

KPMG Creates Software To Improve Audit Quality and Engagement Reviews

KPMG
Best Advance in an Integrated
Talent Management Platform
May 2018



Company Background



Company At-a-Glance	
Headquarters	New York City, USA
Year Founded	1897
Revenue	\$8.6 Billion
Employees	34,000 (10,000 in the Audit practice)
Global Scale	KPMG LLP is the U.S. member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative.
Customers/Output, etc.	Provides audit, tax, and advisory services to clients from a wide range industries, including many FORTUNE 100 and FORTUNE 1000 companies
Industry	Multidisciplinary Professional Services
Website	www.KPMG.com



Value Proposition

Faced with the need to cultivate more highly-skilled and integrated audit teams, KPMG Audit HR partnered with the KPMB Audit Business School to address three key business goals:

1. Improve overall audit quality.
2. Engage employees in their own career development.
3. Improve employee retention.

The project team started by interviewing more than 60 of KPMG auditors — interns, managers, managing directors and partners — to understand how an engagement review was conducted, the people involved, the pain points they experienced and the motivations that drove them. An engagement review was conducted to provide limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial-reporting framework.

That research uncovered several critical insights:

- Engagement-performance reviews lack meaning without timeliness, specifics and context.
- Self-evaluation is only effective when supervisors and staff set clear, concise expectations.
- Staff goals are perceived as job expectations rather than valuable milestones achieved over time.
- Goals, ratings and feedback are more valuable when information from each process relates with each other.

KPMG had many disparate tools to develop employee talent: annual goals, engagement reviews, and mid-year and end-of-year assessments. However, employees didn't see the connection among the tools from a technological viewpoint or a career development impact.

Completion rates of tasks related to those tools were poor, performed months too late, and/or driven by compliance programs where employees completed the minimum requirements to get off an "incomplete" list that could impact bonuses, raises and promotions. This process provided delayed feedback on the employee's performance with a lack of context and poor-quality responses.



With the information about the current state, the project team looked ahead to the desired state, prioritizing key points where digital reinforcement would change employee behavior. The result was the Audit Engagement Review Tool (AERT), pronounced “art.” AERT provided an optimized process that would have greater impact on the development of audit associates and senior associates, combine disparate tools and achieve business goals.

The project team piloted the AERT with a small population of engagement teams and their several hundred team members. They were provided with preliminary training and access, and the project team was available to answer questions and provide support. The groups selected for the pilot were in various stages of their engagement life cycles, so the project team would be touching on different aspects of the AERT functionality.

After the pilot phase, some changes were made based on feedback and AERT was rolled out in November 2015.

Product or Program Innovation

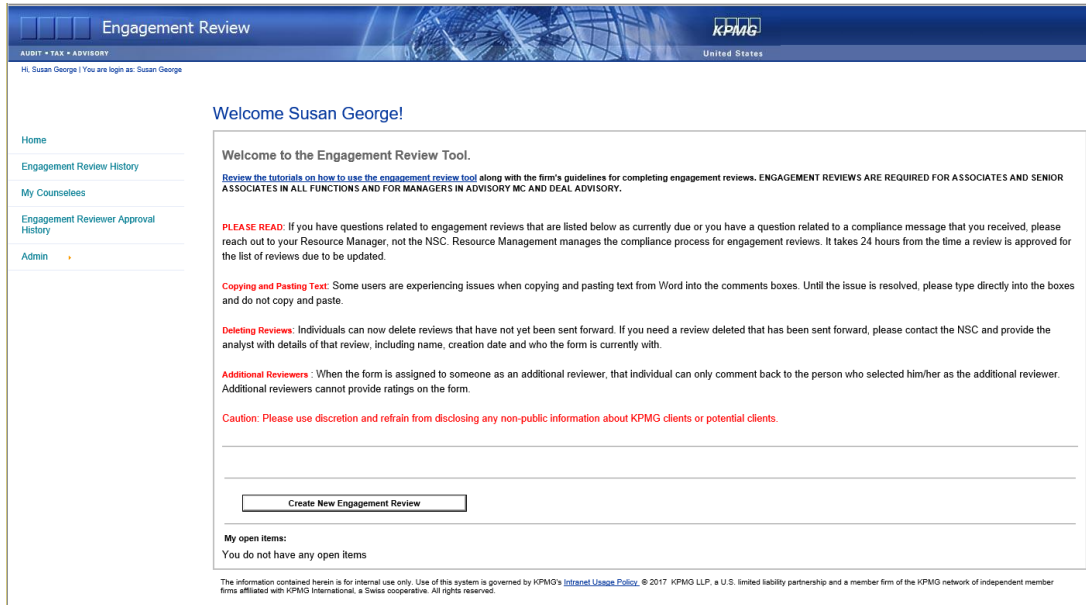
By pre-populating AERT with the employee’s key data and engagement details, the team streamlined the self-evaluation process and linked engagement goals to overall annual goals. Engagement team members could record notes throughout the process, charting individual progress, contributions to the team and thoughts on the overall team environment.

