



cutting through complexity

A Value Management Approach to Business Transformation

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Canadian Value Symposium

Toronto, Ontario



A Value Management Approach to Business Transformation

- Understanding KPMG and Transformation
- Positioning Value Management
- Applying Value Management
- Examples of Value Management
- Questions & Discussion

Please Note:

- PowerPoint will be provided as a pdf on the proceedings. Typically available for download. Additional documents can be made available.
- Notes on the PowerPoint slides can be included if requested when pdf copies are made. Therefore some of the facts and figures for the slides can be made available for the audience to read at their leisure.

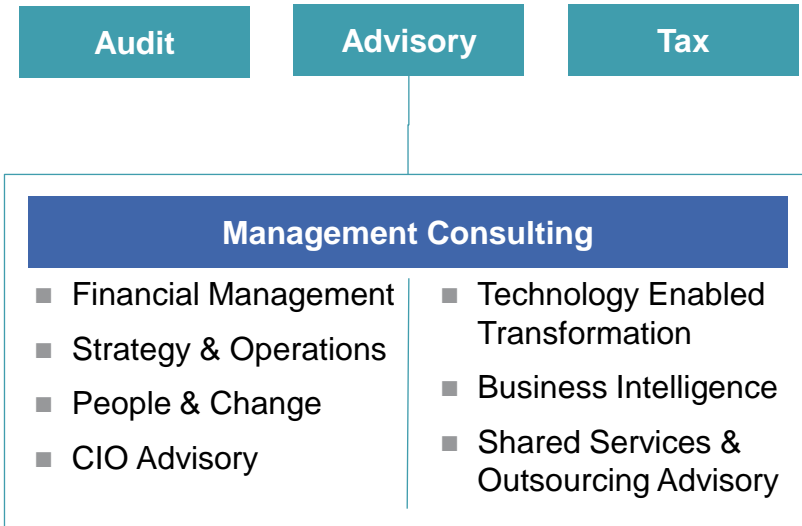
KPMG Overview

KPMG by the Numbers

KPMG International (KPMG) is a global network of professional firms providing audit, tax, and advisory services.



In Canada, we have over 5,000 professional, located in 39 offices around the country.



KPMG's View on Transformation

What does the 2014 KPMG Transformation research show?

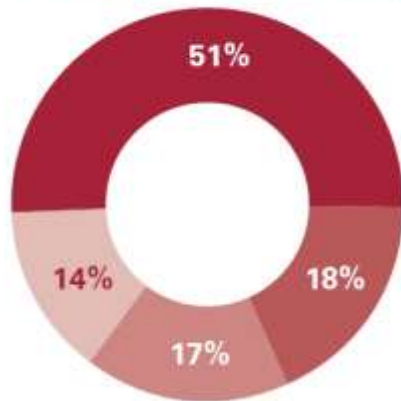


U.S.-based multinationals in some phase of changing their business models.

Is the execution of your transformation managed/driven by a dedicated internal organization?



How does your organization define transformation?



- 51% Continuous process of aligning business model to support business strategy
- 18% Enterprise transformation projects that involve an evaluation of a cross-section of markets, products, organizations and/or processes that result in a new business model
- 17% Localized projects within functions and processes
- 14% Continuously evolving specific organizational areas or processes

Where are you on the transformation continuum?

(The percentage of U.S.-based multinational companies in some phase of changing their business models)



Positioning Value Management

KPMG views *Transformation* as the continual evolution and alignment of an enterprise's strategic and financial objectives, its business, operating, functional, and human capital models, and its ability to deploy change and adapt within continually changing external environments.

At KPMG, Value Management is:

- An overarching framework and approach to business and operations transformation, applied across sectors (private, public, NGO, and community)
- Differentiated from Value Analysis, which focuses on innovative, collaborative techniques used primarily in design stages (particularly in infrastructure)



KPMG's View on Successful Transformation

Four critical success factors to manage in the transition from development of strategy and road-mapping to the actual delivery of the transformation:

