Value-based digital investments

Navigate investments in today’s environment

Balancing cost control and innovation in digital investments

In today’s volatile economic environment, businesses face unprecedented pressure to optimize their digital investments. The current economic downturn has led to tightened budgets, forcing organizations to critically evaluate every euro spent. Yet, at the same time, the need to keep up with rapid technological advancements has never been more crucial. Companies must innovate to stay competitive, but traditional investment approaches struggle to support this dual need for cost control and innovation.

Why traditional budgeting is not working

Traditional budgeting methods, characterized by rigid, annual cycles, are ill-suited to today’s fast-paced business environment. These approaches lock in funding early in the fiscal year, limiting the organization’s ability to pivot when new opportunities or threats emerge. Moreover, these methods often result in funding being allocated to projects based on historical data or political influence, rather than on current or future strategic value. This rigidity leads to missed opportunities and an inability to fund innovative initiatives that could deliver significant value, ultimately causing stagnation and inefficiency.

What are value-based digital investments?

Value-based digital investments refer to allocating resources into digital initiatives that are expected to deliver measurable business value. This value could be in terms of revenue growth, cost savings, improved customer experiences, or enhanced operational efficiency. The focus is on ensuring that digital projects and technologies align with the strategic goals of the organization, providing a clear return on investment (ROI) rather than investing in digital for its own sake. Lean Portfolio Management (LPM) prioritizes Value-based digital investments by aligning resource allocation with strategic goals and ensuring a measurable return on investment.

Alignment with strategic objectives
LPM ensures that all portfolio investments are directly aligned with the organization’s strategic goals. Strategic themes from frameworks like SAFe (Scaled Agile Framework) guide decision-making, ensuring consistency with long-term business priorities.

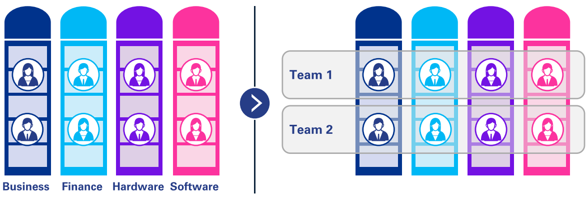
Funding value streams
Instead of funding individual projects, LPM allocates resources to value streams—end-to-end processes that deliver value to the customer. This approach offers greater flexibility, enabling organizations to shift resources and adapt the features delivered as market conditions or business needs change.

Shorter funding cycles
LPM operates on shorter cycles compared to traditional annual budgets, allowing for more frequent reassessment of investment priorities. This responsiveness helps companies quickly adapt to new opportunities or challenges.

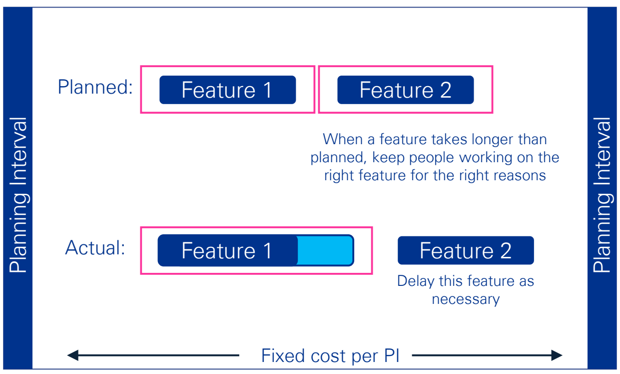
Dynamic resource allocation
Resources can be reallocated based on the evolving needs of value streams, ensuring that high-impact initiatives are always adequately supported. This dynamic approach helps avoid the inefficiencies of rigid budget allocations that can lead to wasted resources or missed opportunities.

Organize around value through establishing value streams

Defining value streams is an essential part of implementing LPM. However, it is only one aspect of the whole picture. Many journeys in value-based digital investments may begin by organizing around value through establishing value streams, but it is important to note that you can also start with one of the other components which were explained before. A value stream is essentially a series of actions that an organization takes to deliver a product or service to the customer. By organizing work around these streams, rather than around departments or projects, companies can better align their resources with customer value. This approach enables a more focused investment in areas that drive the most significant impact, ensuring that the most critical initiatives receive the necessary support.

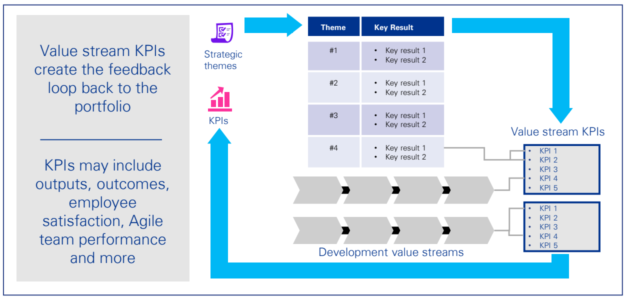


- Resources are shared within the value stream. As a result, money and team members can be exchanged flexibly while the budget remains the same. This avoids having the higher management to convene in order to make budgetary decisions, allowing for value streams to shorten the time-to-market process.
- Value streams typically persist in a similar composition for a long time, which benefits the morale, knowledge, and productivity of the team.
- Estimation of costs is generally made per Planning Interval (cycle of 8 to 12 weeks) in which new functionality is added. Features that are being worked on, their duration and the order can be shifted so that the work that gives the most value is always picked up first.