The system’s shorter deadlines and automated-escalation process facilitated the completion of reviews in a timelier manner, creating far more value in the content and context of the reviews to allow for more opportunities for coaching at the point of need.

AERT helped connect existing employee-talent tools and change the evaluation culture from compliance-based to an employee-driven, development-based process. The key was providing value to end users by appealing to internal motivation so feedback, skills development and self-awareness were sought early and often.

While streamlining the disparate tools, AERT also enhanced the user experience. A comparison of the old review tool to AERT shows the enhanced user interface

Figure 1: Original Engagement Review Tool



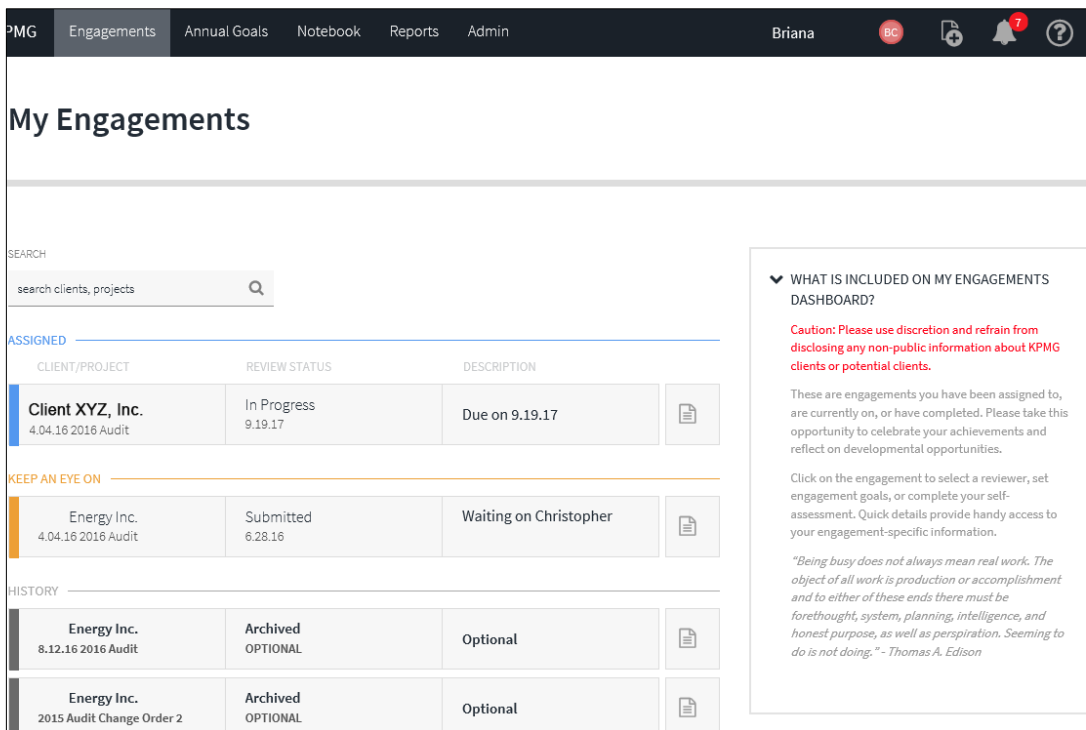
The screenshot shows a web application titled "Engagement Review" with a KPMG logo. The user is identified as Susan George. The main content area contains a welcome message and several informational sections:

