

Leveraging Generative AI in the workplace

KPMG Powered Finance — KPMG

KPMG Target Operating Model — KPMG

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The KPMG Digital Transformation Suite

KPMG Transformation Journey

KPMG Connected Enterprise

Rebuild your business around your customers.

KPMG Powered Enterprise

Outcome-driven functional transformation.

KPMG Trusted Imperative

Build and sustain the trust of your stakeholders.

KPMG Elevate

Unlock financial value quickly and confidently.

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