



# Winning transformations put value first

Engineering your value realization roadmap is as critical as implementing new capabilities.

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# Introduction: Outcomes matter

Many companies are in the midst of multiple complex transformation projects—in fact, 76 percent are involved in three or more. However, according to senior leaders, fewer than one in five transformations return significant value.<sup>1</sup>

A successful transformation takes more than completing a change program on time and on budget. The key to realizing value is organizing around—and delivering against—tangible, measurable financial outcomes.

Achieving a winning outcome requires transformation and business teams to align on a results-centered strategy for which realized economic value—improved gross margins, lower inventory to sales ratio, etc.—is the ultimate measure of success.

<sup>1</sup> KPMG survey of executives on transformation, February 2023



# Why capturing transformation value can be elusive

One thing is certain: transformation is hard. As ecosystems expand, so do the number of internal and external stakeholders, increasing risk and the need for rapid, informed decision-making.

**One of the fundamental reasons transformations fall short is a failure to align the vision with the actions and accountability required to achieve the desired outcomes.**

Value capture requires active management. When any of the corrosive factors below are present during transformation, value can quickly evaporate:

- Inability to articulate how the change program will lead to value creation
- Misunderstanding how the relevant initiatives work together to achieve value
- Failure to choose and consistently measure key results (OKRs) and key performance indicators (KPIs)
- Failure to identify and map execution issues and risks against the overarching value statement
- Prioritizing secondary goals, such as time or budget constraints, instead of high-impact opportunities
- Allowing unplanned changes or incorrect assumptions to limit the solution's effectiveness (e.g. productivity)
- Failure to create accountability for specific actions and dependencies
- Inconsistent adoption of required technical, procedural, or cultural changes



For transformation initiatives to be successful, organizations must get intentional about identifying the value they wish to create. This starts with getting the basics right. The change vision—what “good” looks like—must be viewed through different functional lenses: business, operational, data, technology. Transformation that is broadly relatable and actionable will benefit those who implement the changes, as well as those whose roles are materially impacted.



**Jeanne Johnson**

*Digital Transformation Leader  
Principal, Advisory*

# Don't leave transformation value on the table

The road to value capture begins with intentional program design. Start by defining your transformation objectives. Next, **develop a program designed to deliver tangible value, using causal relationships to align key actions with desired outcomes.**

Until the target outcome is realized, transformation teams need to remain disciplined, accountable, and focused on prioritizing value realization. Accomplishing this during the execution phase is challenging, but failing to maintain focus won't just result in value lost—it will be value never captured.

Change requires clear commitment by transformation and business teams. Building early momentum is critical to convincing skeptical voices of the program's efficacy, thus enabling advocacy.

## Connect value to strategy

Bringing rigor to transformation planning facilitates richer dialogues between transformation and business teams. **Early alignment around value objectives builds confidence and increases the likelihood of value capture. However, exercise caution:** Leaders often overestimate what is possible and underestimate the need to make adjustments along the way. Remain deliberate, realistic, and transparent about the types of value being pursued.

A portion of that value will come from quick wins like automation, optimizing working capital, or moving to cloud-based platforms. Deeper elements of value—increasing net operating profit, improving capital allocation, or simplifying digital user experience, for example—may take several quarters or even years to become apparent in a P&L statement, which is why many organizations find it beneficial to map out quarterly value projections during a transformation.



Transformation shouldn't be viewed solely as a voyage of discovery. It should also be conceived as and informed by the alignment of cross-functional causal relationships that enable organizations to identify and deliver business value that leads to sustainable competitive advantage.