- Welcome to the Engagement Review Tool.** Review the tutorials on how to use the engagement review tool along with the firm's guidelines for completing engagement reviews. ENGAGEMENT REVIEWS ARE REQUIRED FOR ASSOCIATES AND SENIOR ASSOCIATES IN ALL FUNCTIONS AND FOR MANAGERS IN ADVISORY MC AND DEAL ADVISORY.
- PLEASE READ:** If you have questions related to engagement reviews that are listed below as currently due or you have a question related to a compliance message that you received, please reach out to your Resource Manager, not the NSC. Resource Management manages the compliance process for engagement reviews. It takes 24 hours from the time a review is approved for the list of reviews due to be updated.
- Copying and Pasting Text:** Some users are experiencing issues when copying and pasting text from Word into the comments boxes. Until the issue is resolved, please type directly into the boxes and do not copy and paste.
- Deleting Reviews:** Individuals can now delete reviews that have not yet been sent forward. If you need a review deleted that has been sent forward, please contact the NSC and provide the analyst with details of that review, including name, creation date and who the form is currently with.
- Additional Reviewers:** When the form is assigned to someone as an additional reviewer, that individual can only comment back to the person who selected him/her as the additional reviewer. Additional reviewers cannot provide ratings on the form.
- Caution:** Please use discretion and refrain from disclosing any non-public information about KPMG clients or potential clients.

At the bottom, there is a "Create New Engagement Review" button and a "My open items" section stating "You do not have any open items".

Source: KPMG

Figure 2: New AERT tool



The screenshot shows a modern dashboard for "My Engagements". The top navigation bar includes "PMG", "Engagements", "Annual Goals", "Notebook", "Reports", and "Admin". The user's name "Briana" is visible. A search bar is present with the text "search clients, projects".

The main content area is divided into three sections:

- ASSIGNED:** A table with columns for CLIENT/PROJECT, REVIEW STATUS, and DESCRIPTION.

CLIENT/PROJECT	REVIEW STATUS	DESCRIPTION
Client XYZ, Inc. 4.04.16 2016 Audit	In Progress 9.19.17	Due on 9.19.17
- KEEP AN EYE ON:** A table with columns for CLIENT/PROJECT, REVIEW STATUS, and DESCRIPTION.

CLIENT/PROJECT	REVIEW STATUS	DESCRIPTION
Energy Inc. 4.04.16 2016 Audit	Submitted 6.28.16	Waiting on Christopher
- HISTORY:** A table with columns for CLIENT/PROJECT, REVIEW STATUS, and DESCRIPTION.

CLIENT/PROJECT	REVIEW STATUS	DESCRIPTION
Energy Inc. 8.12.16 2016 Audit	Archived OPTIONAL	Optional
Energy Inc. 2015 Audit Change Order 2	Archived OPTIONAL	Optional