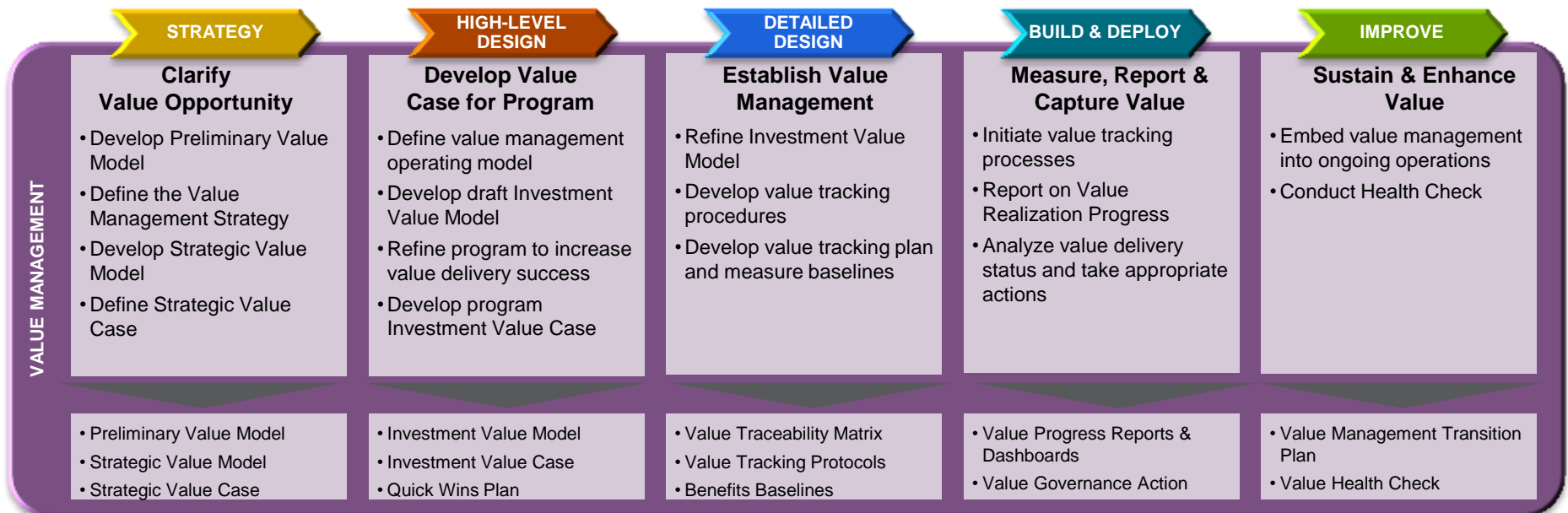
<p>Benefits realization is a consequence of a logical sequence of actions and outcomes</p>	<p>Measures are indicators of progress against achievement of outcomes</p>
<p>Indicators of progress need to reflect the full journey of outcomes achievement</p>	<p>Program governance needs to include business outcomes' accountabilities and achievement</p>

If organizations applied a fraction of the effort expended on cost management to transformation value, many more transformational efforts would be successful.

Successful organizations increase the value of its operations through transformation programs that achieve tangible outcomes for the business

To address value-oriented questions for clients, KPMG applies a Value Management approach to define and track how tangible value is created through operations, and increased through transformation:

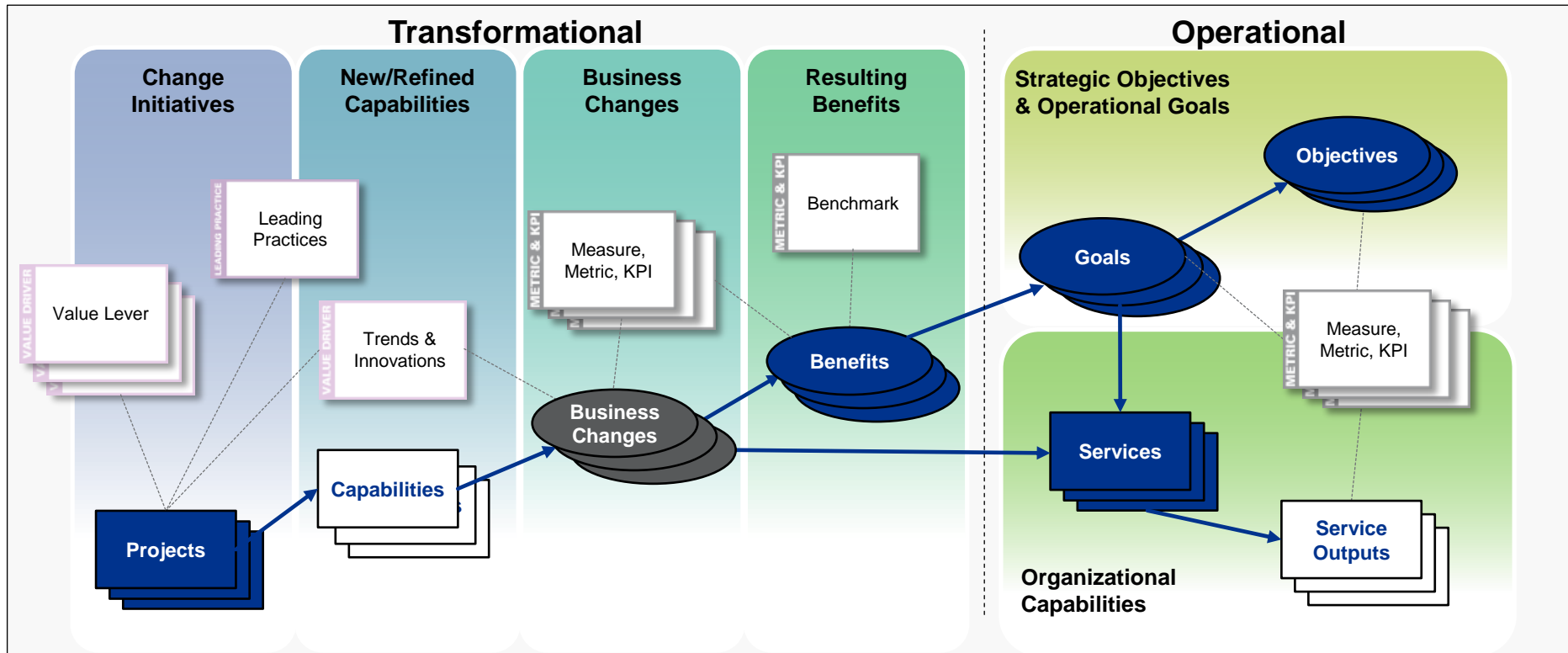
- **KPMG Insights**
- **Value Models**
- **Value Cases**
- **Value Visibility & Accountability**



KPMG's Value Management Key Concepts

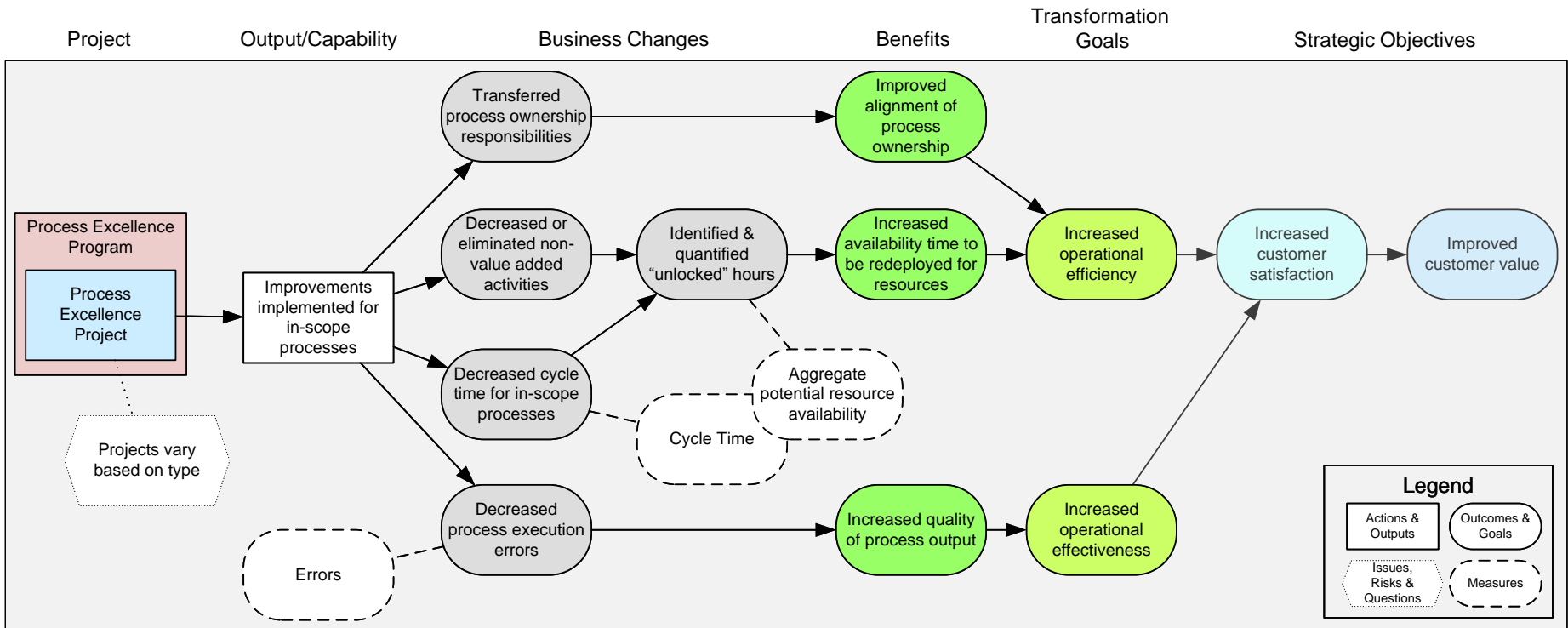
1. Value Models show how organizations deliver business value through operations, and how change initiatives increase the value of operations

