



# Transforming the enterprise of the future

The new champions in a digital era.

**KPMG. Make the Difference.**

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# Introduction

New technologies and ever-expanding repositories of data are helping private, public and government enterprises create greater value in nearly everything they do: allocating resources wisely, spotting trends and adjusting forecasts, understanding customers' needs and competitors' strengths and weaknesses, hardening supply chains, identifying and managing risks, helping employees thrive, and creating new products and services.

In this era of rapid advances in artificial intelligence and other digital capabilities, innovative enterprises are constantly evolving their industries, ecosystems, and ways of working to unlock major opportunities. But while technological marvels are as old as humanity, they don't create value on their own. Leadership, sound judgment, and the flexibility to adapt remain essential, along with the confidence to act in an uncertain world.

Enterprises are scrambling to keep up — KPMG's research reveals that 80 percent of large enterprises are now pursuing two or more concurrent organizational transformations, and about a third report that transformation is no longer episodic. For many leading companies, transformation is now continuous reinvention.

While this pace of change can challenge even the most capable enterprise, about 80 percent of senior leaders now say they are moderately to fully satisfied with the progress and results of their transformations — a striking improvement on previous surveys that may have important competitive implications.

Ongoing KPMG research helps us understand the changing nature of transformations across industries and what distinguishes those entities most able to make rapid, effective changes. To give us insights into what's happening inside organizations, KPMG's 2024 global transformation survey of large enterprises included more than 480 senior leaders — C-suite executives, business unit heads and vice presidents — and 1,600 line leaders at hundreds of companies with at least US\$500 million in annual revenues.

KPMG's research revealed that while many of the fundamentals persist, some enterprises are fortifying their position by enhancing their data and technology foundations and transformation orchestration capabilities, building more resilient cultures, and upgrading their ecosystem strategies to meet changing marketplace demands. All these advancements depend on leadership, with the most successful leaders today thinking and behaving in new ways.

In this report, KPMG professionals share findings from the survey and insights from working with clients across industries to illuminate how enterprises can capitalize on this historic inflection point, creating more value and achieving enduring competitive advantage. KPMG professionals demonstrate the enduring value of leadership in harnessing technology for effective transformation, and identify a number of thoughtful approaches and new building blocks that organizations should consider as they take on these important challenges.

While technological marvels are as old as humanity, they don't create value on their own.

## Key insights

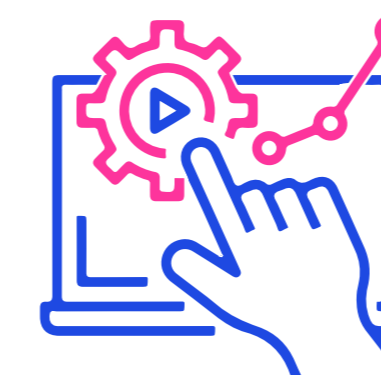
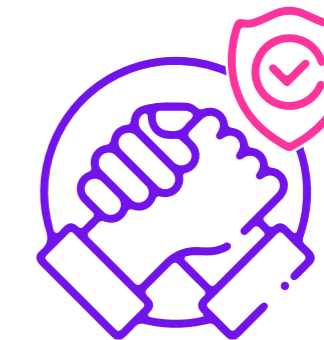
88%

of enterprises are currently running 2+ significant transformation programs concurrently and 54% are running 3 or more.



73%

of digitally mature enterprises have high levels of trust in their leaders.



Less than a third of senior leaders (29%) rate their tech foundation readiness as very high.

64% of senior leaders rate their tech foundation readiness as moderately ready.

Only 1/3

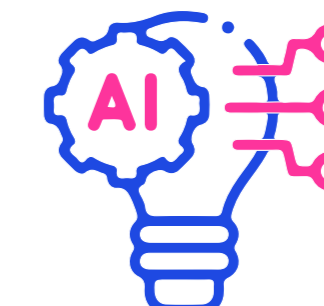
of senior leaders believe that their current partner ecosystem is strongly aligned with their transformation goals and in the future senior leaders expect to invest less in building or buying technology and more in partnerships.



76%

of senior leader

believe adopting advanced technologies like generative AI, neural networks, digital twins will increase the likelihood of transformation success.



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# Navigating transformational forces: new tailwinds and novel challenges



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The global pandemic, geopolitical shocks, and economic turmoil of the last few years has caused people from the C-suite to the front line to rethink their priorities — and the changes keep coming. Cyber risks, privacy concerns, and regulatory requirements continue to arise, for example.

The World Bank expects global trade in 2024 to grow at only half the average rate of the decade before the pandemic, and global interest rates to remain at 40-year highs, adjusted for inflation.<sup>1</sup> Slow economic growth can lead to slow corporate growth as competitors fight for market or wallet share; high interest rates make it more difficult to build or acquire essential technology, talent, and other resources.

Despite these challenges, many companies are investing heavily in digital transformations because they see opportunities to drive technological advances or other improvements, from streamlining processes to product innovation and harnessing AI. (Exhibit 1)

Slow economic growth can lead to slow corporate growth as competitors fight for market or wallet share; high interest rates make it more difficult to build or acquire essential technology, talent, and other resources.

### Exhibit 1: Top five changes sought in transformations today

For nearly half of our respondents, these are the top five changes they are pursuing through their transformation efforts in order of importance.

- 1 Streamlining and optimizing core business processes and workflows
- 2 Upgrading or modernizing technology platforms
- 3 Developing products or services to address new market opportunities
- 4 Adapting or innovating the business model
- 5 Rationalizing data to gain insights and using AI or GenAI for efficiency

Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

### Tech as a transformation driver

For the last two years, rapidly advancing technology has been the primary driver behind many transformations.

2023 Transformation survey		2024 Transformation survey	
Technology as a driving force	1st	Rapid advancing technologies	1st
Focus on long-term ROI	2nd	Increasing competitive pressure	2nd
Focus on short-term ROI	3rd	Economic pressures	3rd

Whether generative AI becomes a permanently transforming technology remains to be seen, but it is already a powerful factor in transformation decisions. It seems clear that technology should occupy a central role in how companies think about opportunities and strategic options.

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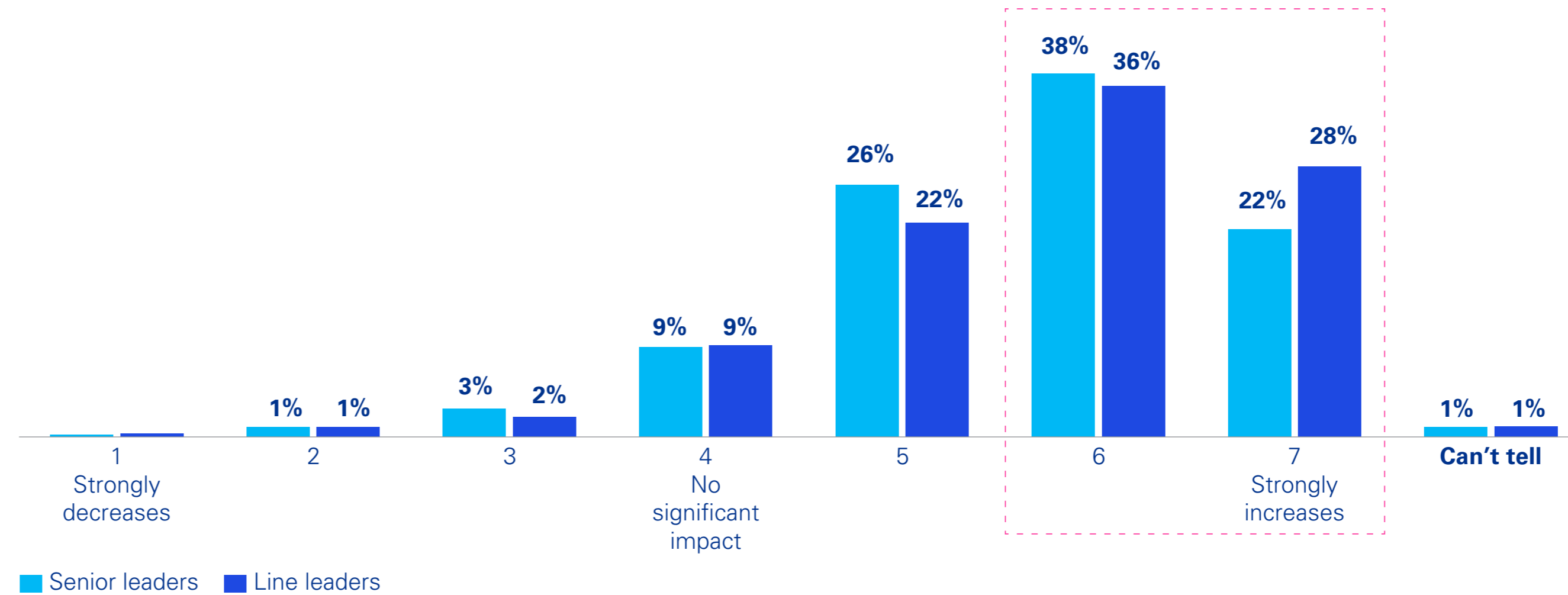
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<sup>1</sup> "Global Economy Set for Weakest Half-Decade Performance in 30 Years," World Bank, January 9, 2024





**Exhibit 2: About 60 percent of senior leaders and line leaders say that adopting advanced technology increases the likelihood of transformation success**



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

The survey showed that technological advances are the top external factor driving the transformation agenda — and also key enablers of transformation. Technologies will continue to shape strategic opportunities, reveal undiscovered value, and confer competitive advantages. Moreover, they play a crucial role in aiding senior leaders to plan transformations. This involves aligning employee engagement with stakeholder interests and tracking key performance indicators across various functions and business units in near real time. This improves coordination and allows for timely adjustments, thereby accelerating value creation. Most line leaders and senior leaders agreed that advanced technologies bolster successful transformation. (Exhibit 2)

This finding points toward a potential shift in executives' attitudes about transformation. For decades, many experts have put the odds of transformation success at one in three.<sup>2</sup>

<sup>2</sup> "Why Transformations Fail and What You Can Do About It," Forbes, March 2, 2021.

The rising frequency of successful transformation is evident in the survey results and raises important questions about what might distinguish the outperformers. How, for example, should organizations structure and manage data to maximize the potential of digital tools? What is an ideal workforce composition in the new era? How should leaders define and manage value creation in an era of continuous transformation?

As noted, most senior leaders said they were moderately to fully satisfied with the progress of their transformations; 80 percent or more of senior and line leaders alike said they were enthusiastic about continuing their transformation journeys. Well over half of the respondents in each group reported improvements in returns on investment, financial outcomes, department performance, or process efficiency or effectiveness.

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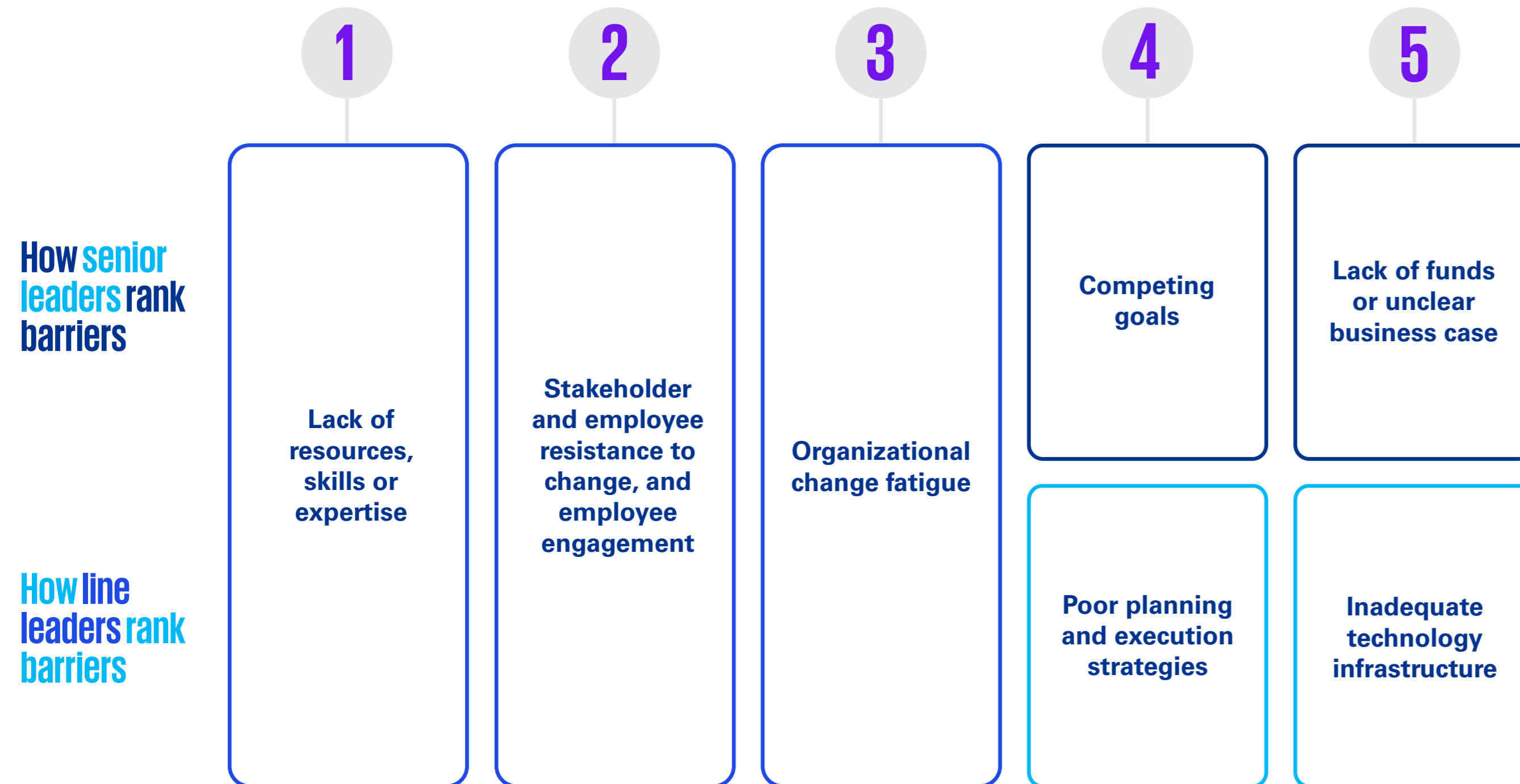


Nonetheless, senior leaders and line leaders agree on the major barriers to transformation success, such as shortages of resources or expertise, resistance among employees and other stakeholders, organizational change fatigue, and technology or data shortfalls. (Exhibit 3)

What we do know is that one foundation — leadership — determines every enterprise’s ability to overcome these transformation challenges. Not surprisingly, senior leaders and line leaders alike ranked it among the three essential elements of success. (Exhibit 4)

The characteristics of exceptional leadership are evolving, as highlighted by the survey results and KPMG firms’ practical experience. Outstanding leaders should always seek to communicate compelling visions, inspire their teams and build and maintain trust across the enterprise. However, this business environment demands leaders to demonstrate additional attributes. They should be more agile, empathetic, and digitally literate to adapt to — and take advantage of — a more complex marketplace.

