

A photograph of a busy city street with historic buildings. The street is paved with red bricks and has a wet surface. Pedestrians are walking, some blurred to indicate motion. A black lamppost with a white globe and a hanging flower basket stands on the left. The buildings are multi-story with various window styles and colors (white, red brick, grey). A blue banner is overlaid on the top left.

# An Industry Disrupted: Surviving the Change Challenge

## Consumer Markets

[kpmg.com](http://kpmg.com)



cutting through complexity



## THE DISRUPTIVE LANDSCAPE



### LEADERS TODAY

**Must harness innovation and inspire change**

Change is a constant and often disruptive fact of life. A single smart phone application can change an entire business model, and the rate and frequency of change continues to accelerate in every market around the world. In today's environment where new emerging consumer trends and wholesale disruption are the new normal, Consumer Markets companies must adapt their strategy, operating models, capabilities and products to remain competitive and win.

Not surprisingly, a recent KPMG survey revealed that nearly all Food, Drink & Consumer Goods (FDCG) and Retail companies are in some stage of active business transformation. Yet, despite their efforts, a large percentage of companies struggle to realize both the immediate and longer-term value, and return on investment expected of their transformation agenda.

The common thread across successful initiatives? An active, concerted approach to change management combined with a strategic focus on developing the organizational agility to allow companies to anticipate and react to turbulent market dynamics before anyone else does.

At KPMG, our People and Change team helps a broad spectrum of Consumer Markets clients realize the full value of their change efforts by applying a holistic, proactive and structured Behavioral Change Management methodology to help mitigate the people-related risks inherent in any transformation or growth initiative. Our experience and approach are focused on developing customized solutions to support the specific needs, culture and strategic goals of our clients, allowing us to address the challenges of change in a global economy, while institutionalizing the critical change management capabilities that will enable future flexibility and agility.

***A few years ago, change management was a discrete activity for a stand-alone initiative. Today, with disruption unrelenting, change management is a non-optional institutional and leadership capability that companies must get right, right now to be successful for the future.***

### Key Macro Trends & Client Focus



**New  
Consumer**



**Sustainability &  
Wellness**



**Digital  
Disruptors**

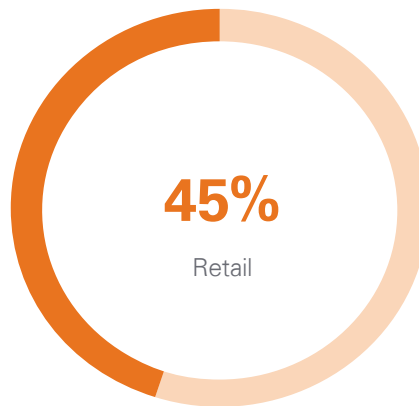


**Globally  
Connected**



**With the pace of change and market place demands increasing exponentially, companies are trying to keep up – frequently, unsuccessfully<sup>1</sup>**

59% of Food, Drink & Consumer Goods and 45% of Retail companies are currently undertaking or have completed at least one major transformation in the past 3 years



15 cents out of every dollar spent on a strategic change program are lost



1. Enabling Organizational Change Through Strategic Initiatives, PMI, March, 2014





## HARNESSING DISRUPTION

### How Consumer Markets companies are reacting to the disruptive landscape



**Actively Pursuing Growth:** Over 70 percent of CEOs report that a growth focus over the next three years is more important for their companies' well-being than focusing on operational efficiencies<sup>2</sup>. Along with organic expansion, many organizations are also looking to mergers and acquisitions as a way to access new capabilities or markets. Typically, managing change for growth initiatives requires new ways of thinking and strong executive level and front office leadership. Companies must seek an approach that balances the existing culture with a change in behaviors and skills necessary to deliver new business models, markets, products/services and customers.



