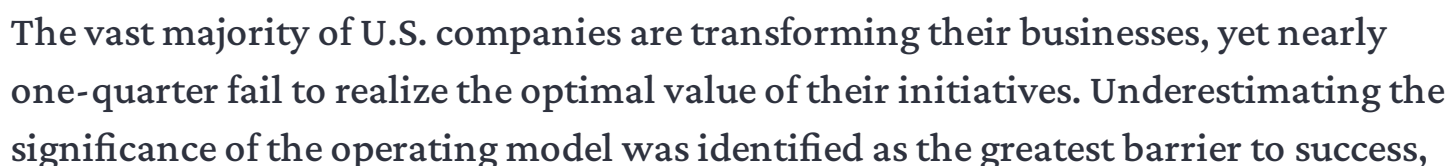


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one-quarter fail to realize the optimal value of their initiatives. Underestimating the significance of the operating model was identified as the greatest barrier to success

Apr. 24, 2015



according to a new report, *Business Transformation: Driving the Optimum Value*, from

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transformation leader at KPMG. “Organizations face a convergence of triggers, including changing customer demands and preferences, disruptive technologies and the evolving regulatory environment. Companies can achieve more value when they respond swiftly to these triggers with a clear understanding of how transformation supports their strategic vision and desired business outcomes.”

### **Strategy Defines the Journey**

The majority of business leaders surveyed (57 percent) said their approach to transformation is strategic in scope, rather than a specific business function (35 percent) or technology implementation (8 percent).

“An ambitious approach can either pay off with higher value or fail bigger, which is why your transformation strategy needs to be well-conceived from the start,” says Robert T. Vanderwerf, global transformation strategy leader at KPMG. “A successful transformation approach requires strategy development based on iterative scenario planning, looking at the disruptors inside and outside your industry, and developing an execution plan unique to your organization’s competitive position, capabilities and cultural environment.”

For example, survey respondents said 90 percent of transformations triggered by new or emerging competitors resulted in achieving or exceeding anticipated value, compared with only 70 percent of transformations triggered by existing competitors.

### **Customers Drive Transformation**

Customer demand was cited by respondents as the top trigger for transformation over the next three years (32 percent).

“Mapping a customer-driven transformation starts at the end result—the delighted customer. You need to look at the journey—the value chain that leads to that

ultimate customer value—and how it's achieved through the organization,” says

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Underestimating the significance of the operating model changes necessary to effect transformation was identified as the greatest barrier to a successful initiative (38 percent) among survey respondents.

Additional barriers the survey identified are: inadequate or legacy technology (32 percent), resource constraints (32 percent) and not applying appropriate metrics (28 percent).

“To extract as much value as possible from a transformation initiative, organizations should connect their strategic and financial aspirations with the necessary set of integrated, aligned and motivated capabilities to achieve it,” says Hasty. “Too often, organizations view their operating model as a way to reduce costs instead of an asset to create value.”

## **Manage for Value**

Metrics are critical guideposts to achieving the value of transformation, yet only 14 percent of survey respondents said they define metrics and connect them with the strategic vision and desired business outcomes prior to a transformation initiative.

More than one in four survey respondents (28 percent) cited overall cost reduction when asked which metrics they use to prove the value of their transformations.

Hasty warns, “Organizations focused solely on efficiency and cost are missing essential parts of the value chain. The right approach should be about business value, not simply cost. It's critical to keep transformation metrics directly connected with desired business outcomes and the ultimate strategic vision to deliver maximum sustainable value.”

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