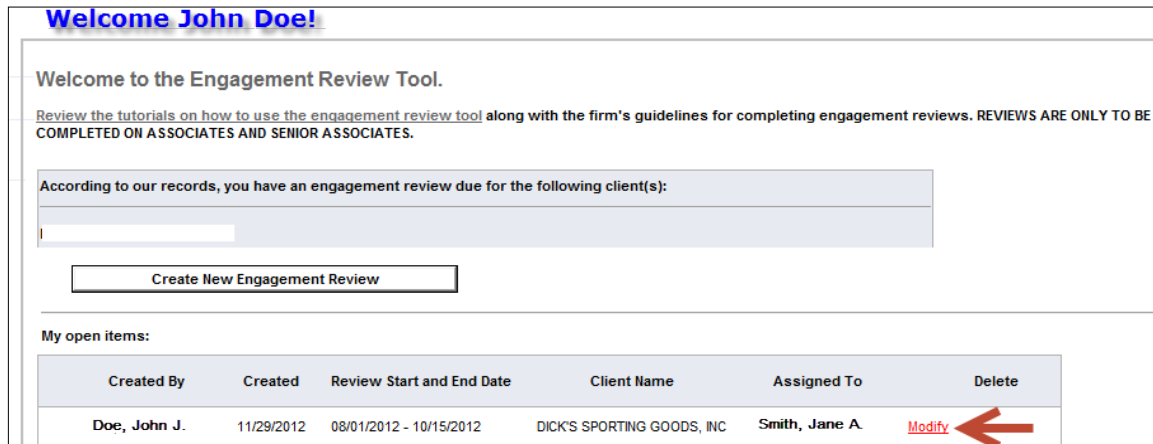
On the right side, there is a callout box titled "WHAT IS INCLUDED ON MY ENGAGEMENTS DASHBOARD?" containing a caution and explanatory text.

Source: KPMG

So, what makes AERT different?

- **Automated creation of engagement reviews.** Previously, reviewees spent time manually creating engagement reviews, searching for related details such as client codes and hours charged and entering the information into a form. Instead, AERT is linked to both the employee-scheduling system and the timesheet system, eliminating much of the manual work. Engagement reviews are automatically created by the system seven days before a reviewee starts an engagement assignment. The details of the engagement, such as client codes and hours worked, are filled in automatically from a linked internal-scheduling system. Rather than spending their limited time with the administrative burden of creating an engagement review, reviewees can jump right into the preparation of their engagement goals and self-evaluation. The change saves time that can be spent on billable work with their clients.

Figure 3: Manual Creation of Engagement Review

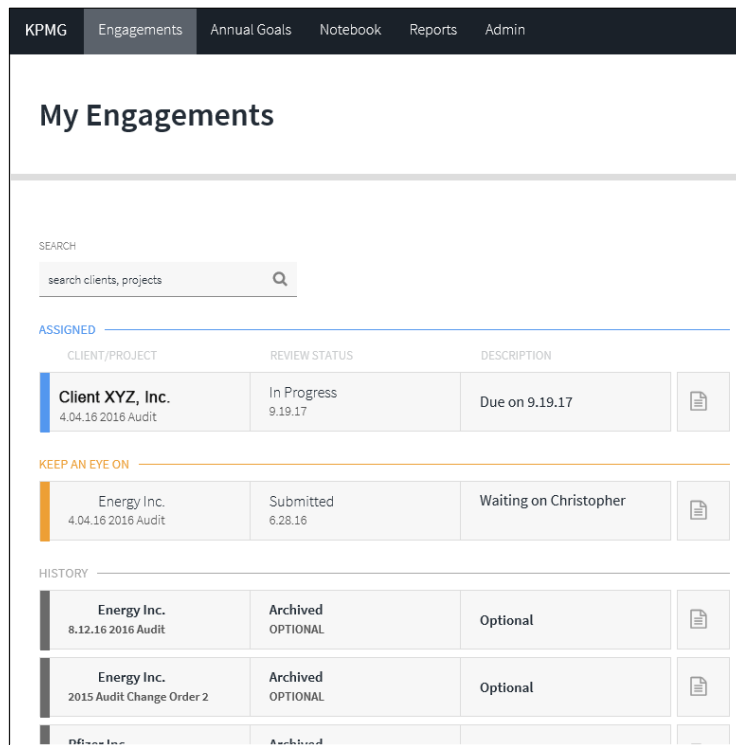


The screenshot shows a web interface for the Engagement Review Tool. At the top, it says "Welcome John Doe!". Below that, it says "Welcome to the Engagement Review Tool." and provides a link to review tutorials. A message states: "According to our records, you have an engagement review due for the following client(s):" followed by a redacted area. A button labeled "Create New Engagement Review" is visible. Below this is a section titled "My open items:" containing a table with columns: Created By, Created, Review Start and End Date, Client Name, Assigned To, and Delete. The table has one row with the following data: Created By: Doe, John J.; Created: 11/29/2012; Review Start and End Date: 08/01/2012 - 10/15/2012; Client Name: DICK'S SPORTING GOODS, INC; Assigned To: Smith, Jane A.; Delete: [Modify](#) (with a red arrow pointing to it).