**Exhibit 3: Senior leaders and line leaders largely agree on the barrier to transformation**



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

### Exhibit 4: Three most important elements of transformation success

Senior leaders	Line leaders
<p><b>1st</b></p> <p>Strong leadership and sponsorship</p>	<p><b>1st</b></p> <p>Strategies communication of transformation goals and objectives</p>
<p><b>2nd</b></p> <p>Clear direction, purpose and goals</p>	<p><b>2nd</b></p> <p>Strong leadership support and commitment to change</p>
<p><b>3rd</b></p> <p>Integrated data, tool and technology</p>	<p><b>3rd</b></p> <p>Positive employee attitudes and adaptability</p>

Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.



# How successful digital leaders think and act



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**The role of senior leaders is becoming more challenging as trust, resiliency, culture and other competencies become increasingly vital to value creation. As new threats and opportunities emerge from unexpected directions, the most effective digital leaders are more likely to work harder to earn and maintain the confidence of employees, customers, shareholders, regulators and legislators, and the communities where they do business. Trust lays the foundations for establishing cultural resiliency and effective communication, which are clearly aligned with the success of transformations and the ultimate goal of value creation.**

The foundations of that trust will include the power and clarity of senior leaders’ visions — the north star that guides prioritization and other strategic decisions that focus the organization on value. Outstanding leaders will excel at aligning stakeholders towards common goals, and strengthening organizational resilience, including the ability to identify threats and opportunities, prepare for and respond to changing conditions and unexpected events, and drawing valuable lessons from past experience.

The best senior leaders should be digitally literate — able to understand and use information creatively, safely, and responsibly — and see data as the fuel of improvement, innovation, and outperformance. Many will model digital adoption to inspire employees to get on board and innovate, too.

KPMG research in the financial services industry in 2023 showed that increasing just one percent of non-IT senior leadership’s digital literacy in intelligence-related capabilities can increase net income by an average of 1.6 percent.<sup>3</sup>

Some of this growth likely arises from leaders’ ability to use their newly acquired knowledge to gain new insights, support technological advances, and drive productivity gains.

Results from the KPMG 2024 global transformation survey also suggested that up-to-date knowledge and expertise help leaders build and maintain trust. About 65 percent of the line leaders KPMG surveyed said the transformations in their departments or functions were highly effective — and those who had more trust in their leaders were more likely to rate their transformations as effective.

What’s more, line leaders’ trust in leadership was strongly associated with the organization’s digital maturity, which KPMG defines as data integration across functional and departmental silos, a smooth flow of information at the enterprise level, and the frequent adoption of AI in business processes.

**The best senior leaders will be digitally literate— able to understand and use information creatively, safely, and responsibly.**

<sup>3</sup> “A Data-Driven Culture Will Differentiate the Winners from the Losers: What Businesses Should Do to Stay Ahead,” KPMG.com, February 20, 2024.

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Overall, only 57 percent of all line leaders KPMG surveyed said they had a high level of trust in senior leaders, but that surpassed 70 percent for the most digitally mature organizations. (Exhibit 5)

Trust, alignment, a resilient culture, digital maturity, and digital literacy — all can create a virtuous cycle that makes transformations even more effective. The cycle can deliver potent competitive advantages, such as cost efficiencies, revenue growth, innovation speed, and the ability to recruit and retain top talent. The improvements ultimately deliver more value to shareholders, employees, customers, and other stakeholders.

The implication is clear: digitally literate senior leaders, who can inspire trust amidst complexity, ambiguity and continuous change while pursuing holistic transformation goals, are more likely to create lasting value at a quicker pace, and ultimately outpace their competitors.

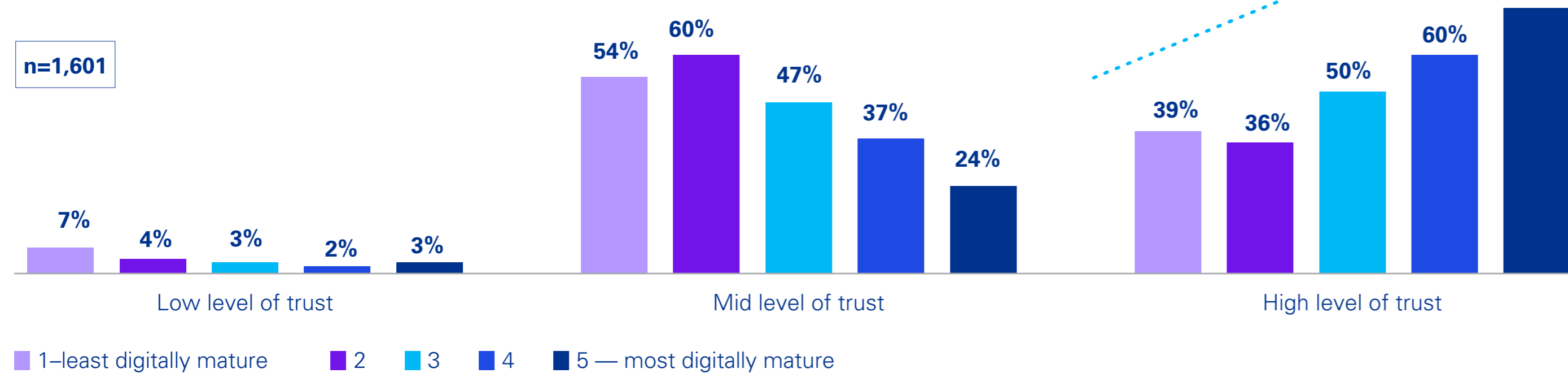
### Exhibit 5: About half of managers overall say they trust senior leaders—and trust rises with digital maturity

#### Line leaders trust in leadership



Source: The new champions in a digital era, KPMG International, March 2024.

#### Line leaders trust in leadership by organizational digital maturity



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

### Trust is crucial to successful transformations

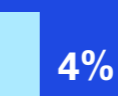
It might seem obvious that effective communication is core to successful transformation; however, it is less well understood how trust impacts communication and transformation success. In the KPMG 2024 survey, KPMG professionals found that trust is related to the impact of change fatigue on organizations. Line leaders who stated they had high trust in both the dependability and competence of their senior leaders reported that change fatigue had a lower impact than those with less trust.

#### Organization change fatigue decreases as trust increases

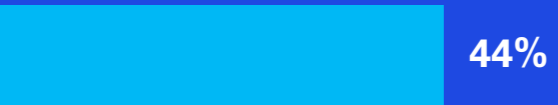
For those who did not select organization change fatigue within their top 5 priorities (N = 1,105)

#### Dependability

**Low:** I can't trust my leaders to follow through



**Mid:** I feel some trust in my leaders to follow through at times

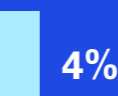


**High:** I think my leaders are dependable

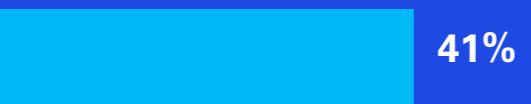


#### Competence

**Low:** I can't trust my leaders to follow through



**Mid:** I feel some trust in my leaders to follow through at times



**High:** I think my leaders are dependable



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## The new digital building blocks of success

- 01** Culture confers advantage as change becomes constant
- 02** Digitally mature enterprises will outperform
- 03** Stronger partner ecosystems boost competitive advantages
- 04** Organizational alignment and orchestration speed progress



**Technology can unlock capacity and value but is a force multiplier, not an end in itself. The most successful enterprises harness new tools not just to find insights, complete tasks, or speed progress, but to enable the whole of their workforce to create value.**

Based on KPMG’s research and experience working with clients across industries, KPMG professionals expect outperformers in the years ahead to have particular strengths across four areas: resilient cultures, digital maturity, building and maintaining fit-for-purpose partner ecosystems, and strong orchestration capabilities.

### **1** Culture confers advantage as change becomes constant

**Establishing a culture of trust, shared values and alignment to the strategic vision is a key to transformation success and long-term organizational resilience.**

Culture plays a crucial role in enabling transformation. Culture influences how employees approach their work and make decisions. Culture helps them understand key concepts and definitions, and establishes what is valuable and less so. It serves as a guiding force, clarifying what is expected, and enabling employees to make independent, informed choices that contribute to the overall strategy and objectives.

Resistance is a perennial challenge in transformations. Change requires clear prioritization, discipline, and commitment, but enthusiasm can wane as objectives change, exhaustion sets in, milestones come and go — and new transformations begin with fanfare and urgency. Employees may not buy in if they see a new program as another “flavor of the month” that requires extra responsibilities and longer hours.

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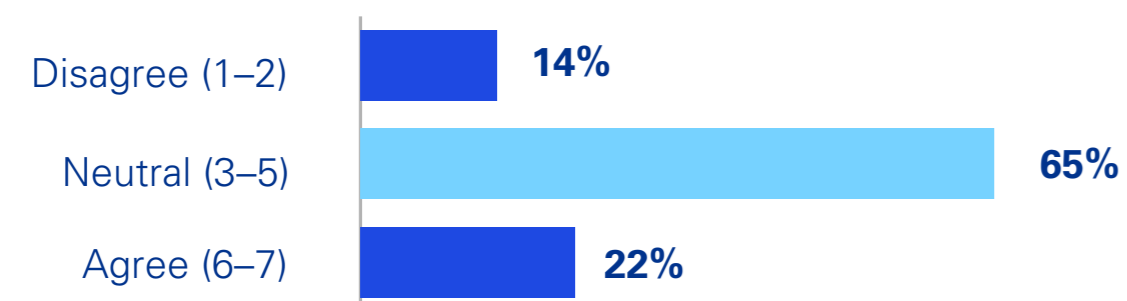


Resistance is rarely experienced as open rebellion — it can be difficult to spot. KPMG’s parallel surveys of senior leaders and line leaders in 2023 showed that many senior leaders didn’t seem to appreciate the stress arising in transformations. (Exhibit 6)

**Exhibit 6: Few senior executives agreed in 2023 that new ways of working increased burnout, but most managers said work-related stress was high**

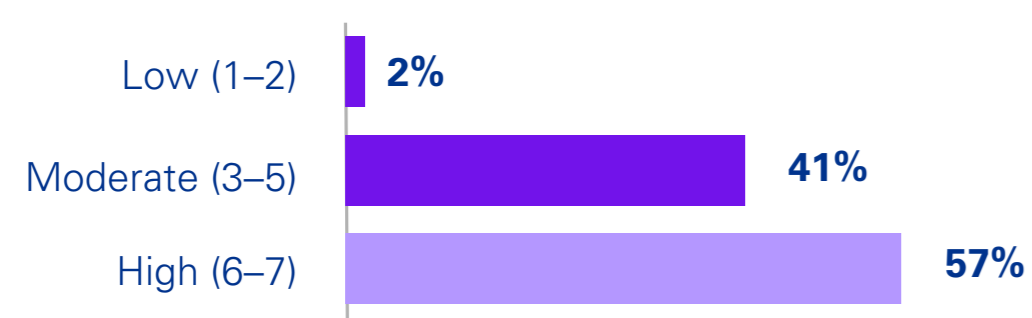
**New ways of working are increasing staff burnout on transformation programs.**

**Senior leaders (n=200)**



**How would you describe the level of work-related stress at the moment?**

**Line leaders (n=1002)**



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

Thus, senior and line leaders alike consistently rank organizational change fatigue and employee resistance among the top challenges in transformation.

In KPMG’s 2024 KPMG CEO pulse survey,<sup>4</sup> nearly three-quarters said they were launching more initiatives to improve mental well-being such as mindfulness seminars and resilience workshops and coaching. About 60 percent said they were encouraging employees to use GenAI to automate mundane tasks to better manage their workload and relieve stress, or facilitating opportunities for employees to strengthen their relationships with coworkers, such as through volunteering and in-person training and development.

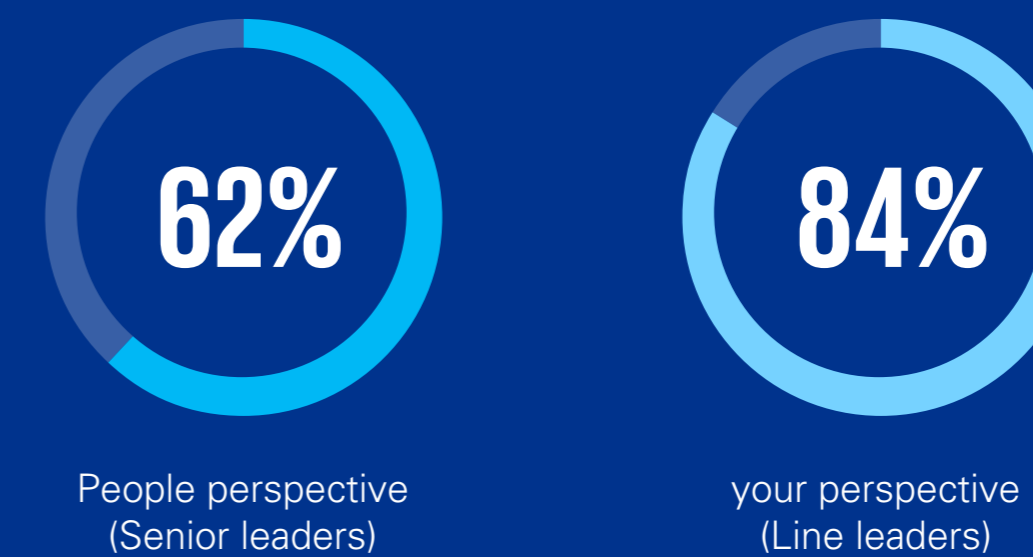
Additionally, companies with satisfied employees outperform competitors by 20 percent, according to KPMG’s research, but some senior leaders have not received the message.<sup>5</sup> In KPMG’s 2024 global transformation survey, senior leaders ranked employee experience, workforce motivation and culture as the least important considerations when asked what factors are most critical when prioritizing transformation initiatives. Fostering a culture of resilience, adaptability and innovation was the lowest rated choice for changes currently being pursued while employee experience and a highly skilled and motivated workforce were the lowest rated goals or priorities for transformation. This undervalued perception of cultural factors appears disconnected from where line leaders are seeing some of the greatest value in their current transformation. Results from the global transformation survey showed, 48 percent of line leaders cited enhanced collaboration and 45 percent stated improved employee satisfaction as a reason why they were enthusiastic about their current transformation. For enthusiasm to continue, senior leaders need to genuinely focus on culture as a driver of change.