**Integrated Business Planning:** Today, many companies are exploring integrated business planning as a way to bring together disparate financial, commercial and supply chain planning processes, systems and decisions in a collaborative manner. To enable success, organizations must build a culture of cross-functional collaboration and a governance framework that supports effective decision making. As new analytic and business partnering skills become critical, scenario based training will help develop the new competencies and behaviors needed.



**Managing Margin:** To maintain or improve margins, companies often look to process re-engineering, automation and shared services or outsourcing for efficiency opportunities. Minimizing business disruption and ensuring continuity during these initiatives requires a compelling vision, solid understanding of change impacts and a change strategy focused on mitigating prioritized risks. Significant consideration must be given to effective knowledge transfer and workforce transition further enabled by clearly defined roles, responsibilities and honest communication.



**Mitigating Cyber Risk:** Cyber security, and data privacy make headlines and are critical for consumer confidence. While technical solutions continue to be a priority, companies must ensure that the same focus is applied to instilling the cultural values and behaviors required to enable security protocols and address breaches. By understanding, in detail, the critical decisions or activities where employees' actions may increase risk exposure, and proactively addressing these with targeted training, companies can significantly increase personal commitment and adoption of their programs and reduce their vulnerability.



**Embracing New Technology & Data:** Over the next three years, more than 40% of Consumer Markets companies expect disruptive technologies, greater access to data and enhanced analytical capabilities to play a significant role in internal and externally-driven transformations<sup>3</sup>. Whether rolling out an omnichannel strategy, implementing Cloud-based solutions, or developing new digital, mobile or data-enabled capabilities, companies must be prepared to address the introduction of new skills, ingrain different ways of working and collaboration, and frequently, change performance metrics, and employee expectations. Targeted communication, training and capability building efforts are essential to enabling the new skills and consistently inculcating the new, desired behaviors throughout the organization.



**Addressing Regulation and Compliance:** Increasing regulatory and public scrutiny on labeling and nutrition, conflict minerals, and transparent supply chains are introducing new knowledge and adherence requirements for multiple Consumer Markets companies. To effectively mitigate and avoid potential reputational, and financial risks companies must, first, understand the holistic implications of regulation on their employees, partners, suppliers and customers, and second, develop appropriate communication and training programs to address the specific needs of each segment.

2. Empowering the CFO Through Technology, KPMG, 2014

3. KPMG Transformation Analysis, KPMG, 2014

## Realizing the Full Value

### The Challenges of Managing Change:

Multiple issues may impede the success of a change initiative. Complacency, internal politics, inconsistent approaches, conflicting projects and mixed messages or an unwillingness to deal with the consequences of change can significantly limit, or prevent realization of business benefits.

*47% of Food Drink & Consumer Goods companies and 35% of Retail companies consider existing corporate culture to be the greatest barrier to a successful business transformation initiative at their organizations. 43% say they lack the skills and capabilities for effectively managing change<sup>4</sup>.*

In other cases, Consumer Markets companies, 40% of which are already struggling to find the appropriate resources to support the change initiative<sup>5</sup>, declare victory too soon, shifting focus to other priorities before the real battle is won. Despite the best intentions of the smartest people, achieving meaningful, lasting business transformation remains elusive.

### Benefits of Change Management:

However, not all change initiatives fall short. Our experience working with a diverse group of clients of all sizes, across all industries throughout the world, has shown that successful transformations share a common enabler: effective change management. According to multiple business surveys and a vast body of scholarly research, properly designed and implemented change management efforts can result in a range of benefits for the supported initiative<sup>6</sup>.

Change management can also increase the speed to adoption, while minimizing the productivity dip often associated with change efforts, leading to faster benefits realization. Simply put, managing change helps people adopt their new operating reality, as without their buy-in, neither the best tools, nor the most efficient processes will matter.