Created By	Created	Review Start and End Date	Client Name	Assigned To	Delete
Doe, John J.	11/29/2012	08/01/2012 - 10/15/2012	DICK'S SPORTING GOODS, INC	Smith, Jane A.	Modify

Source: KPMG

Figure 4: AERT Automatic Engagement Review



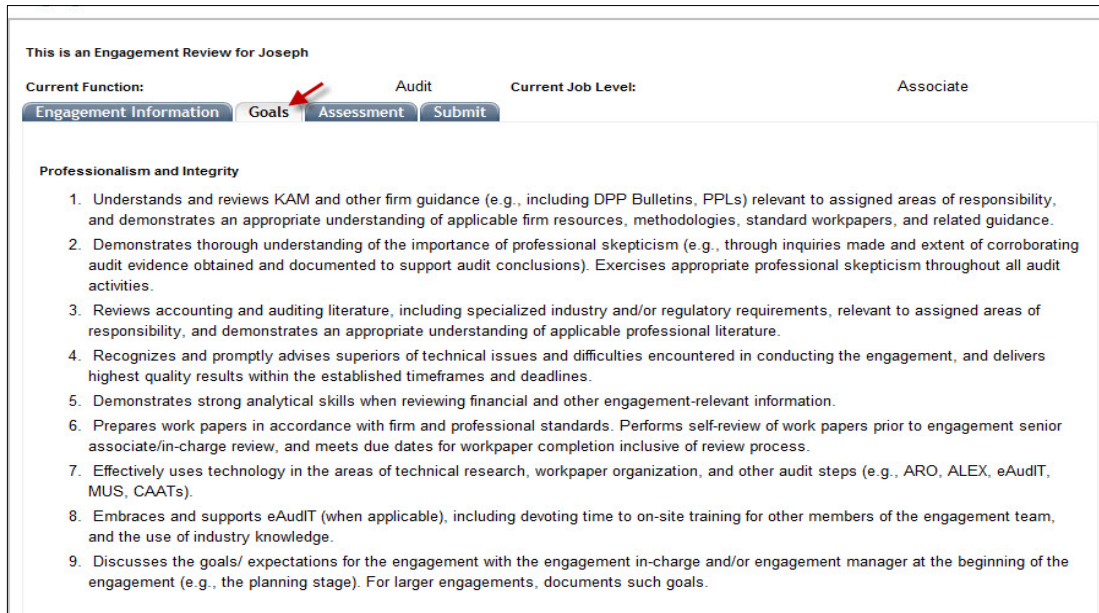
The screenshot shows the 'My Engagements' page in the AERT system. It features a navigation bar with 'KPMG', 'Engagements', 'Annual Goals', 'Notebook', 'Reports', and 'Admin'. Below the navigation bar is a search bar with the placeholder text 'search clients, projects'. The main content area is divided into three sections: 'ASSIGNED', 'KEEP AN EYE ON', and 'HISTORY'. Each section contains a table of engagement records.