Ultimately, senior leaders are accountable for getting the human experience right. KPMG’s research shows that when employees feel trusted, respected, and heard, they are far more likely to deliver great results for the business.

**Tapping into satisfied employees**

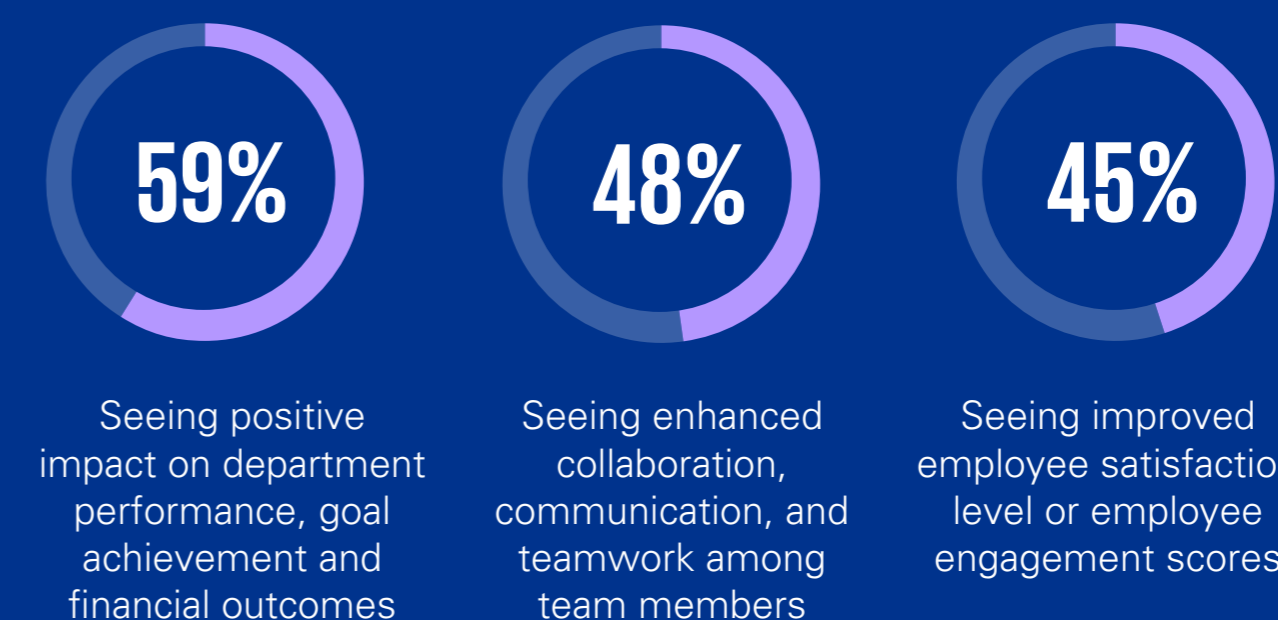
KPMG’s survey found that senior leaders planning transformations often undervalue the attitude of their people.

**Enthusiasm to continue with transformation**



Yet, in KPMG’s survey of line leaders, KPMG professionals found that a satisfied workforce is crucial to a transformation effort’s success.

**Why are you enthusiastic about transformation efforts?**



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<sup>4</sup> CEO Outlook Pulse Survey,” KPMG.com. 2024.  
<sup>5</sup> “An EVP that delivers is vital for human capital management,” KPMG.com. 2023.





## Effective enterprises are more likely to overcome these challenges with enduring efforts to:

### Build more resilient cultures — a product of organizational identity, mindsets, behaviors, and infrastructure.

The survey results and KPMG professionals experience across industries show that employees are more likely to buy into change when leaders provide them with a clear vision of transformation goals and communicate regularly and transparently about progress and gaps. Employees who support fundamental changes tend to be more willing to learn new skills, adopt new mindsets, and work the longer hours typically required in a transformation — the foundations of long-term resilience in a changing world.

And while words matter, KPMG professionals find that leaders convey vastly more information with their behaviors — what meetings they attend, whom they reward and promote, and of course how they use the company’s financial and human resources. Leaders can also help build a culture ready for digital transformation by personally demonstrating their own insights and digital dexterity by using, and communicating about, the new tools in their own day-to-day work.

### Maintain a high tolerance for ambiguity.

Instead of trying to chart paths from A to B or adhere to five-year plans in marketplaces that are changing faster than ever, the most effective senior leaders will use scenario planning, modeling multiple views while understanding the decision trade-offs and cultural and workforce impacts, to build more flexible approaches to program execution.

### Demonstrate compassion during change.

It’s immensely difficult to abandon an approach that succeeded in the past, but the most effective leaders know that it may not work tomorrow. While they more readily set aside their own priorities and assumptions to improve their decisions, they also engage other leaders and their workforce to better understand how changing priorities affect their organization across a range of stakeholders and capabilities.

### Upgrade the employee value proposition.

As the global pandemic blurred distinctions between work and life, millions of people rethought what they wanted from their jobs. Many astute employers have rethought their employee value propositions to attract and retain the talent they need to succeed with transformations and keep pace in a changing world.

### Look beyond employee sentiment to understand and adapt behaviors.

New technologies can help leaders track shifting employee behaviors and sentiments to craft more effective, timely and tailored communications and interventions. It’s clear that changing employee behavior is about more than just communication; it involves elements of trust, alignment, anticipated benefit in addition to communication. However, automated regular feedback can help leaders gauge program efficacy and test, continuously learn, iterate, and scale meaningful solutions with strong employee buy-in.<sup>6</sup>

<sup>6</sup> (To learn about this process, please see “Measure employee behavior, not just sentiment, to drive successful transformation” at KPMG.com.)

## Case example

### Aligning workers’ interests with those of the enterprise

A major consumer products company launched innovative initiatives to help employees develop customized, future-fit learning plans and get a more tangible sense of their own larger purpose.

More than 50,000 attended the company’s workshops around the world as part of a broad upskilling effort emerging from research showing that those who participated were 35 percent less likely to resign.

The company says the initiatives have generated aggregate savings of more than

# US\$30 million.

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## 2 Digitally mature enterprises are more likely to outperform

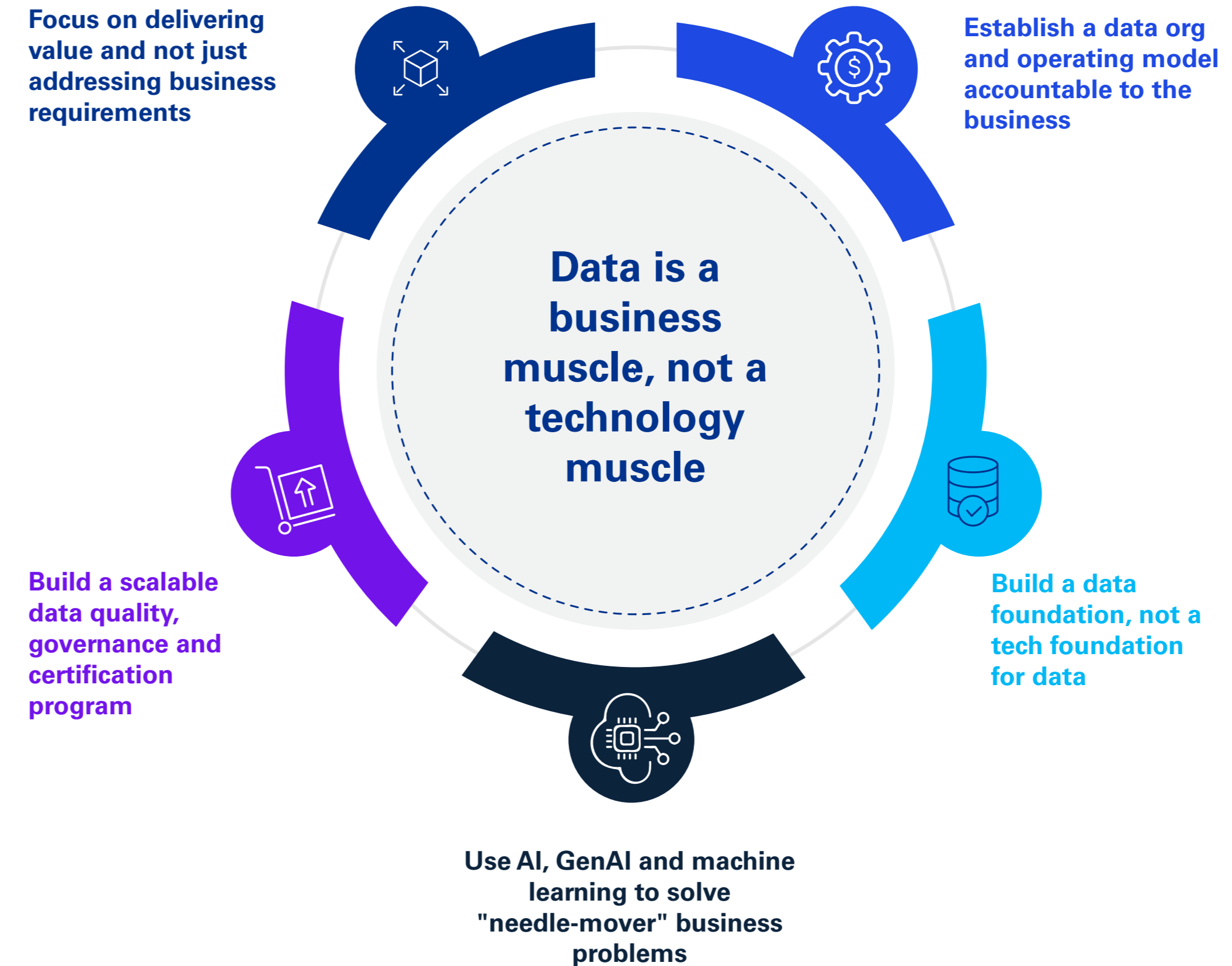
Many enterprises are not leveraging the full value of their data, technology and people. The underinvestment in data and tech foundations and digital literacy can put future gains at risk.

Organizations rely on data and technology foundations to collect, store, manage, analyze, and ultimately leverage data to create insights. Infrastructure and architecture enable these processes and capabilities, including interaction capabilities, cloud and multicloud environments, automation, security and “as a service” technologies, networks, and artificial intelligence, including Generative AI.

Robust tech foundations can enable transformation and improve almost every meaningful success metric, including collaboration, innovation, customer satisfaction, financial performance, and agility. Translating data into data products and assets that create value must be an ongoing, enterprise-wide effort, but many enterprises struggle to find and harness data insights because the data is in silos and dispersed across systems, processes, platforms, and geographies.

Robust tech foundations can enable transformation and improve almost every meaningful success metric, including collaboration, innovation, customer satisfaction, financial performance, and agility.

Exhibit 7: Tech and data foundations should be designed with a business-first mindset



Source: Data as a strategic asset, KPMG in the US, February 2024'

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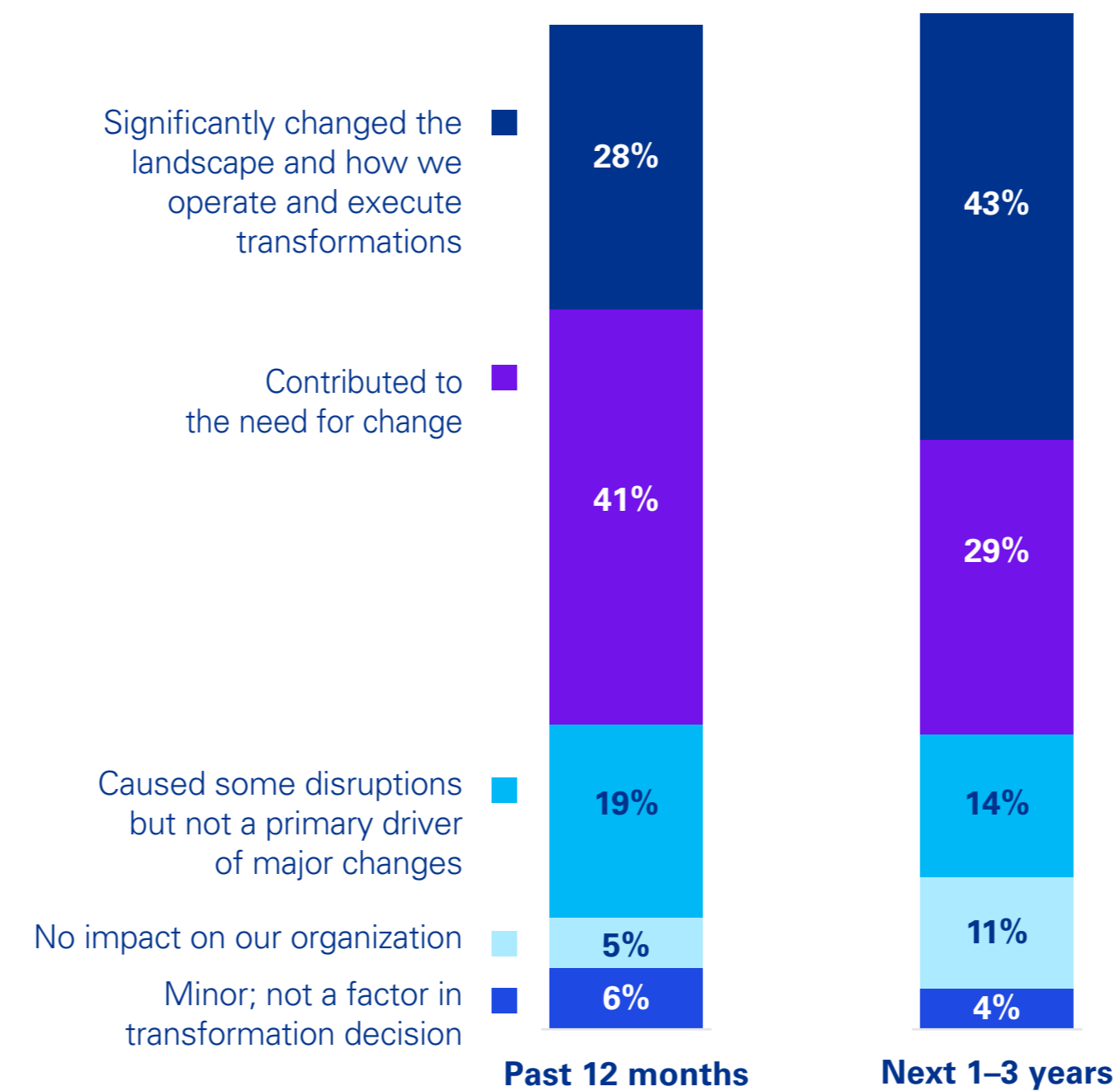




