



The art of continuous transformation

Companies need to orchestrate an ever-evolving set of initiatives to reshape the enterprise



Introduction

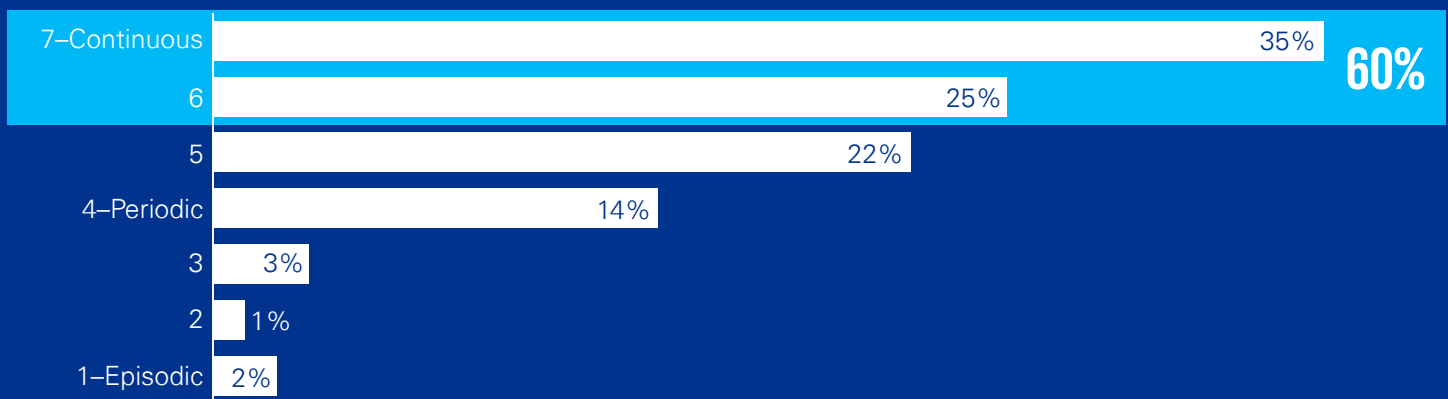
Transformation is no longer a choice for businesses. It is a necessity. To keep up with rapid changes in their markets and with new ways of doing business, companies in every industry are transforming both internal and go-to-market functions. Transformations are significant change programs that require substantial resources, expertise, and leadership commitment—and they are a fundamental part of the top leadership agenda.

In a recent KPMG survey of transformation leaders, 82 percent of respondents said the pace of transformation is accelerating. The survey also found that organizations are typically running multiple change programs simultaneously and 60 percent of respondents said transformations have essentially become continuous; never or rarely are there no transformations under way (Exhibit 1).

Running multiple and continuous transformations is a complex challenge. It requires the ability to orchestrate multiple massive projects and sustained leadership that keeps each transformation focused on clear strategic objectives. When companies don't do this well, it is much more likely that these costly and time-consuming efforts will not deliver the expected value. Indeed, in the same survey, more than 80 percent of executives who have been involved in transformations said that the No.1 reason for failure is lack of alignment between transformation efforts.

In this brief paper we discuss the challenges created by continuous transformation outline some ways in which top leaders can manage all these initiatives to deliver the value that they expect.

Exhibit 1: 60% of transformation leaders say transformations have become continuous or nearly continuous



Note: Total does not add up to 100% due to removal of "8 – NA category" category and rounding
Source: Transformation survey, Feb 2023 (C2)

Chances are your company is already experiencing continuous transformation

Look around. Chances are your organization has multiple transformation programs under way. Executives in many areas may already be looking at the transformative power of generative AI. Technology and risk teams are executing cloud modernizations, cyber security initiatives, and digitization programs. Marketing and sales are re-imagining the customer experience and rethinking customer segments, and operations teams are re-engineering their functions and supply chain. The constant evolution of industry regulations and compliance requirements further increases this complexity; decarbonization may require a change in your logistics strategy, for example. Meanwhile, many companies are transforming their portfolios—divesting old businesses, investing in growth, and exploring new business models.

Each of these initiatives probably has a program established to drive a specific outcome. Yet all need to be aligned to a broader set of goals such as fueling growth, improving cash flow, driving operational efficiencies, reducing risk, improving employee experience, or re-skilling the workforce. Complicating matters, each team and function is on a different journey with unique complexities, using a different approach and impacting a wide range of stakeholders. Keeping all these projects on track, getting buy-in for the changes they require, and consistently capturing the value of transformation constitutes a massive management challenge.