CLIENT/PROJECT	REVIEW STATUS	DESCRIPTION	
Client XYZ, Inc. 4.04.16 2016 Audit	In Progress 9.19.17	Due on 9.19.17	
Energy Inc. 4.04.16 2016 Audit	Submitted 6.28.16	Waiting on Christopher	
Energy Inc. 8.12.16 2016 Audit	Archived OPTIONAL	Optional	
Energy Inc. 2015 Audit Change Order 2	Archived OPTIONAL	Optional	

Source: KPMG

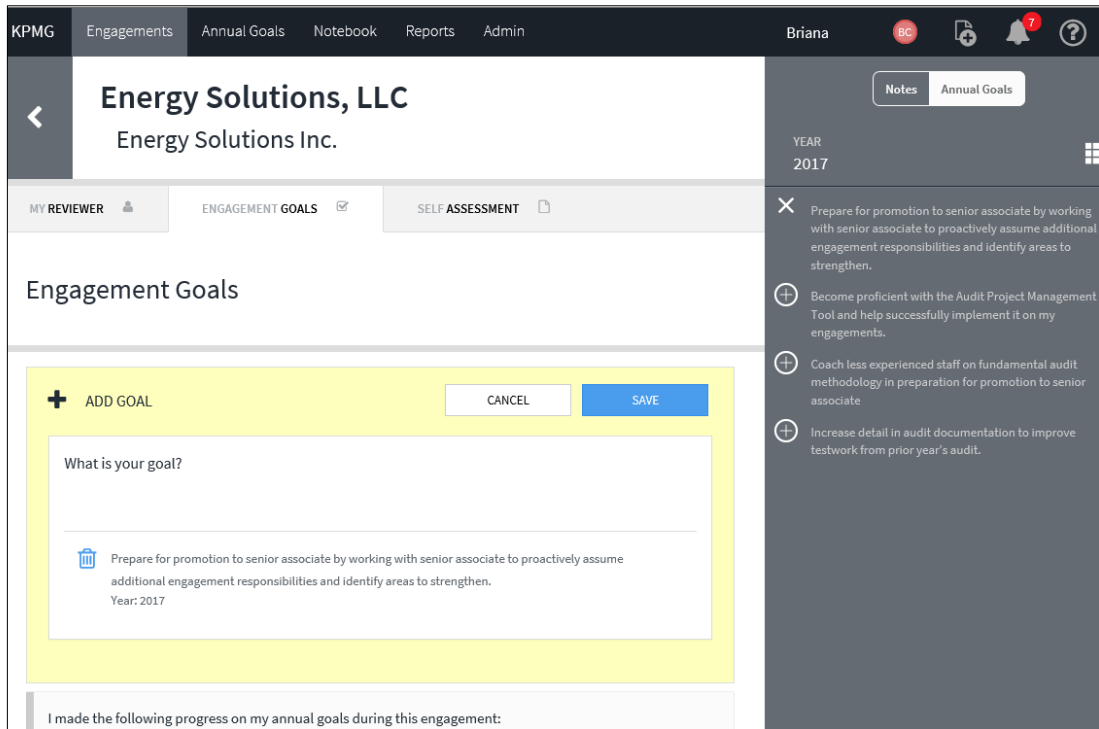
- Link to annual goal setting.** The old engagement review tool did not incorporate goal setting. Engagement reviews had pre-filled goals related to the business priorities that were not customized for the reviewee’s stage of development and skill sets. AERT encourages reviewees to reference and leverage annual professional and business goals. Reviewees can enter their annual goals in AERT to develop personalized engagement goals. The tool will automatically link feedback on the personalized engagement goals to the reviewee’s annual goals to create a summary of their progress that can be utilized during interim and year-end review discussions.