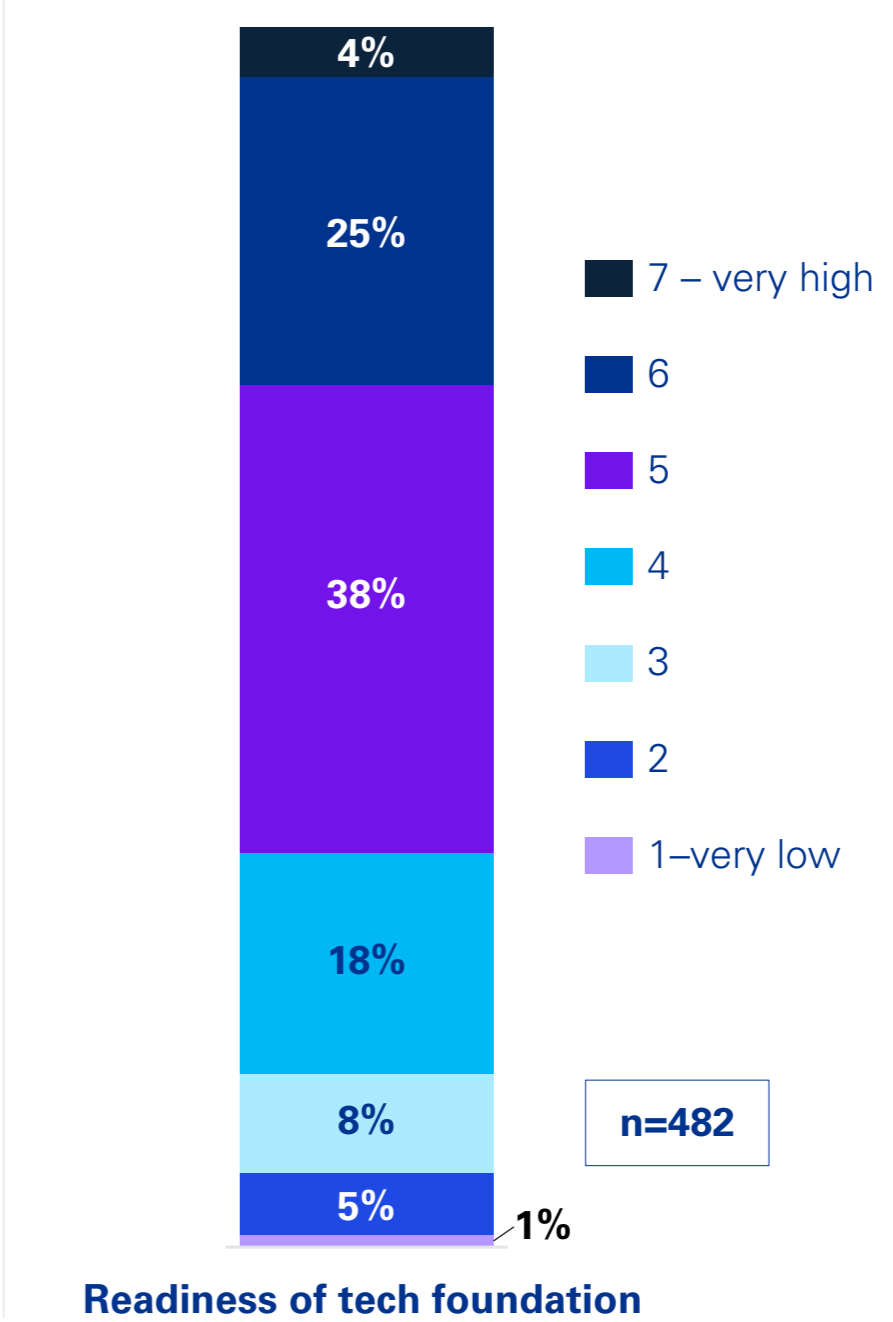
In the survey, two-thirds of senior leaders rated their tech foundations as no better than adequate; most expect the impacts of technology on transformation to rise in the next one to three years. (Exhibit 8) Yet only half expect to invest in their tech foundations by developing more robust data platforms, AI infrastructure tailored to their needs, or training or developing the necessary talent. In a separate 2024 KPMG survey of 100 CEOs of large companies, fewer than half said they planned to increase GenAI investments, and 56 percent expected that investments would stay flat.<sup>7</sup>

### Exhibit 8: Senior leaders expect technology to have an impact; technology foundations are not ready

#### Impact of technology on transformation agenda



#### Tech foundation readiness



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

<sup>7</sup> “CEOs tackling risks to growth including geopolitics, cyber and structural changes such as tight labor market, new regulations,” KPMG.com, April 11, 2024



When it comes to technology investments to support transformation execution, the difference between digitally mature and digitally immature organizations is significant. Forty-eight percent of digitally mature organizations expect to spend up to \$25 million to support their transformation efforts, whereas 46 percent of their digitally immature counterparts are willing to spend only \$1 million for the same objectives.

These investments pay off because outperformers recognize that success increasingly depends on data, and that profitable growth requires high-quality data that is available and accessible to powerful tools such as GenAI. Digital literacy — knowing how to gather and use data safely, creatively and effectively — is increasingly important. The quality of outputs often depends heavily on the underlying quality of the data that fuels AI algorithms and large language models. The consequences of low-quality data include biased, inaccurate, or inappropriate outputs.

Based on direct links between strategic goals and data assets — and thus collaboration between the business and IT — leading enterprises will craft strategies to build data foundations, including their digital maturity and digital literacy, to exploit data.

### Outperformers should be expected to pursue a range of interlocking goals:

#### Focus on data value, from identification to realization.

Senior and line leaders should not just be just “data-aware” but “data-driven,” managing data throughout its life, from the point it is created to where it is commercialized. They should design from a data-first mindset, ensuring their business needs for data drive their operating models, technology design, architecture and supporting capabilities, turning the data into a strategic asset.

#### Maintain the quality of data and make it readily accessible in the right formats.

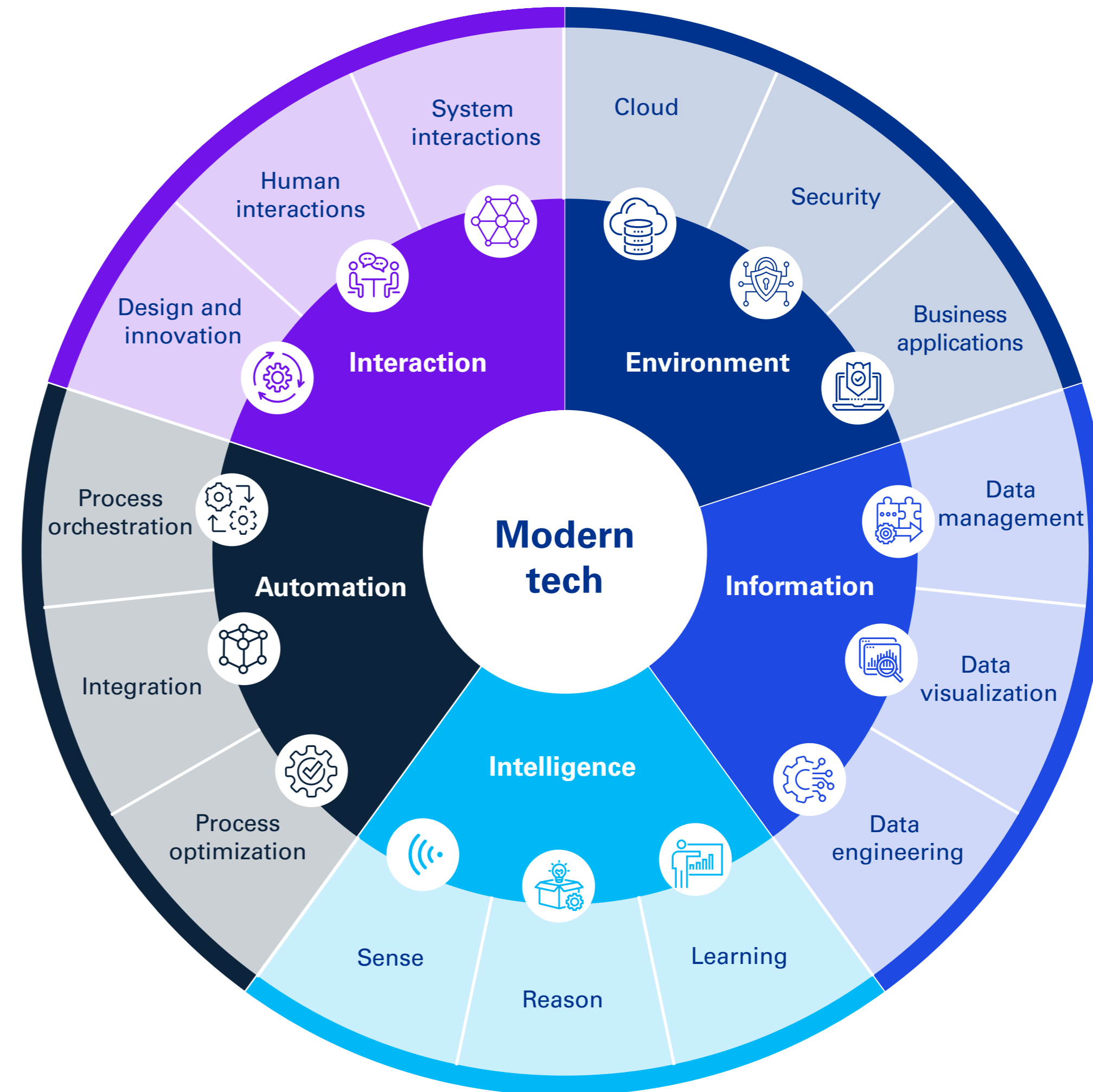
To best capture value from the increasingly large volumes of data, companies should focus on cross-organization data strategies and data governance that encompass the full scope of the organization — both technical and business imperatives. This should result in strategic decision-making based on accurate, up-to-date information; streamlined processes, productivity improvements, and cost savings; new insights about customers, competitors, threats, and opportunities; and ultimately transformation success.

#### Invest in digital literacy from the senior team to the front line.

Investing in digital literacy is directly linked to increasing the digital maturity of the company; one cannot exist separately from the other. KPMG professionals recommend a three-phase approach that begins with a readiness assessment and includes an organization-wide framework, including a shared vocabulary and a thorough upskilling strategy. As stated above, increasing just one percent of non-IT senior leadership’s digital literacy in intelligence-related capabilities can increase net income by an average of 1.6 percent, which is a 5x multiplier over non-digitally literate senior leaders’ impact on net income.<sup>9</sup> (Exhibit 10)

<sup>9</sup> “A Data-Driven Culture Will Differentiate the Winners from the Losers: What Businesses Should Do to Stay Ahead,” KPMG.com, February 20, 2024

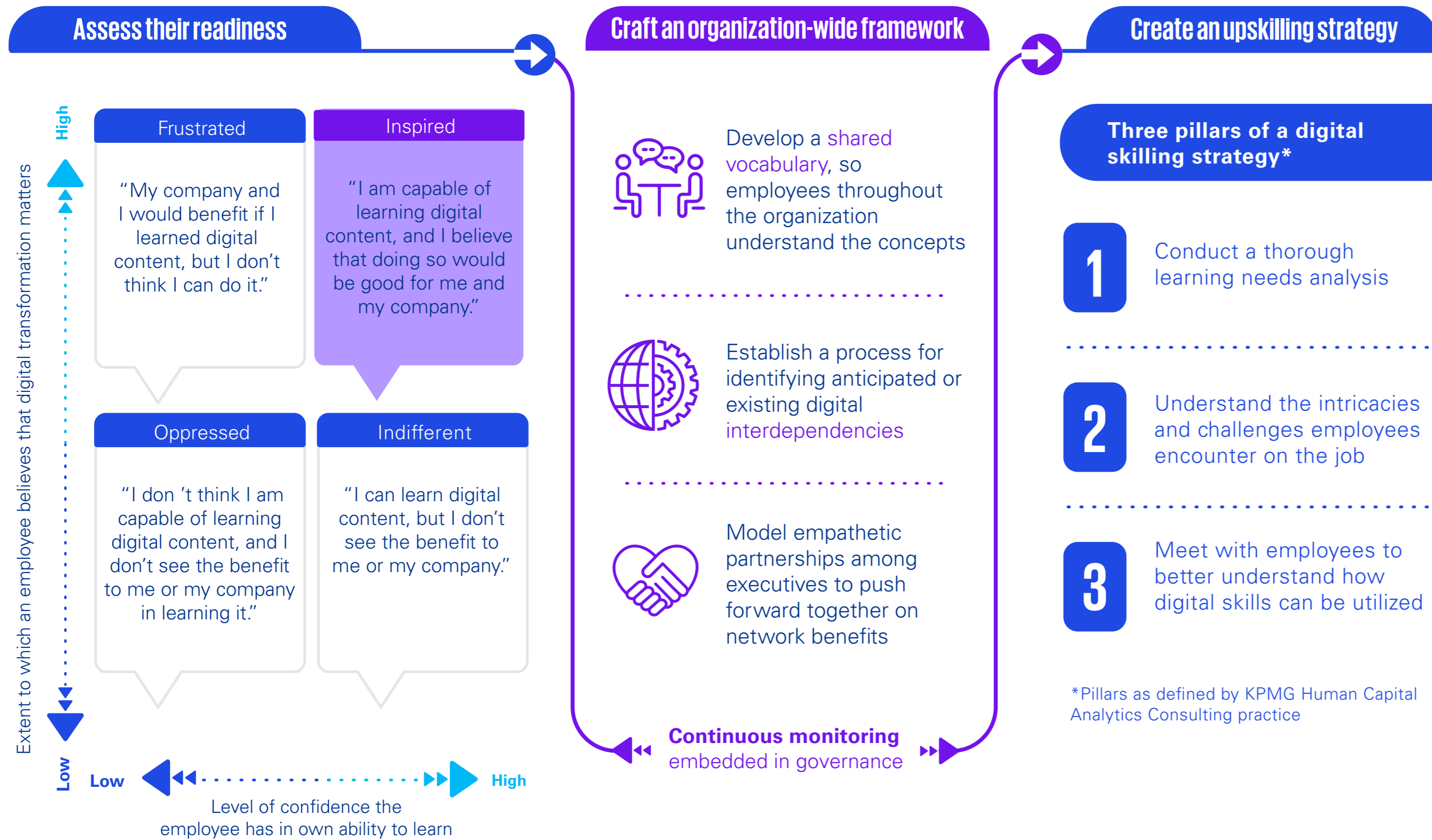
**Exhibit 9: KPMG's approach to modern technology**