End-to-End Conceptual Value Model



Example: Large Pension Plan Process Innovation

A KPMG client has completed over 30 Process Excellence initiatives, across 5 functional groups – using an value management perspective, the logic of how value is created with these initiatives is illustrated below:



KPMG's Value Management Key Concepts

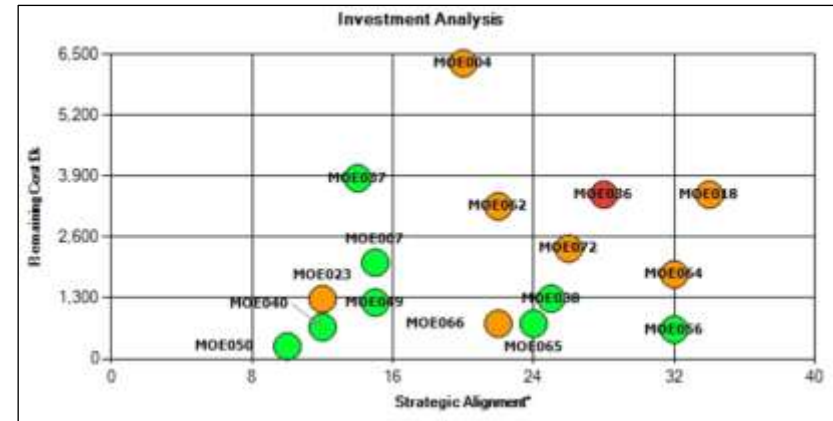
2. Value Cases drive better, comprehensive program portfolio choices

KPMG proposes that the next level of maturity of the business case is a *value case*, which extends the typical business case across the full transformation lifecycle

Quantitative View of an Initiative, consistent and driven by the Qualitative Value Model

Financial Justification		Year 0	Year 1	Year 2	Year 3	Year 4	Total
Analysis in £		2013	2014	2015	2016	2017	
Financial Benefits	Cost savings due to increased process efficiencies	82.5k					82.5k
	Efficient processes reduce penalty payments on missed SLAs	200k	200k				400k
	Improved admissions & bed handling	2m	2m				3.9m
	Increased Revenue	9m					9m
	Reduced Prescription Costs	58k	65k	65k			1.5m
Gross Financial Benefits	11.8m	2.8m	650k	0	0	15.3m	
Investment Costs	Development Costs	4.5m					4.5m
	Infrastructure Costs						0
	Gross Investment Costs	4.5m	0	0	0	0	4.5m
Ongoing Costs	Overheads	60k	60k				120k
	Gross Ongoing Costs	60k	60k	0	0	0	120k
Totals	Net cashflow	7.3m	2.7m	650k	0	0	10.6m
	Cum cashflow	7.3m	10m	10.6m	10.6m	10.6m	0% IRR
	NPV (12%)	6.5m	8.7m	9.1m	9.1m	9.1m	