Figure 5: Goals in Previous Engagement Review Tool



Source: KPMG

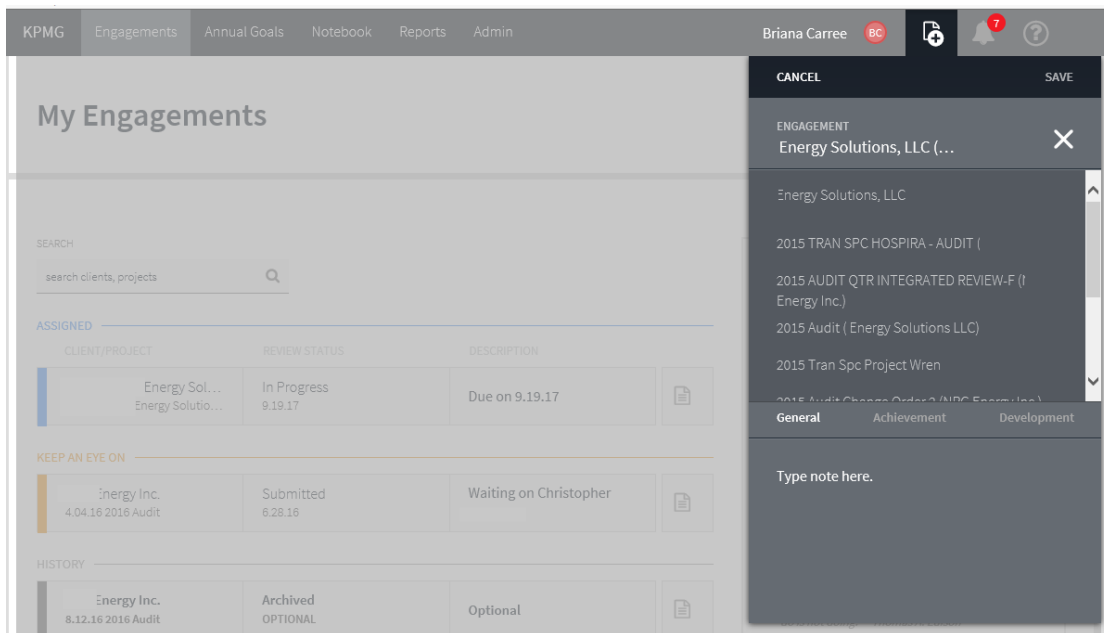
Figure 6: AERT Integrates Professional Goals and Business Goals



Source: KPMG 2018

- Note-taking.** The previous engagement review tool did not provide a way to capture notes throughout the course of the engagement with a client and made it difficult for reviewers and reviewees to remember relevant feedback and details. They had unnecessary administrative tasks, including pulling notes from a separate application such as Microsoft Word [™], Excel [™] or OneNote [™], and re-entering them in the system. AERT’s notebook functionality makes it easy to enter and organize notes as it creates a “workbook” for each engagement assignment. Users can categorize notes as General, Achievement or Development. Reviewers also can use “@” to attribute notes to specific team members, making it easier for them to organize the notes. When professionals begin working on the engagement review form, the notes can be dropped easily into relevant answers with one click of a button.

Figure 7: AERT note-taking feature



Source: KPMG

- Proactive reminders.** The compliance nature of the previous engagement-review process meant professionals received limited email reminders, sent out after the engagement assignment was completed and reviews were overdue. AERT’s motivational design provides more proactive reminders. A week before reviewees start an engagement, they receive an email reminder encouraging them to meet with their reviewer to set personalized engagement goals. Both reviewees and

reviewers receive email reminders the week before and the day before engagement reviews are due. Dashboards automatically prioritize engagement reviews for the users so they can keep track of what they need to work do.

The AERT platform is customizable. KPMG's Advisory practice utilized the AERT platform as the base of the new engagement review process but customized both the workflow and the form to meet specific business needs.

Unique Differentiators

Various vendors were considered for solving Audit's business issues but timing and integration with a planned upgrade of the overall HR system was a challenge. Senior leaders pushed to improve the talent management process regardless of future upgrades. In addition, the importance of enhancing user experiences and contributing to culture change drove leaders to choose a more customized approach. Therefore, AERT was developed in-house to ensure its future compatibility with new HR systems.

AERT's clean, simple user interface was expected to help foster adoption by the intended audience, primarily young associates just of college and senior associates with the firm only a few years. The project team sought to emulate a user experience and interface that was familiar to people through their use of everyday mobile applications such as Facebook, Twitter and Instagram.

In addition, it was vital to adoption to have intuitive workflows that enable users to quickly work through a process, enjoy the experience, and continue to receive value after repeated use. Those requirements included the need to incorporate motivational-design patterns rather than "out-of-the-box" vendor products. The project team used an iterative UX design, development and testing process to develop the platform.