Companies with strong change management capability are nearly twice as likely to outperform less-focused peers in their ability to<sup>7</sup>:



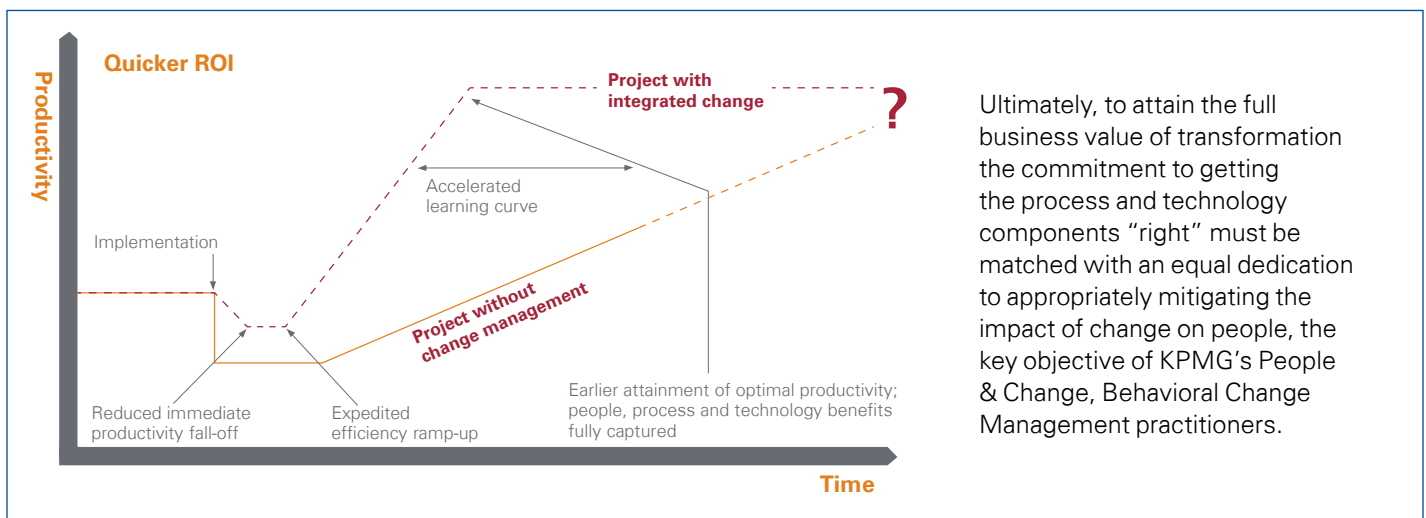
Meet their strategic goals



Stay on time



Stay on budget



4-5. KPMG Transformation Analysis, KPMG, 2014

6. Why good strategies fail: Lessons for the C-suite, Economist Intelligence Unit, 2013; Business Case for Managing Change, CEB Corporate Leadership Council, 2007, et al.

7. Ibid, Enabling Organizational Change et al.

# MAKING CHANGE REAL

## Our proactive and holistic approach

KPMG’s point of view on managing change is based on the fundamental belief that change programs require a proactive and structured approach that addresses the people risks inherent in any business transformation. As a result, our Behavioral Change Management methodology helps get people ready, willing and able to deliver the desired benefits from the transformation.

We use a structured, focused approach to help our clients:



**Analyze** the impact of the change and the associated organizational and cultural risk, and readiness implications to create and identify the required actions.



**Engage** stakeholders with targeted communications, involvement strategies and alignment efforts to create buy-in, ownership and understanding of the change among the various audiences being impacted.