**Nalin Kumra**

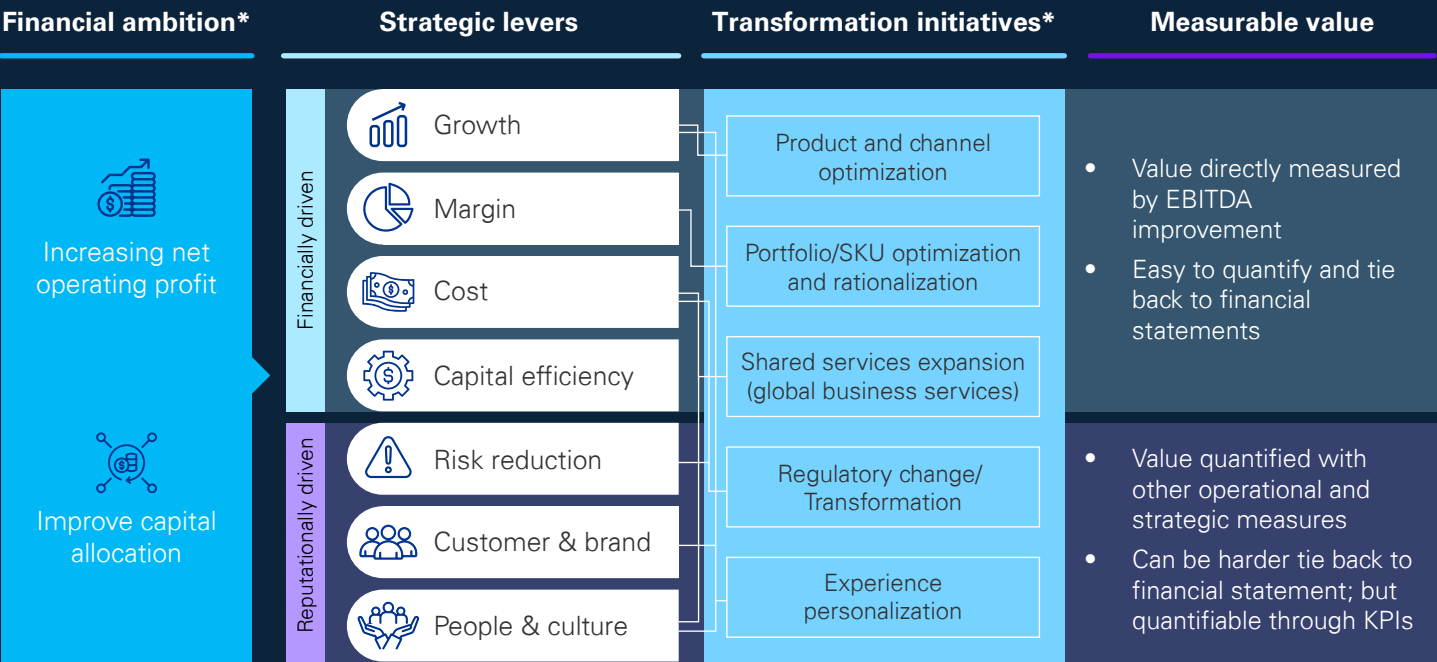
*KPMG Transformation Leader  
Principal, Advisory*

**We encourage transformation and business leaders to codify a value realization framework to help drive better outcomes.** Within this suggested framework we break down value into seven strategic levers, including four financial objectives (growth, cost, gross margin, capital efficiency) and three reputational objectives (risk reduction, customer and brand, culture and people). You can customize this solution based on your unique transformation ambitions.

With an understanding of the strategic themes and objectives, organizations can align the underlying initiatives and capabilities with the operational benefits, corresponding KPIs, and ultimately, business outcomes.

# Value is directly tied to financial results

*This visual offers a glimpse of the KPMG Value Framework, an adaptable tool designed to accommodate varied organizational needs. Depending upon the transformation objective or theme, the relevant strategic levers can, and frequently do, align with multiple initiatives.*



\*Illustrative examples, not comprehensive

## Case study

# Finance company achieves lasting transformation results

A leading financial services firm was hampered by a high cost basis, fragmented infrastructure within its finance department, and limited responsiveness and delivery of insights.