Four capabilities needed to manage continuous transformation

So how can you navigate this complexity and make sure your organization succeeds in its transformation efforts? In our experience, there are four capabilities you need to get right to succeed in continuous transformation:

1 Tracking value

Given the current economic environment, it is probably no surprise that organizations are under significant pressure to realize value quickly (68 percent of respondents in our survey said there is an increased focus on short-term ROI). If you have successfully navigated a multi-year program, you have likely experienced the inevitable question of whether the program delivered the expected outcomes, both in terms of cost savings and performance improvement. Measuring and quantifying impact is fundamental. Yet, we hear time and time again how organizations fail to validate the benefits once an investment is complete.

How to do better? Start by investing more time upfront in identifying and quantifying the potential value beyond the financial case. By decomposing your objectives and key results (OKRs) into lower-level operational improvements, you can understand how specific changes contribute to business value.

This enables measurement of progress during implementation, not just at the end, when all the financial benefits are achieved (or not). This more granular measurement and tracking is even more critical when you are operating in continuous transformation mode, so you can understand the impact on your portfolio of any strategy pivots or leadership changes (change of leadership

is another prime reason for transformation failures, our survey respondents say). It's not easy to accurately predict benefits when so many variables are in play, but it's impossible to track value if you have no way to quantify or measure.



Value modeling

A leading healthcare payer was on a journey to drive more intelligent automation into their customer experience. They had drafted a business case to determine the potential return on investment over the long term but had no clear approach to prioritizing automation targets to drive value in the short term.

We helped the client establish a more detailed "value model" that mapped features and user stories to operational improvements (e.g., reduction in call volume) to support better prioritization.

This enabled the organization to measure value with each release and develop a clear understanding of how these operational improvements would drive financial benefits in the long term.

2 Building roadmaps

Most business leaders know the importance of having a clear vision and building a compelling case for change when embarking on any transformation. What sets leading organizations apart is their ability to break down the strategic vision into quick, measurable outcomes and develop a meaningful sequence of releases that are prioritized by potential value. Such a roadmap requires understanding the target state, business and technology blueprints, and the desired customer or employee experience. And since roadmaps are helpful at every level (technology, solution, function, or enterprise), it is essential to have compatibility and consistency in how they are all built. Combined with lean but effective governance, these roadmaps provide the foundation to seamlessly orchestrate one comprehensive, fully integrated approach that enables better, faster outcomes and helps mitigate transformation risks.

The roadmap to development success



A major global retailer needed assistance to build a technology solution to fulfill a critical regulatory obligation. The retailer had begun a shift toward agile delivery to speed up technology projects, but each key stakeholder group still worked in a silo and the overall goal was loosely defined. This lack of unifying vision and alignment caused product and engineering teams to focus on lower priority features and resulted in delays in delivery. We worked with the client's business team to effectively communicate its vision and requirements, help the product team define and iterate on a prioritized and realistic roadmap to meet those requirements, and helped engineering devise better ways to coordinate and commit to completing essential cross-workstream activities. This disciplined, scalable approach helped the teams come together to produce a predictable drumbeat of high business-value releases.

3 Orchestrating multiple initiatives

We no longer have the luxury of executing major change initiatives sequentially or independently. So, organizations need to manage the many moving parts and evolving goals of multiple, simultaneous initiatives and ensure connectivity across programs, without forcing unnecessary conformity. Previously disparate initiatives have become increasingly interconnected. Multiple initiatives may focus on customer journeys or aim to improve integration between functions, or create multi-purpose technology platforms. The resulting complexity requires a more thoughtful approach to driving transparency beyond simply tracking dependencies.

We call this the “orchestration mindset.” It involves moving beyond process standards (stage gates, checklists, and templates) towards well-defined connections. A good

analogy for these connections is the API (application programming interface), the bedrock of modern technology architectures. An API provides a mechanism for one software component to interact with another without needing to understand the other component's code or even be written in the same language. The same concept can be applied to the connection points across transformation initiatives. For example, by aligning around standard planning intervals, establishing a common definition of what constitutes a release and having an enterprise-wide taxonomy to describe impacts on the operating model, you have a common language to communicate between initiatives on what to expect—and when—without needing each team to fully understand the other's solution.



Designing effective governance

An industrial manufacturer had an ambitious set of transformation initiatives across manufacturing, supply chain, finance, procurement, and aftermarket functions. It needed a common way to govern these initiatives and the resulting changes. Each initiative had a potential impact on one or more existing processes but since they were not mutually exclusive there was an inherent risk of overlap or conflict.