Source: Data as a strategic asset, KPMG in the US, February 2024<sup>1</sup>



**Exhibit 10: Three steps to helping employees become more digitally literate**



# Case example

## Using high-tech tools to gain ground in a relatively low-tech industry

Encino Energy's forward-thinking technology strategy has helped it stand out as a next-generation oil and gas acquisition and development company. The privately owned Houston-based firm quickly acquired assets worth US\$2 billion, growing from a 30-person organization with five gas wells to a 300-person outfit with more than 900 wells — without sufficient technology infrastructure.

KPMG in the US helped define the IT strategy and create a future-state IT operating model before the selection of a Chief Information Officer, selecting technology, creating IT operating processes, and evaluating providers before transitioning infrastructure and application support.

The company can now easily access, mine, and analyze data because 90 percent of its software landscape is built on a Microsoft foundation. With effective strategies for master data management, data integration, and cybersecurity, it can now mitigate immediate threats. Perhaps more important, the company's new IT department now has a roadmap to ongoing improvements in asset, financial and IT service management.

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### 3 Stronger partner ecosystems boost competitive advantages

**Constrained capital, and demand for new digital capabilities, combined with fundamental changes in business models, should spur enterprises to rethink their partner ecosystems.**

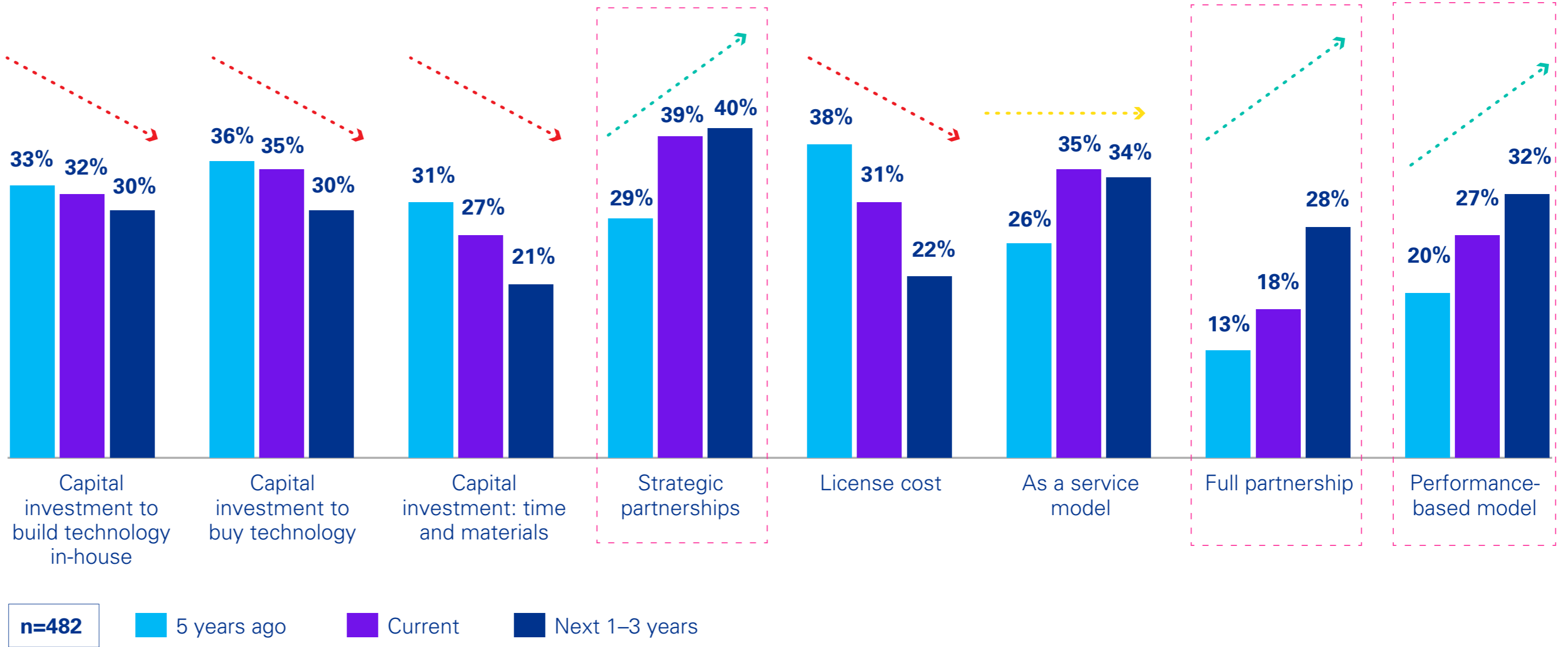
Leaders are seeking an integrated set of partners and alliances to improve speed to market, reduce costs, mitigate risks, and bridge capability gaps.

These alliances are becoming increasingly important as the build-or-buy approach to keeping pace becomes outdated, especially as it relates to technological change. Fewer and fewer companies can organically create or acquire the business capabilities, technology or talent they urgently need. The survey results highlight this issue. Senior leaders expect to invest less in building or buying technology and more in partnerships, and even look to establish performance-based models where they'll share the rewards of excellence if partners deliver the goods. (Exhibit 11)

Leading companies are leveraging partnerships to accelerate go-to-market strategies, outmaneuver supply chain challenges and leapfrog technology capabilities.

#### Exhibit 11: Organizations acquiring technology are moving from capital investment towards partnership models

How respondents obtain technology for transformations



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

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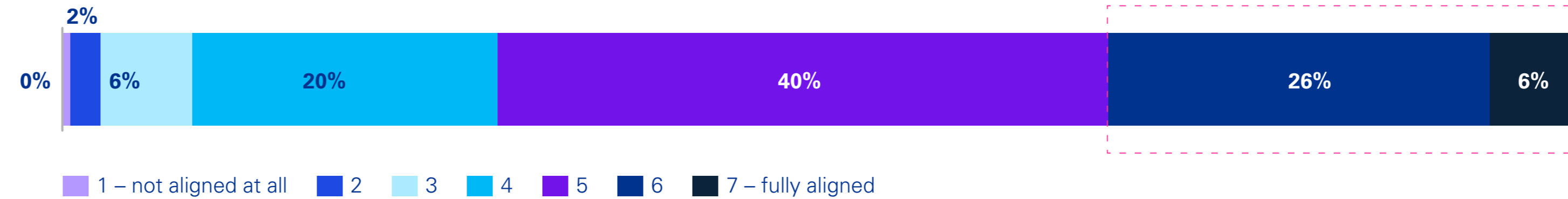
Fewer and fewer companies can organically create or acquire the business capabilities, technology or talent they urgently need. The survey results highlight this issue. Senior leaders expect to invest less in building or buying technology and more in partnerships, and even look to establish performance-based models.

In the electric vehicle (EV) market, leading firms have changed the relationship with how they work together: rather than OEMs designing their specific components in a vacuum, they collaborate across the network of relationships enabling EV firms to not only develop unique products, but unique business and supplier relationships that are challenging for competitors to match. Collaborative partnerships also enable companies to shatter concepts of what is possible when developing new products. During the global pandemic, a leading pharmaceutical manufacturer leveraged a strategic partnership to produce a vaccine in a record-setting time of nine months, beating the previous record by over three years.

However, KPMG professionals are still learning how to maximize the value of these partnerships, and not all leaders have mastered how to get the most out of their ecosystem. Only about a third of senior leaders report a strong alignment between their existing ecosystems and transformation goals. (Exhibit 12)

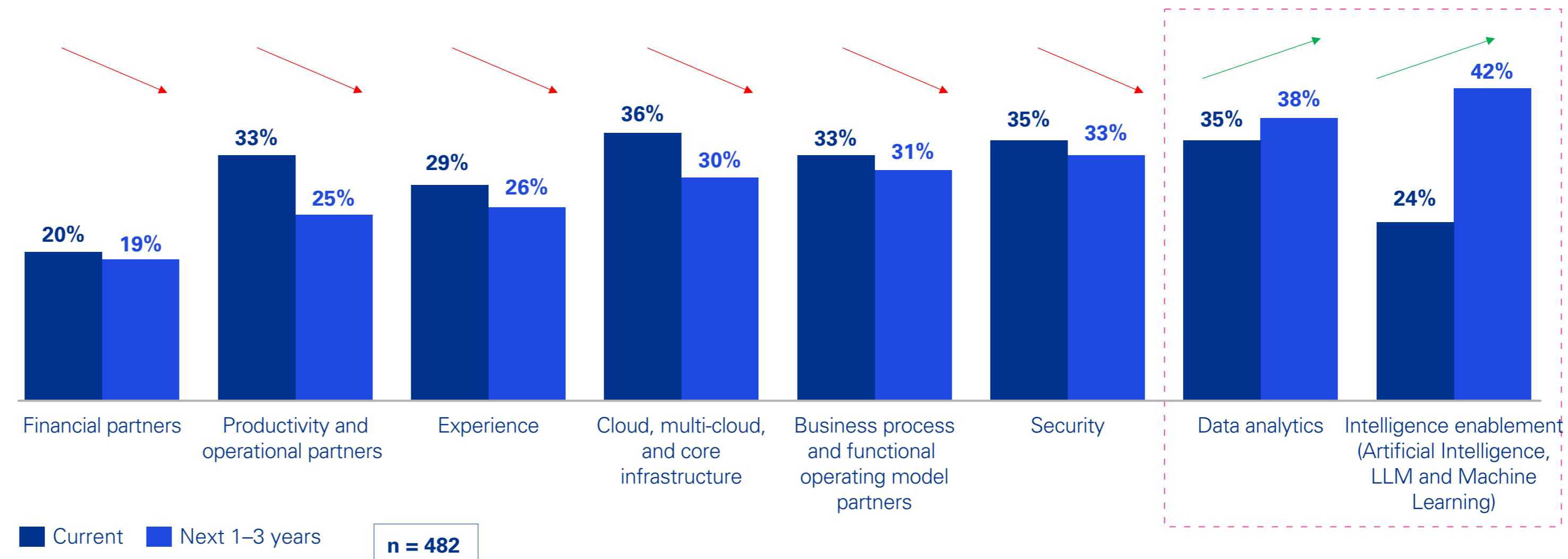
### Exhibit 12: Demand for AI-related partners is growing as senior leaders align partner ecosystems to their transformation goals

#### Current partner ecosystem alignment



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

#### Partners organizations plan to engage with



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## Outperformers are expected to strengthen their ecosystems by taking steps in four main areas:

### Align the ecosystem with business strategy and value streams.

An essential element of ecosystem design is that it should support the primary value levers of the organization. Too often, current issues or narrow use cases drive partnership discussions. This alignment exercise begins with strategy and value stream alignment. For those organizations that have not considered this, it is imperative to take this first step, then the principles of design and goals for the ecosystem should be laid out based on the strategy and value streams. A clear, overarching view of the ecosystem is key to a strategic approach.

### Develop an outside-in perspective of best-in-class ecosystem partners.

Starting with this view helps enterprises begin discussing ecosystem design from a perspective of what is possible. Given the rapidly evolving landscape of business capabilities, this step is essential to keep you apprised of the newest developments. This approach can help shape thinking so the ecosystem incorporates leading capabilities and is designed for upcoming changes and agility.

### Conduct a clear-eyed review of capability gaps, overlaps and redundancies, as well as partner opportunities.

In addition to objective assessments of how providers are performing financially and operationally, this review should include a view of current versus future state or intended capabilities and roadmaps. With a view of each partner's roadmap, leaders can understand how it aligns with current business needs, future strategic objectives and investment objectives.

### Craft a future-oriented partnering strategy making the most of your ecosystem opportunities.

This partnership strategy should include a view of financial, business, and technical alignment. It should consider different means of execution, from partnerships and joint ventures to more traditional as-a-service models or managed services — which can be a cost-efficient way to resolve issues in delivery of capabilities within the operating model service delivery design. The ecosystem strategy should include perspectives on how the ecosystem will be governed to align with business strategy, value streams, financial expectations, and technical capabilities. It must also reduce potential risks and value losses that could arise from changes in the ecosystem.

Enterprises in every industry should create new capability architectures and frameworks, including gain-sharing models, that expand their access to everything they need. While KPMG's research shows that, in the next three years, use of traditional as-a-service models will be relatively flat, companies expect higher uptake of strategic, performance-based models.

Leaders who can build and maintain these powerful ecosystems have the potential to gain major and lasting competitive advantages.