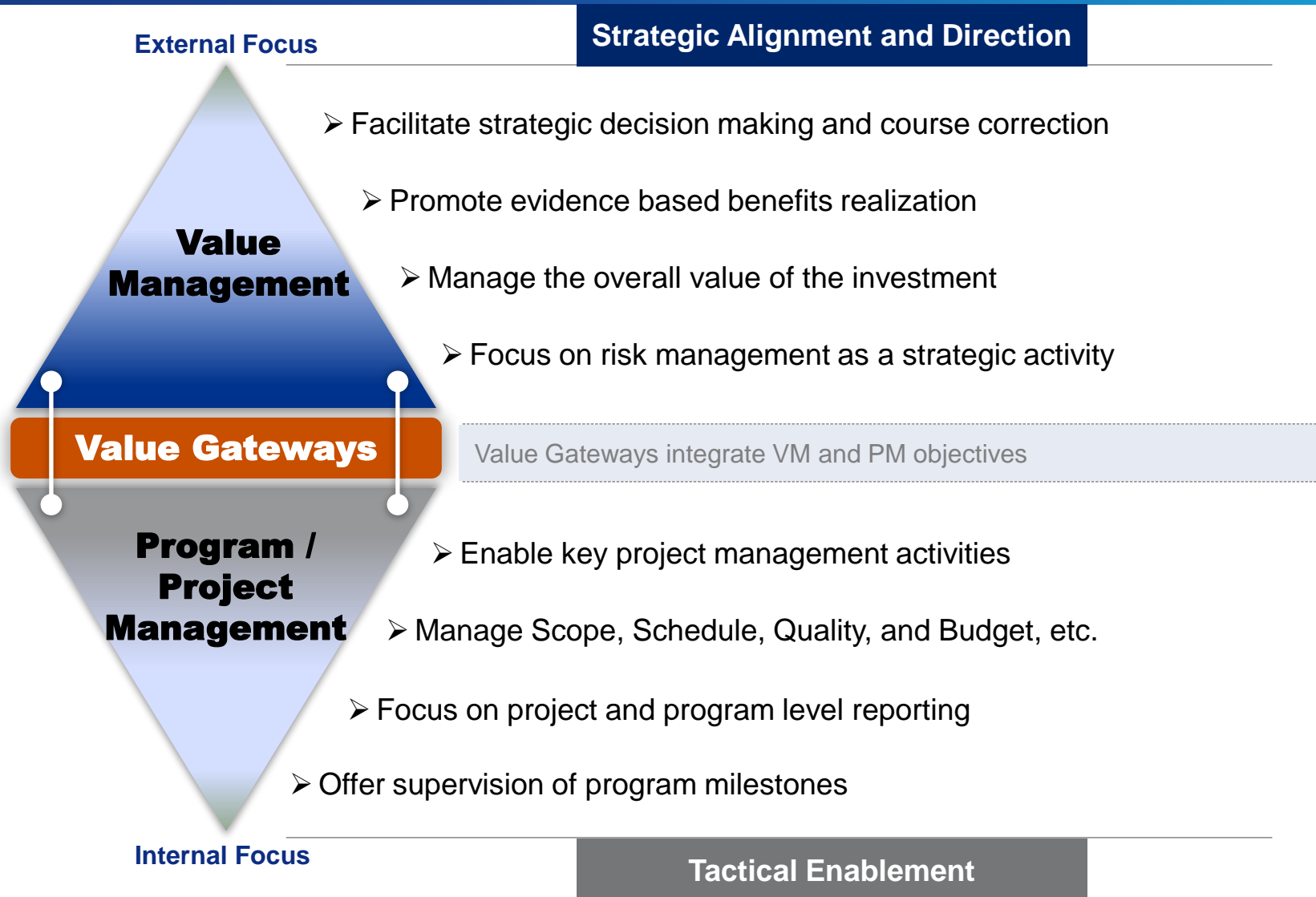
Highest Strategic Alignment, Lowest Delivery Risk & Remaining Cost has the highest Version Score



Value cases become “living” documents, rather than “dying” on a shelf after approval, part of ongoing, active portfolio management of change, using an outcome-based perspective