To create an effective governance process that accounted for the overlaps, we helped the manufacturer establish an enterprise-wide taxonomy and operating model framework. This provided the structure to assess the impact of each change in the context of all initiatives, rather than in isolation. The solution provided the foundation for effective governance while allowing autonomy within each program.

4 Guiding people on the journey

Anyone who has worked on transformation initiatives knows the importance of leadership buy-in and alignment. The stresses of continuous and multi-threaded transformation elevate people and culture issues. Transformation burnout is a real risk: our research shows turnover is higher in organizations with multiple transformations that add hours to the work week. By carefully managing the people experience, you can avoid burnout. Start by understanding the capacity for change in the organization and how transformation initiatives interact with each other. Think about a company that is redesigning its HR operating model and employee experience in parallel with updating sales performance metrics, adding new services, and moving to a cloud-based CRM platform. In this case, different initiatives will likely impact sales reps multiple times. If you provide communication and training at the individual project level, you risk disjointed and confusing messaging or, worse, conflicting requests that impact productivity. By aggregating various data points from each initiative (impacted roles, impacted groups, type of change, the magnitude of change, etc.), you can better assess the risk of change fatigue and incorporate all changes across the enterprise into a coherent change journey for each stakeholder.

These capabilities will bring clarity and capacity to help support continuous transformation. They deal with different aspects of the challenge, but they have a common theme: this work calls for more collaboration, innovation, and partnership across the organization. To truly succeed, you will need a cultural shift to encourage collaboration and adopt new ways of working.

Building a digital change management office



A leading food and snacking company had more than 50 digital initiatives under way. Each initiative had its own approach to change management support, resulting in a disjointed experience for impacted stakeholders across the organization.

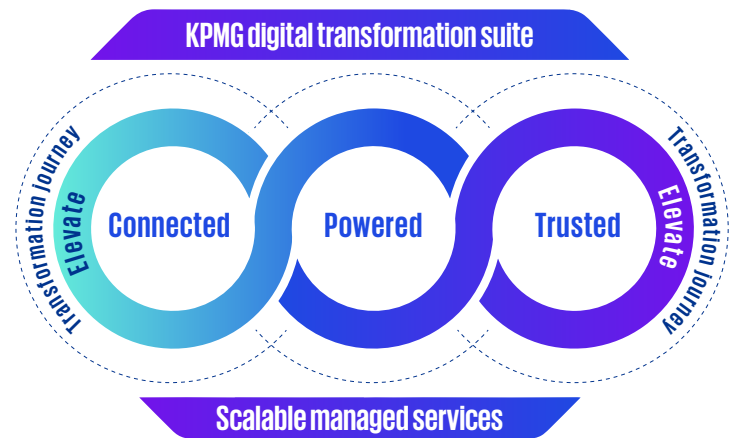
The leadership team wanted to deliver a consistent change experience with greater visibility into how the collective changes fit within capacity constraints of the enterprise. We helped design and implement a change management office within the digital transformation office that established the guard rails for change management activities across the portfolio including common data elements (e.g., change impacts and activities) and integrated tooling to provide an aggregated view of change.

How KPMG can help

KPMG brings practical guidance and solutions to help you navigate the journey and realize value quickly—whatever your starting point or industry. We help clients achieve greater value from business transformation by helping accelerate the process of turning vision into reality, improving performance and profitability, and increasing operational efficiency and resilience.

Our people make a difference by becoming deeply ingrained in your business using data-led insights and advanced technologies to drive change, efficiencies, and resilience. From strategy through execution and beyond, we help clients integrate multiple transformation initiatives to create the smooth orchestration of a complete transformation. Doing so allows us to provide better, faster outcomes and greater organizational agility.

The KPMG approach



Transformation journey

Continuously plan, prioritize, and orchestrate your portfolio of transformation initiatives to deliver the results that matter.

Elevate

Use data to identify, quantify and implement value creation opportunities to increase profitability and performance (EBITDA improvement).

Connected

Create value by aligning your enterprise for digital transformation to strengthen connections with customers, employees, business partners, and across functions, to drive experiences that build trust and sustain growth—all through an industry lens.

Powered

Transform functions through target operating models designed with the future in mind, using KPMG leading practices and processes and pre-configured SaaS platforms, along with advanced technology enablers, for optimized processes, governance, KPIs, people skills, and data.

Trusted

Build trust and confidence in the business and the digital transformation journey by predictably navigating risk and regulation—and deliver on the promise to keep data trusted, safe, and secure.

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