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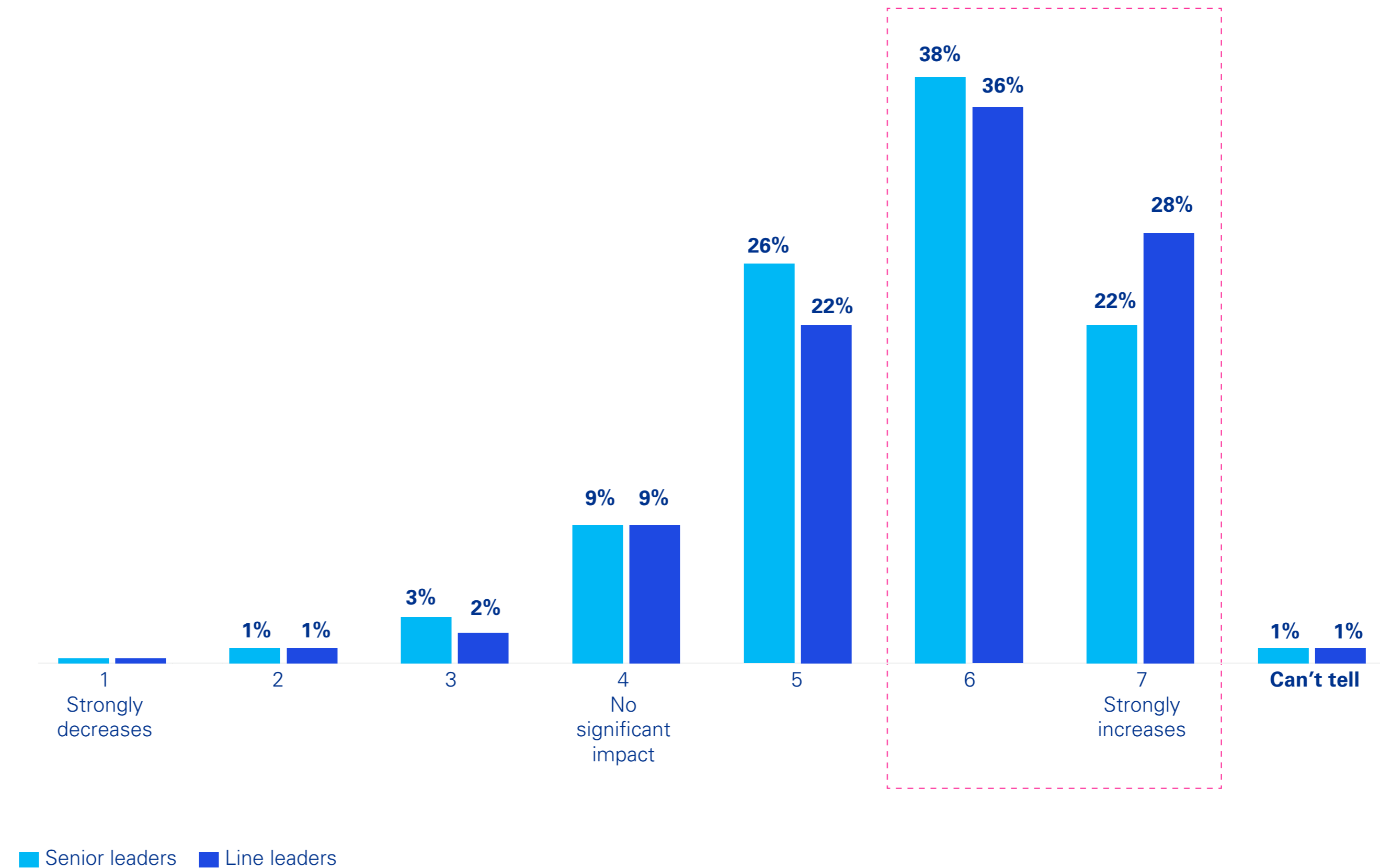
## 4 Organizational alignment and orchestration speed progress

**Enterprises must align and orchestrate across the moving parts to deliver value — an increasingly complex challenge as change becomes constant.**

In KPMG’s survey, line leaders and senior leaders were closely aligned in their belief that advanced technologies will play a significant role in delivering successful transformation execution. Approximately 60 percent of each group believe that these technologies would highly or strongly increase their success, though line leaders were more optimistic about the ability of advanced technologies to address issues like poor planning and execution and ineffective communication, whereas 50 percent of senior leaders believed more strongly in these capabilities enhancing efficiency and productivity (Exhibit 13). Regardless of how they use these advanced technologies, leaders need to understand the criticality of managing successful transformation to ensure effective alignment and orchestration.

All members of the senior team and each department, function, and business unit should be aligned to the organization’s mission, operations, and strategic goals. From this base, they can work toward common objectives in each transformation. Transformation leaders should build and rely on business and technology roadmaps, especially as multiple transformations are usually underway simultaneously. They should maintain a clear, unified view of the target state, and track interdependencies such as how a project in one function or business unit could create unintended benefits or consequences somewhere else in the enterprise. Though the final objective will continually evolve in the modern, fluid operating environment, this vision of the future should be unified across the organization and integrate the many demands, constraints and opportunities of the business. KPMG’s experience shows that the misalignment between business models and operating models is one of the greatest points of value slippage.

**Exhibit 13: About 60 percent of senior leaders and line leads say that adopting advanced technology increases the likelihood of transformation success**



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.

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**To effectively orchestrate and align the moving parts of each transformation, leaders should consider these actions:**

**Maintain an enterprise-level view of change.**

Senior leaders need to grasp the impact of changes across the organization with a single overarching perspective on all transformation initiatives and events. When new initiatives are added to the transformation portfolio, they should be compared to the list of current initiatives and prioritized and optimized with the rest of the ongoing work. A global view of this ongoing work should be available for continuous review by senior leaders.

**Sequence and manage each initiative to maximize its value and minimize disruption across the enterprise.**

The survey results suggest that most companies could improve on coordination and alignment across transformation initiatives, such as centralized governance and cross-functional collaboration. (Exhibit 14) KPMG professionals urge senior leaders to understand dependencies and the interrelated elements of two or more separate transformation efforts, among initiatives across the organization. Once they grasp the dependencies, leaders can set priorities and sequence the steps of each initiative in logical ways based on clear, enterprise-wide design principles and objectives.

Senior leaders should keep track of how collective changes are adding burdens for functions, business units, teams, and even individual employees. Everyone affected should be able to make sense of the many changes being asked of them or their team.

**Align on programmatic governance.**

Getting key stakeholders to commit to a common approach to defining planning intervals, release criteria, and processes to describe operating model impacts will keep everyone on the same page. Setting up this governance allows each team to know where it stands without needing to fully understand every other team’s solution; deliver better, faster outcomes; and be willing to modify approaches to stay on track based on formal and informal governance. (Exhibit 14)

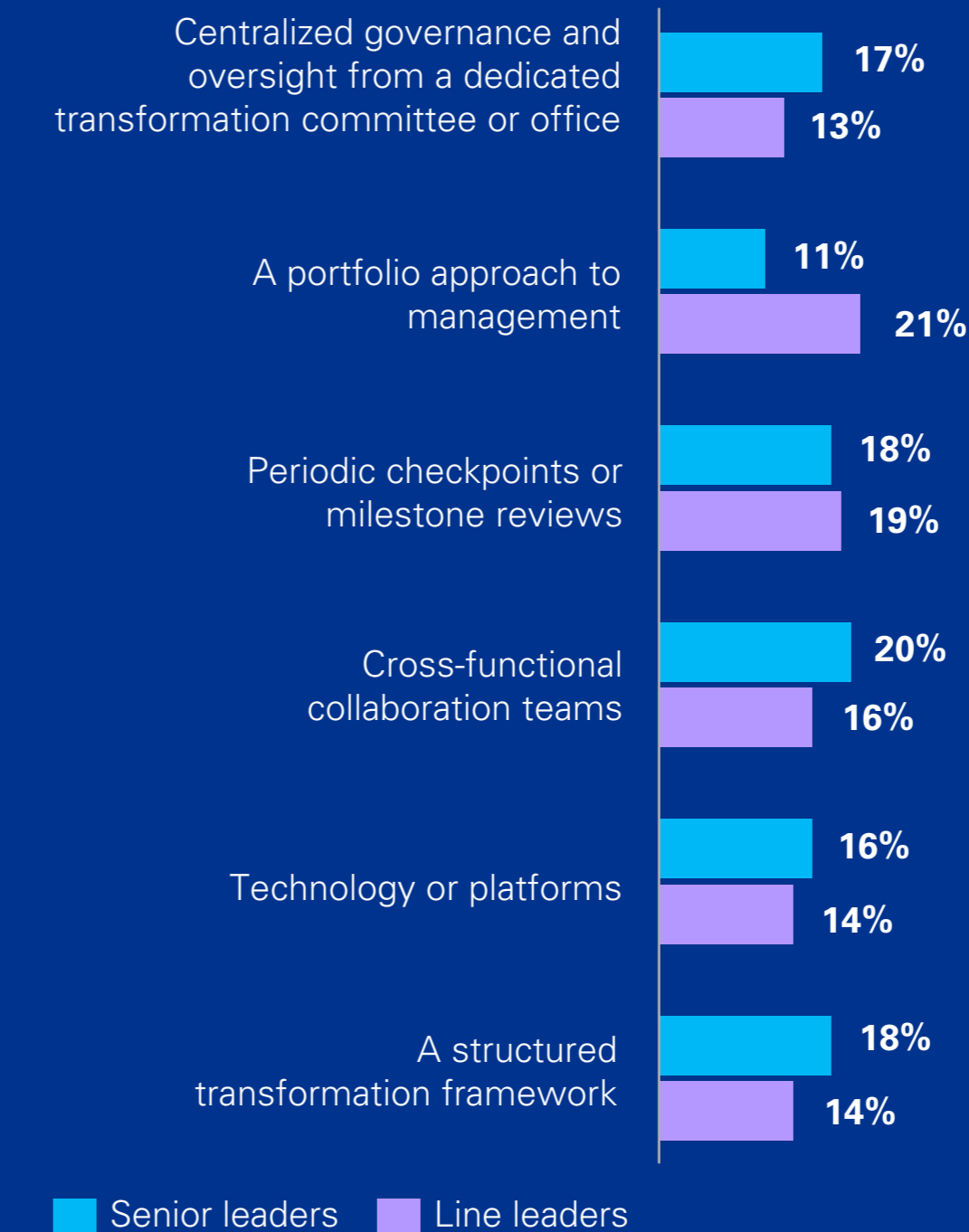
**Continuously track value.**

Transformation leaders no longer wait for quarterly reporting to know if a transformation is gaining traction. New tools help them track the value of each initiative and identify barriers and shortfalls to realizing value.

As previously stated, about 60 percent of senior leaders and senior leaders agreed that adopting advanced technology increases the likelihood of transformation success, but the survey and KPMG firms’ experience show that for all the importance of new technologies, they’re most effective when paired with time-honored leadership principles including a clear vision, earned trust, and frequent, tailored communication.

**Exhibit 14: Many companies do not take basic steps to coordinate or align transformation efforts**

**How do you coordinate and maintain alignment with other departments and business units during transformation?**



Source: Transforming the enterprise of the future: The new champions in a digital era, KPMG International, March 2024.



# Summary

KPMG survey and experience show that these are some of the most important building blocks in a digital-age transformation, and the key actions to implement them:

Building block	Key actions
<p><b>Culture confers more advantages as change becomes constant</b></p> <p>Establishing a culture of trust, shared values, and alignment to the strategic vision are key to transformation success and long-term organizational resilience.</p>	<ul style="list-style-type: none"> <li>• Build more resilient cultures — a product of organizational identity, mindsets, behaviors, and infrastructure.</li> <li>• Maintain a high tolerance for ambiguity.</li> <li>• Demonstrate compassion during change.</li> <li>• Upgrade the employee value proposition.</li> <li>• Look beyond employee sentiment to understand and adapt behaviors.</li> </ul>
<p><b>Digitally mature competitors will outperform in the new era</b></p> <p>Many enterprises are not leveraging the full value of their data, technology and people. The under investment in data and tech foundations and digital literacy can put future gains at risk.</p>	<ul style="list-style-type: none"> <li>• Focus on data value, from identification to realization.</li> <li>• Maintain the quality of data and make it readily accessible in the right formats.</li> <li>• Invest in digital literacy from the senior team to the front line.</li> </ul>
<p><b>Stronger ecosystems will boost competitive advantages</b></p> <p>Constrained capital, and demand for new digital capabilities, combined with fundamental changes in business models, should spur enterprises to rethink their partner ecosystems.</p>	<ul style="list-style-type: none"> <li>• Align the ecosystem with business strategy and value streams.</li> <li>• Develop an outside-in perspective of best-in-class ecosystem partners.</li> <li>• Conduct a clear-eyed review of capability gaps, overlaps and redundancies, as well as partner opportunities.</li> <li>• Craft a future-oriented partnering strategy, making the most of your ecosystem opportunities.</li> </ul>
<p><b>Organizational alignment and orchestration speed</b></p> <p>Enterprises must align and orchestrate across the moving parts to deliver value — an increasingly complex challenge as change becomes constant.</p>	<ul style="list-style-type: none"> <li>• Maintain an enterprise-level view of change.</li> <li>• Sequence and manage each new initiative to maximize impact across the firm.</li> <li>• Align on planning intervals, the definition of a release, and standard framework, set of definitions and processes to describe operating model impacts.</li> <li>• Continuously tracking value.</li> </ul>

But even with such roadmaps in hand, and even though transformations are increasingly necessary as marketplaces change faster than ever, they require time and resources and present considerable risk; many deliver far less value than forecast. Understanding the building blocks described above is critical to implementing a modern transformation. But proper preparation is therefore essential.

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# Getting started

Based on KPMG firms' experience, the five most important steps an organization should initially explore include:

## 1 Check overall alignment to the big picture

Look across the broad set of transformation initiatives to connect each program to their role in achieving the organization's vision. Seek opportunities to align messaging to reinforce a single story that is centered on the value to the business, external stakeholders, and employees.

## 2 Enhance digital literacy and technology infrastructure

Assess your current digital skills and technology setup and identify critical gaps. Implement a digital upskilling program and upgrade technology, especially in data management and AI, to support agile innovation.

## 3 Foster a resilient organizational culture

Engage with employees to assess your team's current overall capacity for change and encourage greater transparency and trust. Build targeted leadership development and articulate how past successes have underpinned a stronger EVP so that teams are able to be more resilient and adaptable.