Calculate return on investment

In LPM, calculating ROI is not a one-time exercise but an ongoing process. As part of this value-driven approach, ROI is continuously assessed throughout the lifecycle of an initiative. This allows organizations to track whether their investments are generating the expected returns and make necessary adjustments if they are not. By linking financial outcomes directly to strategic objectives, LPM provides a clear view of the value generated by each investment. The costs can be calculated through the amount of story points the team needs to complete the user stories and features within the epic. This translates to a certain cost for the epic in total, which can also be split into a Minimum Viable Product (MVP) part and extra benefits a team can decide to add to the epic, after the MVP is realized. Both the costs and the expected value of the epic can be used to calculate the return on investment. Applying Participatory Budgeting (PB) as a collective decision-making process for fund allocation can incorporate the priorities and perspectives of diverse stakeholders into strategic investment decisions.



Value tracking

Value tracking in LPM involves the continuous monitoring of performance metrics to ensure that investments are delivering the intended value. This ongoing assessment is critical for identifying when projects or value streams are underperforming and for making timely adjustments. Whether it's reallocating resources, refining goals, or even discontinuing projects, LPM's flexible approach ensures that investments remain aligned with the organization's strategic objectives. This adaptability is key to maintaining a competitive edge in today's rapidly changing market.

Business case

KPMG supported a listed corporate client with digitizing the risk management processes to achieve a challenging efficiency and quality target as part of the department's strategy.

Value management was seen as a key instrument for:

- Prioritizing program activities by expected business value;
- Articulating business value to project teams and key stakeholders to guide required behavior and the required business change;
- Clarifying relations between projects and their contribution to the overall program objectives;
- Demonstrating the actual value realization to the leadership team.

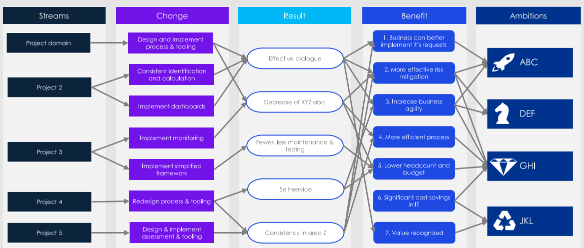
Approach

In an iterative manner, together with project managers, SMEs, and the management team, we developed insights into the key benefits and how to achieve and measure these. This was captured in a value logic model showing how projects and business initiatives lead to benefits.

Results

Adopting a value-driven perspective brought focus and an end-to-end view, shifting from project activities to value realization. It provided clarity to C-level stakeholders by integrating business value delivery into high-level program planning and highlighting dependencies. Benefits were described in both strategic KPI's to track business case realization and operational KPI's to guide go-live monitoring and change activities. This helped the organization to deliver on the business case.

Value logic model



Key benefits with KPIs

Benefit	Definition	Indicative KPI	Workstream contribution				
			AB	GR	FD	YT	KG
1. Business can better implement it's appetite	• Understanding, awareness of the risk and making conscious decision on mitigation. Improved ability of business to implement it's Risk Appetite	• % businesses / landscapes with risk visuals and mitigations updated in past year • Maturity level of business in understanding risks	✓	-	✓	✓	-
2. More effective mitigation	• More targeted risk investment (through better insight and more risk mitigation options) • Improved security	• % of controls implemented within agreed timeframe • Return on control • # of controls in (standardized) • % of risks mitigated within agreed timeframe	✓	✓	✓	✓	✓
3. Increase business agility	• Better insights and more options for decision making • Faster cycle time for involvement • Cooperation between and business in early project stage	• % of projects self-service • Less project delays caused by • Cooperation with from push to pull	-	-	✓	-	✓
4. More efficient assurance process	• Increased direct insight in risks and issues • Increased ownership in Line of Defence 1 • Completer and faster insight in risks and issues • Decrease in activities by SIA • Decrease in activities by external audit	• Coverage % • Less recurring root causes of findings • Maturity level of applications (4 levels of standardization)	-	✓	✓	✓	✓
5. Lower headcount and budget	• Reduction of budget • Reduction of headcount	• % cost reduction in budget reduction ($xyz M/a compared to) • % IRM headcount reduction (to FTE)	-	✓	✓	-	-
6. Significant cost saving in IT	• Decrease in activities by IT-staff	• Amount of time spend on related activities	-	-	✓	-	-
7. Value of function recognized	• role valued by the business (external) • People want to work for profile and brand	• customer satisfaction rating • employee satisfaction rating	✓	-	-	-	✓

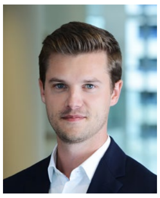
Conclusion

Lean Portfolio Management offers a powerful framework for navigating the complexities of value-based digital investments in a challenging economic environment. By focusing on value streams, continuously tracking ROI, and enabling dynamic adjustments, LPM ensures that every investment is aligned with the organization's strategic goals and delivers maximum value. This approach not only supports faster decision-making and greater flexibility but also fosters a culture of innovation, where resources are consistently directed towards the most promising opportunities. It is important to emphasize that the framework should be tailored to the size, complexity, and specific needs of each organization as there is no ‚one-size-fits-all' approach. Furthermore, it is crucial to build and implement LPM iteratively, as setting up value streams alone can already be a time-consuming task. By adopting this iterative and adaptive approach, organizations can ensure that they continuously improve their LPM framework ensuring they stay ahead of the curve and drive innovation in a rapidly changing environment.

Contact

Stéphanie Porteman
Partner
KPMG in Belgium

M: +32 (0)487 32 73 27
E: stephanieporteman@kpmg.com



Mathew Mertens
Senior Manager Advisor
KPMG in Belgium

M: +32 (0)470 23 88 91
E: mathewmertens@kpmg.com

Anse Blankers
Senior Advisor
KPMG in Belgium

M: +32 (0)496 40 79 34
E: ablankers@kpmg.com

kpmg.com/be