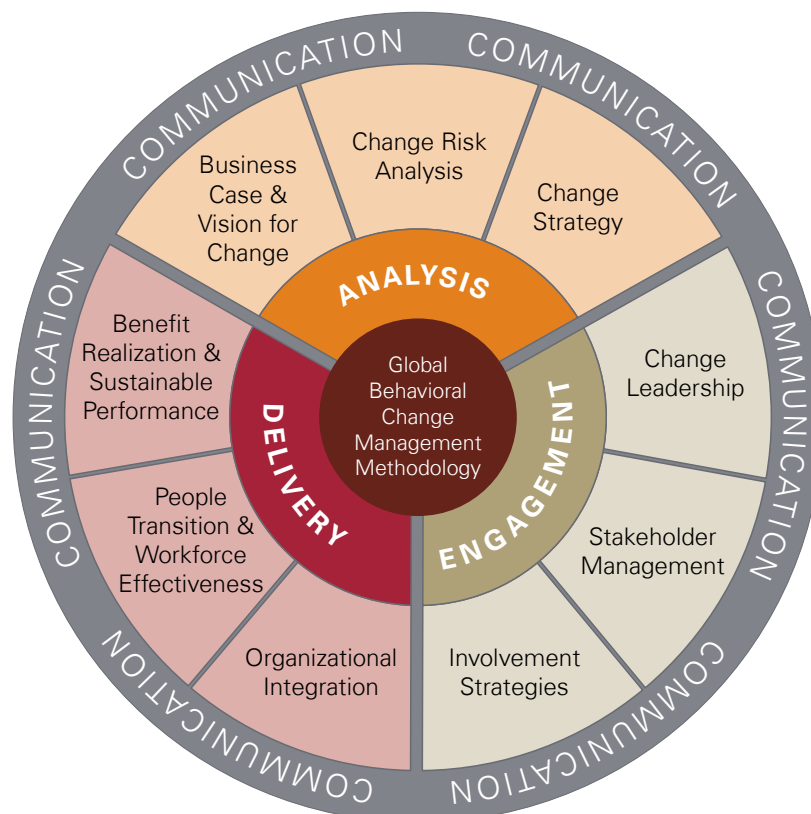


**Deliver** results by proactively addressing and mitigating resistance to prepare affected stakeholders for the new ways of working to ensure effective and sustainable realization of business value.

This methodology is truly global and consistently applied by KPMG People & Change practitioners around the world. It is a systematic approach enabled by a cadre of experienced subject matter professionals, and multiple tools and accelerators that help identify and prioritize risks, opportunities and required supporting resources.

Our approach is not a “one-size-fits-all” model applied indiscriminately regardless of the magnitude or type of the change program. Change is contextual, and managing it successfully is both a science and an art. By forming close, collaborative partnerships with our clients we develop a deep understanding of their specific environment and culture, and create customized solutions that scale to fit the objectives of the initiative.

We believe that change management is a pragmatic and iterative process, so the strategies we develop are designed around metrics and feedback mechanisms. By actively incorporating learnings we can adjust our course of action and maximize the effectiveness of change efforts while minimizing disruption. Consistent application of this disciplined approach helps build institutional change management capabilities that can provide long-term benefits and develop critical leadership skills essential to support subsequent change initiatives and future business challenges.



### Which of the following aspects of change management is most challenging for your organization?

Unclear vision of where we are headed and what we are trying to achieve	Inconsistently applied or lacking organizational effectiveness approaches and tools	Inability to identify and mitigate people risks in a timely fashion
Insufficient leadership focus	Lack of capacity given the number of different changes going on at once	Ineffective knowledge transfer, and training capabilities and resources
Misalignment of metrics, and incentives that do not reward people for working differently	Lack of sufficient resources to help with transformation initiatives	

### KPMG Perspective: Leading Practices in Change Management

#### Share the Vision

1

Develop an overarching, strategic vision for your initiative that defines the desired future state in a compelling manner. Clearly outline expected benefits, cultural changes and behavioral attributes while consistently reinforcing this vision to motivate and inspire employees.

#### Prioritize your Efforts

3

Allocate resources in a manner that allows you to address key issues first. Prioritizing efforts can accelerate progress and enable “quick wins” that help encourage stakeholder buy-in and support.

#### Consider all Stakeholders

5

Changes affect both internal and external parties, so consider the greater universe of stakeholders such as suppliers, customers, outside investors and shareholders. Address their particular needs in your change efforts even if the impact is minor.