Audit's in-house, design-thinking methodology enabled such user requirements to lead rather than follow the technical requirements for AERT's design and development. As a result, the first release included key features like data-input automation, goal integration, note-taking and reviewer feedback. Continued Agile iterations enable prioritized features and code updates to be included in subsequent releases.

Based on its success and positive feedback from both the Audit and Advisory practice, KPMG is evaluating whether to add AERT as part of its client-facing Advisory HR Transformational Services Suite. This suite of proprietary products includes tools for change management planning, onboarding and off-boarding, and talent management.



KPMG is its own biggest reference with successful implementations of HR enterprise tools to manage 25,000 employees.

Measurable Results

Feedback from Audit professionals has shown that AERT addressed Audit leadership's key business goals.

"The firm's introduction of AERT was a game-changer for personal development and has achieved the objective of timelier feedback and better performance conversations." -- Audit Senior Associate in an email to the Audit Vice Chair.

Employee engagement-survey results show the positive impact of AERT. In October 2015, prior to AERT's launch, 71% of Audit Associates and 63% of Audit Senior Associates felt their supervisors gave them regular feedback that helped improve job performance. In October 2016, almost a year after the launch of AERT, 80% of Audit Associates and 73% of Audit Senior Associates felt the people their supervisors gave them regular feedback that helped them improve their job performance — a dramatic improvement in just 11 months.

"Although I never experienced the rating review process since I am a fairly new employee, I strongly believe that the switch to AERT has helped me understand where I can improve, which enhances my ability to advance in my career." – Audit Associate in the survey.

Another outcome of AERT's engagement-review process was the positive reinforcement that reviewers received from a simple thumbs-up/thumbs-down vote from the reviewee. It was an intentional technique to reinforce the reviewer's thoughtful responses. Since the launch of AERT in November 2016, nearly 8,400 reviewer-feedback responses were provided and 97% of them were thumbs-up.

Based on its success and positive feedback from the Audit practice, KPMG tailored and released AERT for its Advisory practice. After the success of AERT in the United States, several of KPMG's international-member firms have expressed interest in learning more about the program. They've been impressed by demonstrations of AERT and are considering adopting it as part of their own performance development processes.

About Brandon Hall Group

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management. With more than 10,000 clients globally and more than 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

Inspiring a Better Workplace Experience

Our mission: Empower excellence in organizations around the world through our research and tools each and every day. At the core of our offerings is a Membership Program that combines research, benchmarking and unlimited access to data and analysts. The Membership Program offers insights and best practices to enable executives and practitioners to make the right decisions about people, processes, and systems, coalesced with analyst advisory services which aim to put the research into action in a way that is practical and efficient.

Membership Offers Tailored Support

Our membership delivers much more than research. Membership provides you direct access to our seasoned team of thought leaders dedicated to your success, backed by a rich member community, and proactive support from our client services team.

RESEARCH ACCESS & EVENTS

- Reports
- Case Studies, Frameworks & Tools
- DataNow® & TotalTech®
- Webinars and Research Spotlights
- Annual HCM Conference

ADVISORY SUPPORT

- Ask the Expert
- 1 on 1 Consultations
- Research Briefings
- Benchmarking



CLIENT SUCCESS PLAN

- Your Priorities
- Executive Sponsor
- Client Associate
- Monthly Meetings

Strategic Consulting Offers Expert Solution Development

Our consulting draws on constantly updated research and hundreds of case studies from around the globe. We provide services that simplify and target efforts to produce business results.

BENCHMARKING

- Competitive/Comparative
- Maturity Model
- Custom Research

STRATEGY

- Business Case
- Planning
- Organization & Governance

TECHNOLOGY SELECTION

- Vendor Selection
- Architecture Design
- Systems Evaluation

DEVELOPMENT & INTEGRATION

- Program Design
- Assessment
- Survey
- Process Integration

For more information, contact us at success@brandonhall.com.