## 4 Align transformation and ecosystem strategy

Conduct a baseline analysis of existing partner footprints and assess where opportunities may exist to expand or adjust partner model to support the business strategy. Adapt the partner ecosystem to align with strategic goals, fostering collaboration and shared innovation.

## 5 Lean into AI across the enterprise

Consider how your existing AI program is connected to your existing transformation strategy. Assess opportunities to link efforts to unlock additional value in the transformation and accelerate both agendas.

Following these steps can help businesses quickly leverage immediate opportunities while setting the stage for sustained mid-term growth, competitiveness and driving ongoing return from your transformation investment.



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# Conclusion

Transformations are increasingly essential as the nature of competition changes, underscoring the need for leaders to build and maintain trust and resilient, agile cultures. The most successful leaders are more likely to continue to manage for value while selecting and harnessing the right technologies as they emerge — including powerful new tools to manage and succeed with transformations.

Technology can improve efficiencies, help enterprises create new revenue streams, reveal competitive insights, and unlock innovation. But leadership rather than technology will define the outperformers in the years ahead: no app or platform can deliver long-term value without vision, inspiration and motivation.

A powerful and enduring virtuous circle requires all of these elements working in concert.

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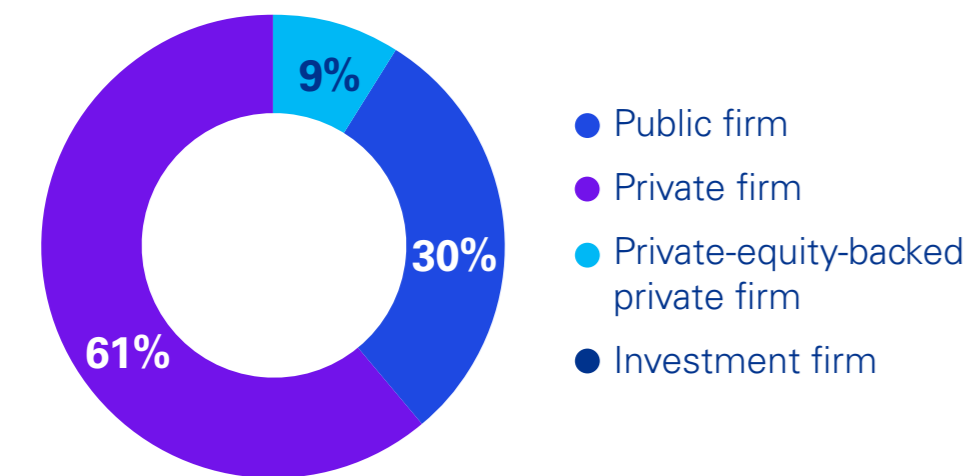
# Methodology

## Demographics and screeners

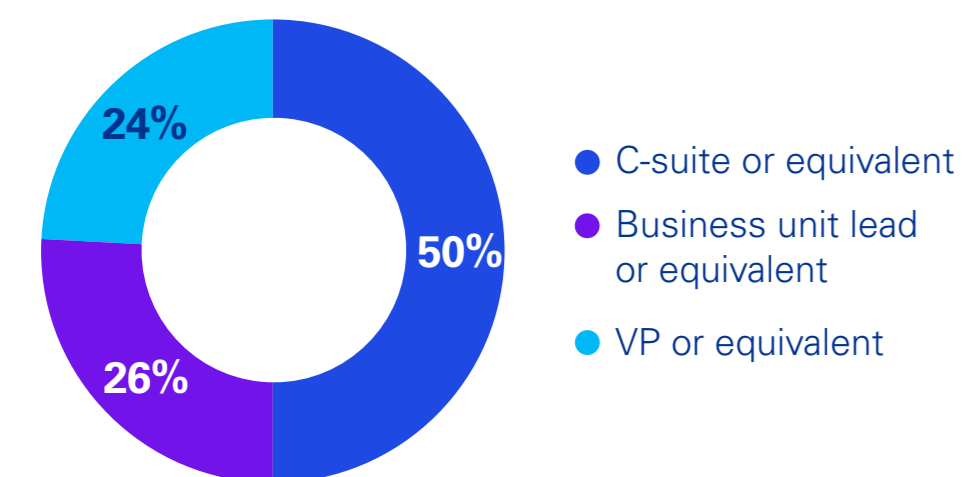
Survey respondents included 482 senior leaders and 1,601 line leaders from a wide range of large organizations and industry sectors across the globe. The research was conducted in March 2024.

### Senior leaders | n=482

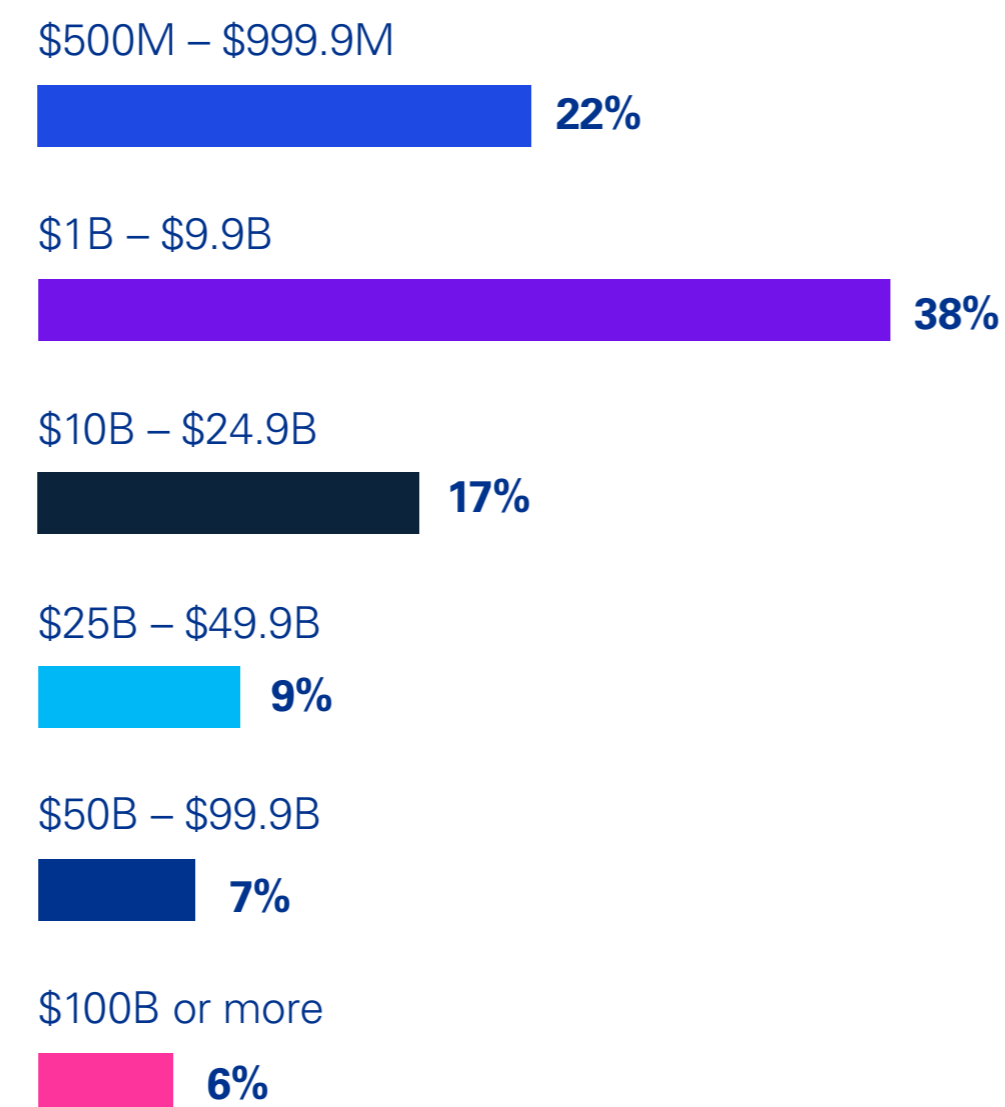
#### Organization type



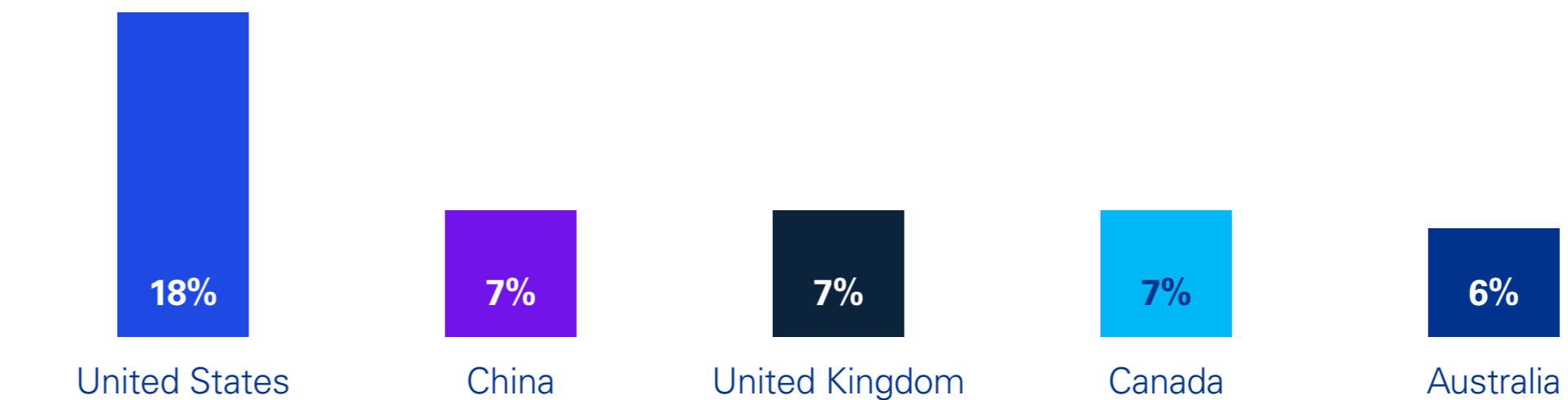
#### Role



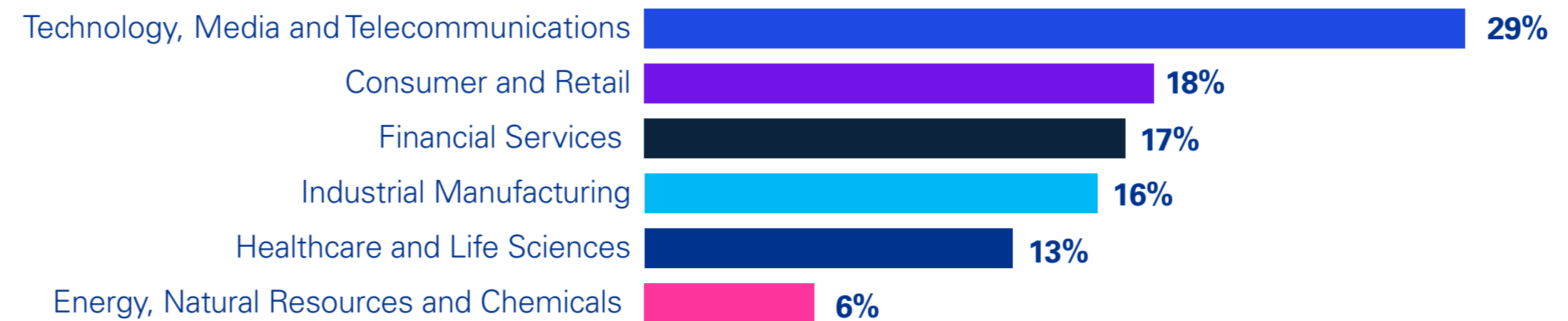
#### Annual revenue (US\$ equivalent)



#### Headquarters location (Represented top 5)



#### Industry sector



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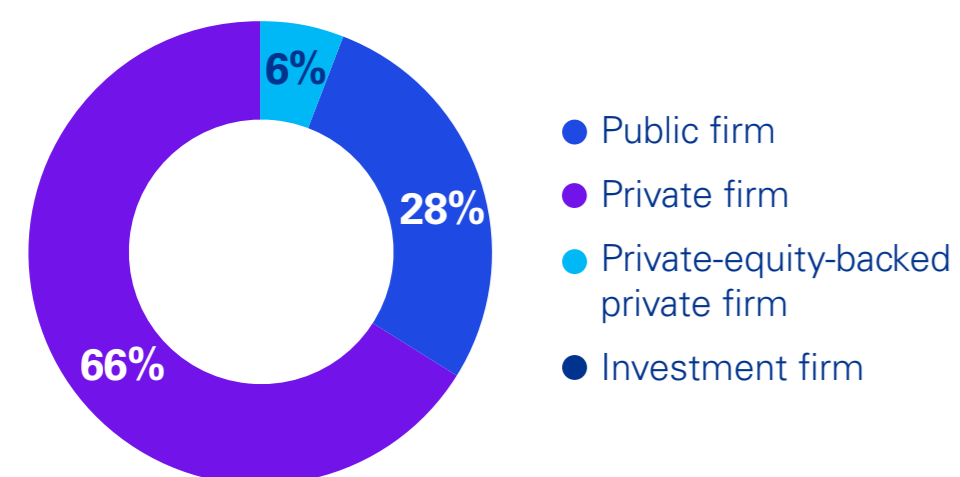
# Methodology (Contd.)