#### Develop Sustainable Training Programs

7

Develop relevant, targeted training programs that are tailored to the specific needs of your audiences. Don't forget that training may need to evolve, and ensure that processes and ownership for updating your training content and re-training your staff are clearly defined.

#### 2 Understand the Change

Assess the complete impact of the change, its magnitude, perception, and associated risks. Base your change strategy and support needs on specific gaps and opportunities.

#### 4 Create Leadership Engagement

More than 56% of initiatives fail due to lack of leadership<sup>8</sup>. To avoid this pitfall, leaders need to “own the change” by clearly positioning themselves as strong advocates for the change and consistently supporting the future vision and its benefits.

#### 6 Continuously Communicate

Repeated studies show that structured and specific communication is the largest contributor to the success of change initiatives<sup>9</sup>. Regular, proactive, meaningful and transparent communication is essential at every stage of the initiative. In fact, when nothing is communicated, inaccurate or unwanted messages develop. This applies to employee messaging and discussions with the Board, investors, analysts and customers.

#### 8 Realign the Organization

Technology, process and policy changes have frequent implications for the structure of the organization. Realigning the organization and changing roles and responsibilities may be required to adjust to new ways of working.

8. Ibid, Enabling Organizational Change et al.

9. The High Cost of Low Performance: The Essential Role of Communications, PMI, May, 2013; Ibid, Enabling Organizational Change et al.



# TACTICS TO MAKE CHANGE REAL



## GLOBAL CHANGE

*A leading Consumer Markets manufacturer undertaking multiple global transformations wanted a smarter, more agile change effort...*

By defining critical on-the-ground change management activities and developing a prescriptive toolkit with customizable plans, communication and training content we prepared local teams to lead change efficiently and consistently.



## MERGER VALUE

*When two leading Quick Service Restaurants needed to quickly realize the full value of their merger...*

Through involving the management team in defining the new, desired culture and assessing differences with current individual companies' values and approaches, we helped define an actionable plan to bring together the two disparate organizations.



## CYBER SECURITY

*In a world where failed responses to data breaches dominate headlines, a Retailer wanted to be ready for any potential cyber security challenges...*

By establishing clear action plans and communication protocols for all levels of the organization, from leadership to store associates, we helped prepare the company for rapid mobilization in response to cyber threats.



## FUTURE VISION

*To help a leading Consumer Packaged Goods company truly envision the future...*

We engaged company leaders and high-potentials in an interactive session where together they developed creative ways to depict what a future "day in the life" in their company would look and feel like.



## REGULATORY COMPLIANCE

*Faced with new legislation and increasing public scrutiny, a global Retailer needed to make compliance everyone's priority...*

By creating realistic, scenario-based training we helped employees understand how, when and why their daily activities and decision making needed to change to meet emerging regulation.



## BUSINESS PARTNERING

*To ingrain true business partnering mindsets and capabilities at a global Consumer Packaged Goods manufacturer...*

We identified specific actions and decision points where effective business partnering would provide the most value to the organization, and created clear, role-level descriptions of "start-stop-continue" activities that modeled the expected behaviors.





# STARTING THE CHANGE MANAGEMENT CONVERSATION

**In a world where the pace of change is exponential, a well-developed, institutionalized change management competency is increasingly critical to an organization's survival. So, can you, with confidence, pinpoint just where you are in the maturity of your change management capability? Consider asking your change initiative owners, senior project managers, and HR leaders, and more importantly, yourself, some of the critical questions below to find out...**