KPMG's Value Management Key Concepts

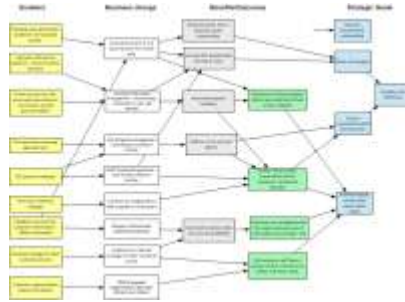
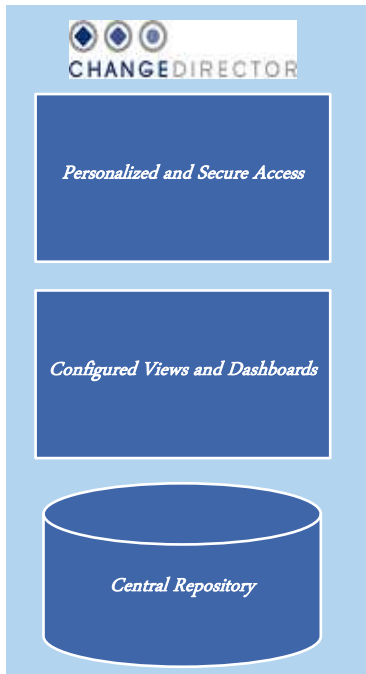
3. Value Management significantly enhances program governance



KPMG's Value Management Key Concepts

4. Providing visibility of results enables more effective accountability

Recognized by Gartner as one of the leading tools to support value and benefits management, ChangeDirector® provides a flexible and scalable platform to enable effective strategy execution and value delivery. The standard ChangeDirector® setup has been aligned to KPMG's Value Management Method, and can be tailored to support the needs of the program and complements existing PMO/Project tools.



High quality **Value Models** to ensure effective stakeholder engagement and articulation of strategic goals, benefits and changes for transformation



Online, interactive, scenario-based **business cases**, which include financial and non financial measures that can be linked to operational measures



Balanced Scorecards and Collaboration for target, forecast and actual performance at all levels with personal views to ensure ownership, and sustained results

ChangeDirector™ enables the development and proactive management of the business case and value realization

1 Strategic Objectives and List of Programs

Strategic Objectives

Theme	Perspective	Strategic Objective	Weighting	Owner	Division	BAW	Status	Comments
Creation of Shareholder Value (DVA)	Financial / Shareholder	Decreased business & operational risks	1				Green	
Operating Cash Flow	Financial / Shareholder	Decreased operating expenses	1				Green	
	Financial / Shareholder	Increased operating cash flow	1				Green	
	Financial / Shareholder	Increased revenue & market share	1				Green	

Strategy Programs

Ref	Program Title	Business Priority	Stage	Sponsor	Program Manager	Description	BAW	Status
PT-02	Account to Report (A/R) Program	Global	Qualifying					Green
PT-07	Costing (CST)	Global	Qualifying					Green
PT-08	Financial Planning & Analysis (FPA) Program	Global	Qualifying					Green
PT-09	Inventory (INV)	Global	Qualifying					Green
PT-03	Order-to-Cash (O/C) Program	Global	Qualifying					Green
PT-05	Source-to-Pay (S/P) Program	Global	Qualifying					Green