## Demographics and screeners

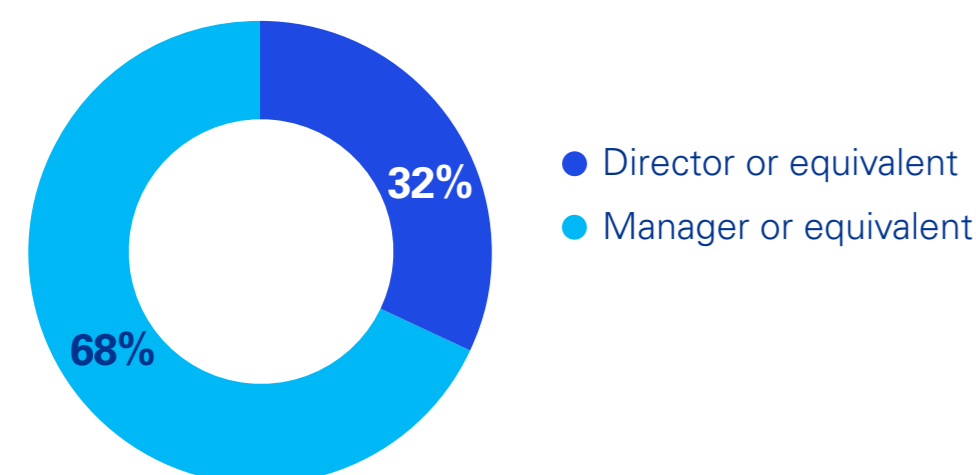
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### Line leaders | n=1,601

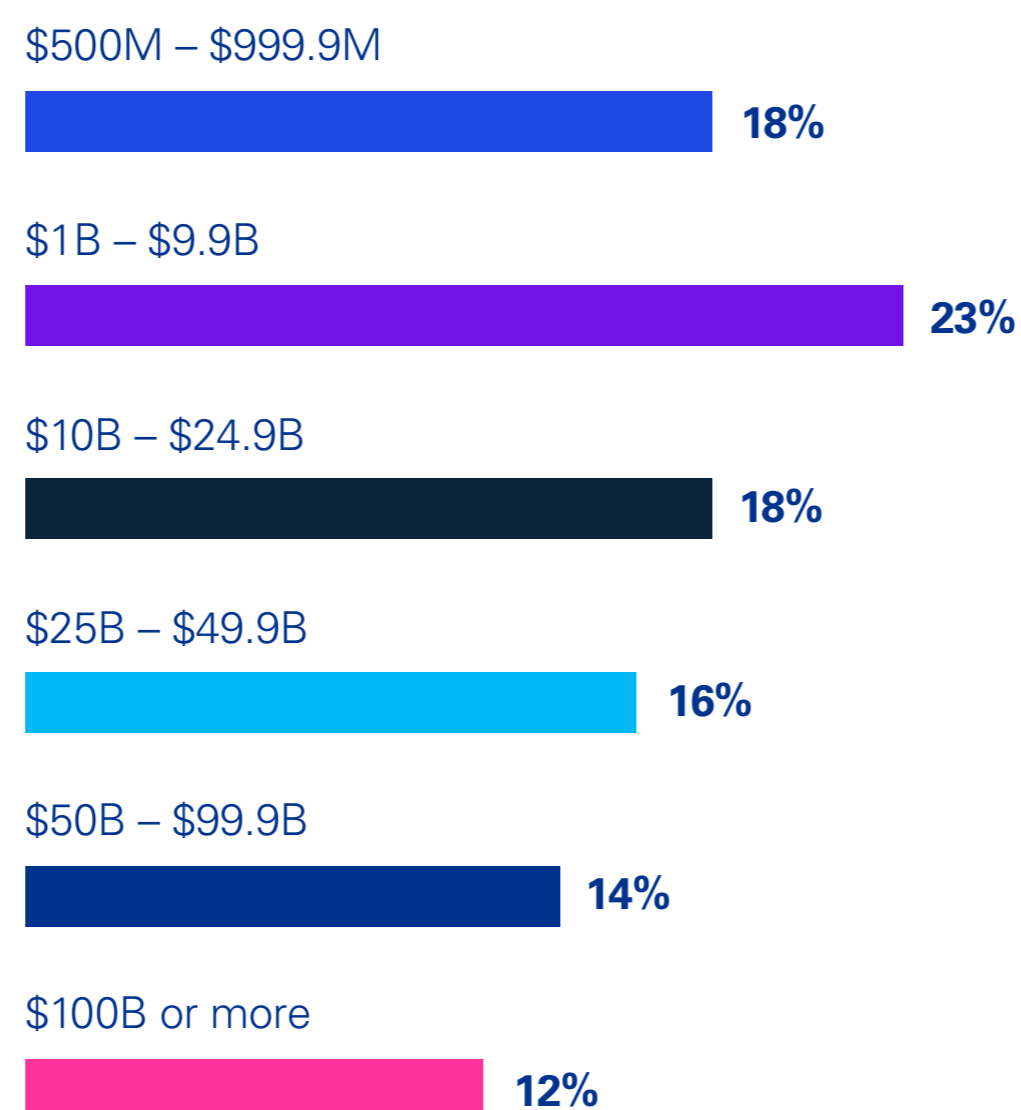
#### Organization type



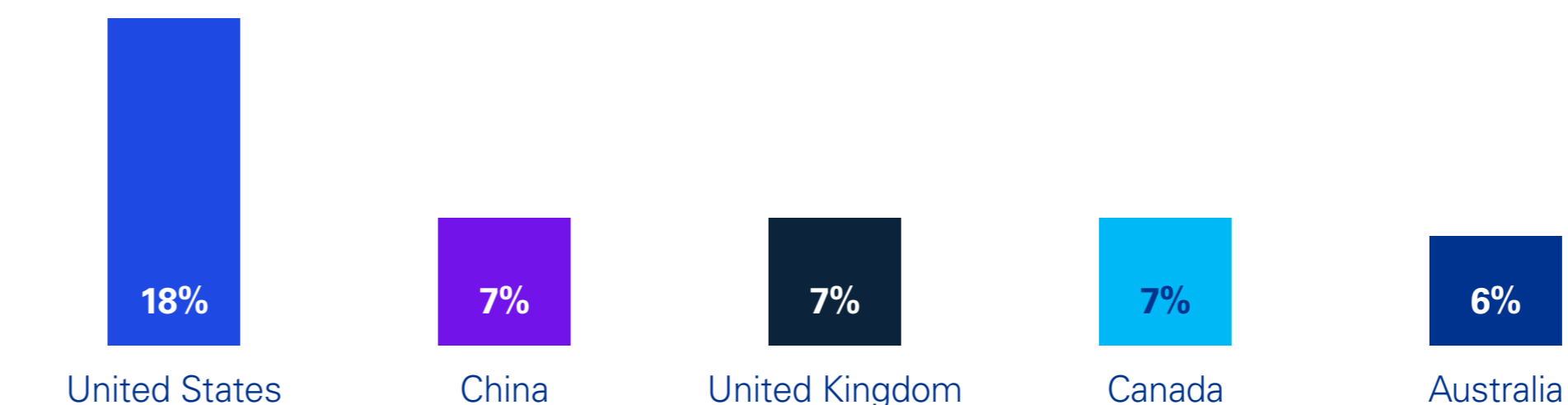
#### Role



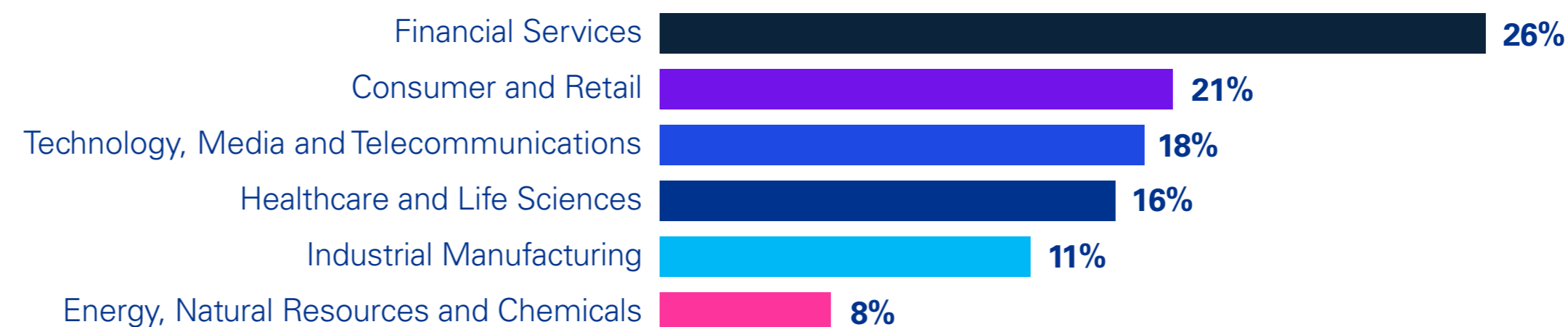
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**Tash Moore**  
Global Transformation Leader  
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Tash is a Partner in KPMG Australia's Consulting business and holds leadership roles in KPMG International and the Australian member firm. With over three decades of experience in Australia and Europe, she supports the National Intelligence Community, Federal Government, and Department of Defence clients in transforming their operating and business models. As a transformation specialist, Tash advises senior executives on change strategies and leads their organizations through change. In her role as KPMG International's global lead of transformation, Tash is at the helm of digital transformation. She leads KPMG's change specialists to drive adoption of digital technologies across Consulting and create a culture that embraces collaboration, complexity and opportunity.



**Ian Hancock**  
Global Leader, Consulting  
KPMG International

Ian holds the position of Global Head of Consulting at KPMG and is a member of the Global Advisory Steering Group. Ian's consulting career, which spans over 25 years, has seen him offer advisory services in various areas, including technology, performance, governance, project risk management, and business systems control assessments. He has held significant roles at KPMG Australia, including leading the Management Consulting practice and being a part of the National Executive Team.



**Jeanne Johnson**  
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Jeanne is a Principal at KPMG in the US Advisory practice, leading the US Consulting Insurance Practice. With over 25 years of experience, she assists clients in navigating significant changes and executing complex programs. These programs adapt to regulatory changes or drive business strategy. Additionally, Jeanne leads a cross-sector program for large scale business transformation, integrating business, operations and technology.

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# How KPMG can help

KPMG professionals believe that business transformation is now a necessity — and that successful transformation requires the right tech and best processes with people whose insights are as broad as they are deep.

KPMG firms have worked at the heart of global businesses for many decades, helping clients realize the full potential of their people and technology, and working together to achieve real-world outcomes. Because when people and technology are in harmony, great things happen.

## Making a world of difference

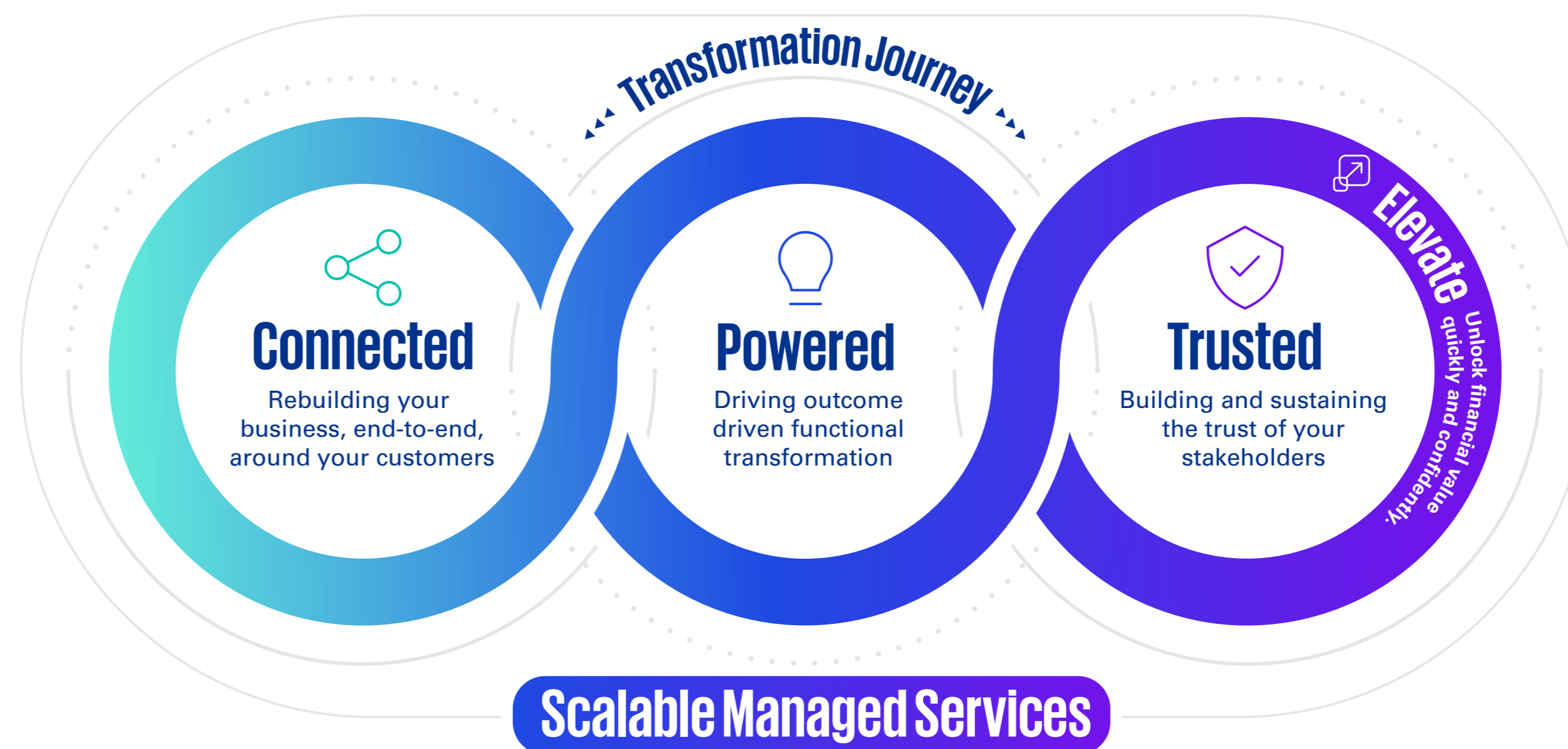
KPMG professionals can make all the difference on your transformation journey. Together we can help you orient your business around the customer, optimize functions for a new era, manage enterprise risk and regulation for a safer future, rise to a new level of value-creation, and create an environment for managing ongoing change.

Through the richness of their digital transformation, KPMG firms are helping clients build modern, intelligent, and resilient businesses that can deliver leading results for people and the planet.

## Transforming for a future of value

The KPMG suite of business transformation products and services helps clients get to more productive and sustainable futures. Tailored to meet specific challenges across different business or operating models, our products and services drive continuous innovation and create lasting value beyond implementation. Each contains rich insights and is underpinned by KPMG's leading transformation methodology.

## The KPMG digital transformation suite



Helping to sustain your business transformation across the front, middle, and back office.

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