Initially, we found that the department's many separate systems made it difficult to manage its high-volume loan portfolios, leading to errors and driving up costs. The business lacked an enterprise-wide strategic understanding of its financial operations.

As the project began, we identified strategic themes and co-developed a phased transformation roadmap. The roadmap helped ensure that the transformation and business teams stayed focused and aligned during execution.

The transformation ultimately achieved several key objectives:

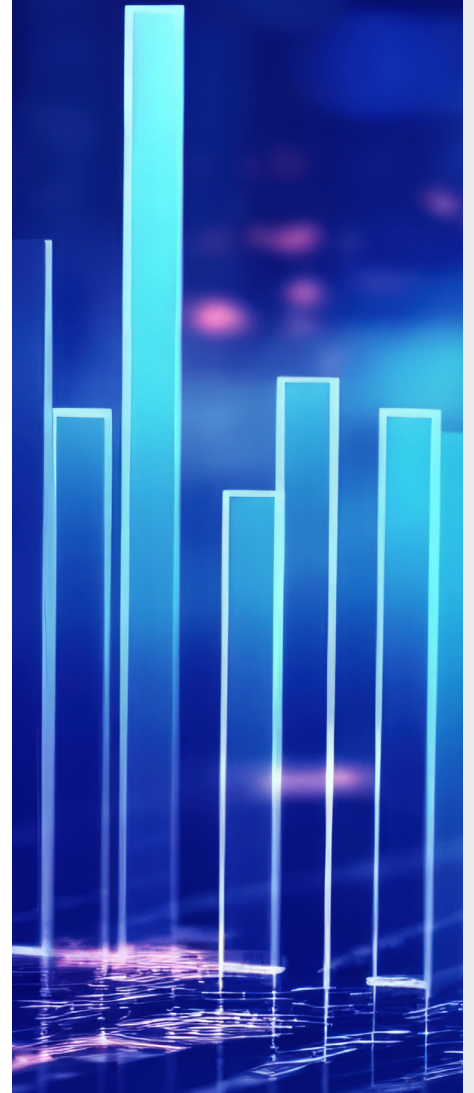
**Platform consolidation:** Reduced the number of ecosystem platforms as well as the number of reconciliations, adjustments, and end-user computing tools. The client also reduced its reliance on manual journal entries.

**Cost savings:** Identified significant cost savings, improved analysis and decision-making, and accelerated the month-end close.

**Departmental efficiency:** Enabled departments to set their own cost-reduction goals, leading to more efficient and accountable processes across the organization.

The impact of this work exceeded the finance department's initial goals by enabling faster responses to business challenges and helping ensure the necessary controls were in place across a fragmented infrastructure.

With this newfound agility, the group was able to launch a rapid response to COVID-19-related disruption, which would not have been possible with pre-transformation processes.





# Transformation success: Start with the end in mind

Organizing transformation efforts around value creation from ideation through execution and beyond helps ensure the program is strategically aligned and focused on delivering tangible, measurable results.

To effectively align the many moving parts of each transformation effort, consider these actions:

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- ✓ **Look back to move forward:** Review past programs to assess where value leakage or lapses in value creation occurred. Assess transformation team dynamics to surface opportunities for stronger alignment between key causal relationships.
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- ✓ **Set the tone at the top:** Establish a clear transformation team structure, process map, and governance model. Support the model with a coordinated set of OKRs/KPIs that are linked to the organization's overarching business objectives.
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- ✓ **Measure, measure, measure:** Define the desired value outcomes and install analytical processes that help ensure appropriate evaluation—and continue measuring value after the project deliverables are complete.
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# How KPMG can help