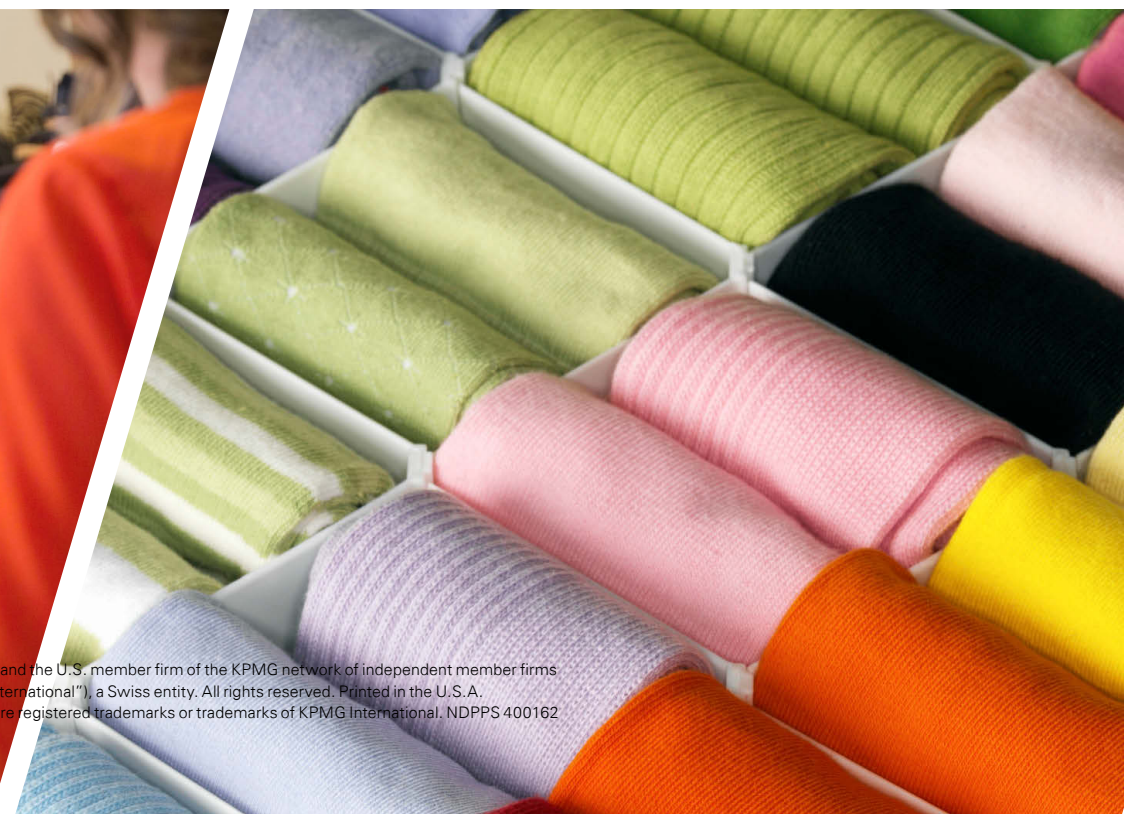
## **"As an organization"**

- Do we know how effective we are at managing change? Do we know what we should be doing differently?
- Do we learn from past change efforts, what worked and what didn't and leverage those learnings in future efforts?
- Do we have a focused strategy and approach for developing the institutional capability to manage change effectively?
- Do all of our business initiatives have change management built into their overall approach?
- Are we prioritizing and organizing the various initiatives across the organization to ensure you can effectively manage the degree of change to any one organization?
- Are the initiatives properly integrated and aligned to deliver the company goals and not just functional results?
- Do our leaders know how to successfully drive change in our organization?

## **"For a specific project"**

- Do we have a clear vision, goals and objectives that a cross-functional leadership team has defined and supports?
- Do we understand the implications of not changing? The value of changing?
- Do we consider change management simply planning and executing communication and training?
- Do our business leaders and project teams have ownership and responsibility for managing the change (or is it something someone else is expected to handle, such as HR or consultants?)
- Do we know the degree of impact, magnitude and timing of our various business initiatives?
- For each of the business initiatives undertaken, have teams clearly articulated and acted on the specific changes each role is expected to do differently (process, technology, policy, behaviors)?
- Do we measure the results of our business initiatives – take corrective actions and celebrate success?











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