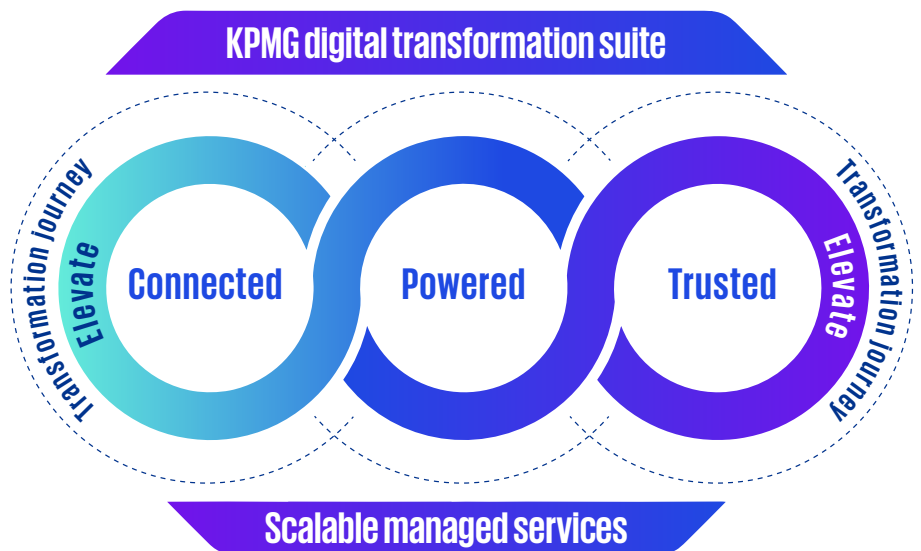
In today's ever-evolving market environment, business transformation is a necessity, requiring a partner who moves seamlessly from strategy and program design through execution and value realization.

KPMG brings practical guidance and solutions that 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 use data-led insights and advanced technologies to drive change, increase efficiencies, and promote resilience. We help clients integrate multiple transformation initiatives to create complete and smoothly orchestrated change programs that produce better business outcomes faster.

## The KPMG approach

At KPMG, we believe successful transformations start by aligning strategy and operations with value. We partner with clients on short- and long-term transformation programs, using a rigorous, data-centered approach to find the right value creation opportunities. KPMG integrates digital services to build seamless experiences across the organization and to your customers, using cloud-based tech and flexible tools for performance optimization—while helping ensure that your risk and regulatory controls foster stakeholder trust.





# Authors



**Nalin Kumra**

KPMG Transformation Leader

Nalin focuses on the most significant KPMG capital market accounts specializing in large scale transformation initiatives. He has extensive practical experience in helping organizations re-design and re-engineer their operating model, design their target application architecture to achieve their business objectives, and structure large scale programs to maximize the speed of delivery and value realization.



**Adam Pollak**

Global head of Value Creation and U.S. Performance Transformation Leader

Adam helps companies deliver increased profitability through business and operational transformation. He has nearly 30 years of experience developing and managing high-impact programs for companies across a wide range of industries. Adam has extensive experience leading complex programs focused on top line growth and sustainable cost realignment involving such topics as product development/R&D optimization, third-party spend reduction, G&A cost optimization, general labor productivity, technology strategy and digital transformation. Adam's combined background in business and technology operations enable his clients to gain a unique insight into internal and client-facing operational value.



**Jeanne Johnson**

Digital Transformation Leader

Jeanne's areas of focus include strategic planning and performance management, program portfolio management, business and technology architecture, and deploying new operating models. Her experience over the last 20 has been in helping clients navigate significant change events including mergers, regulatory mandates, disruptive technologies, and business transformation.



**Jonathan Edgerton**

KPMG Transformation Offering Leader

With more than 25 years of financial services (FS) consulting experience Jonathan specializes in helping his clients deliver transformational initiatives and obtain their desired business outcomes. As KPMG Transformation Offering Leader, he focuses on bringing the right program management, organizational change management, and human-centered design support to a clients' business needs. His deep FS-specific experience, in combination with his KPMG leadership role, enables Jonathan to quickly understand, adapt, and assemble the right KPMG team to help organizations advance in today's competitive marketplace.

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