2 List of Projects within a Source-to-Pay Program

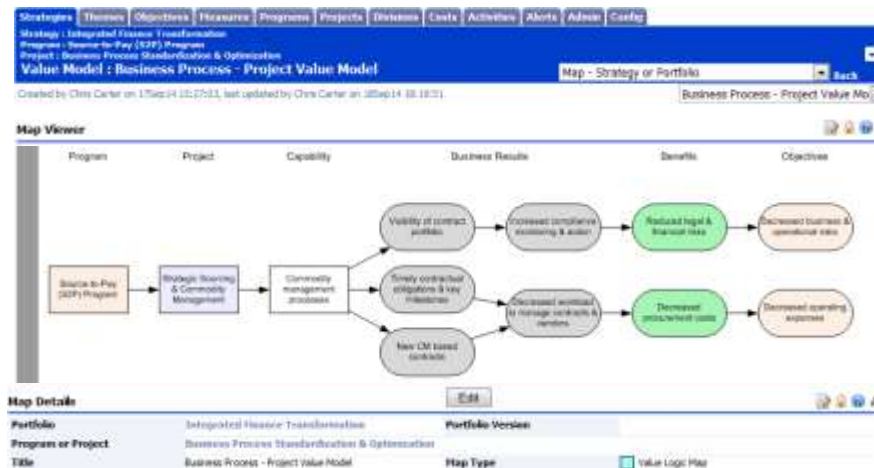
Program Details

Ref: PT-05P
 Title: Source-to-Pay (S/P) Program
 Stage: Integrated Finance Transformation
 S/P Manager: [Name]
 Sponsor: [Name]
 RAG: Green

Projects List

Ref	Title	IT Priority	Division	Total CAPEX (Est) (€)	Business Risk (1-10)	Total Benefits (Est) (€)
PT-05P-01	Strategic Sourcing & Contract Management	Mandatory		0	0	0
PT-05P-02	Track K1J Collection & Universal Adoption	Mandatory		0	0	0
PT-05P-03	Business Process Standardization & Optimization	Mandatory		0	0	0
PT-05P-04	Internal Value Chain Recategorization (S&S & Outsourcing)	Mandatory		0	0	0

3 Value Model "Segment" for a Project



4 Business Case – Financial Justification Summary

Project: Enterprise Process Re-engineering

Business Case Document

Created by: Fawaz Basha on 22/09/14 10:27:53, last updated by: Anand Singh on 22/09/14 10:28:58

Financial Justification

Analysis in €	Year 0	Year 1	Year 2	Year 3	Year 4	Total	
Financial Benefits:							
Cost savings due to increased process efficiencies	2813	2814	2815	2816	2817	82.5k	
Efficient processes reduce penalty payments on missed SLAs						20k	
Improved adhesion & bid handling		2m	2m			3.9m	
Increased Revenue		0m	0m			0m	
Reduced Procurement Costs		303k	606k	606k		1.5m	
Gross Financial Benefits	0	2.5m	11.7m	658k	208k	15.1m	
Investment Costs:							
Development Costs		4.5m				4.5m	
Infrastructure Costs						0	
Gross Investment Costs	4.5m	0	0	0	0	4.5m	
On-going Costs:							
Overheads					60k	60k	
Gross On-going Costs	0	0	0	0	60k	60k	
Totals	Net cashflow	-4.5m	2.5m	11.7m	658k	148k	16.5m
	Cost cashflow	-4.5m	-2m	9.7m	10.4m	16.5m	94.2% DR
	NPV (12%)	-4m	-2m	6.3m	4.7m	6.8m	

Sensitivity Analysis Chart

NPV Sensitivity Analysis

10000

Many KPMG clients have benefited from applying Value Management

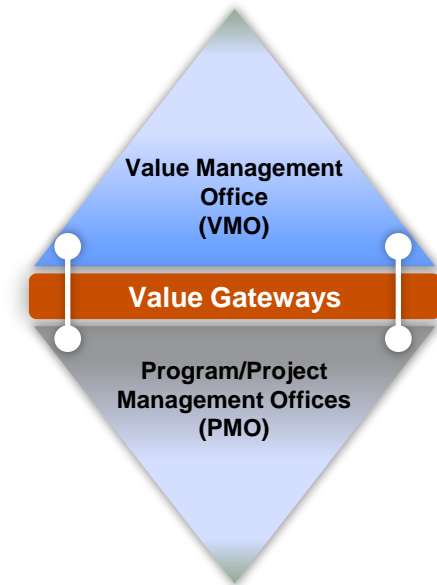
Developing and validating business cases for change



Establishing value management procedures and benefits tracking



Developing and validating business cases for change



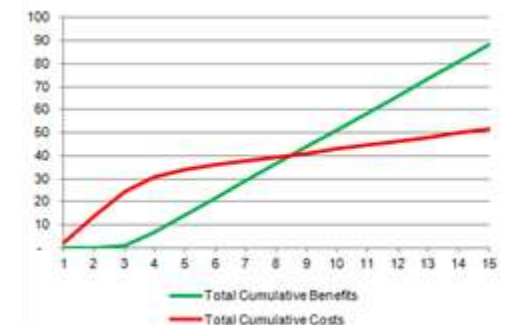
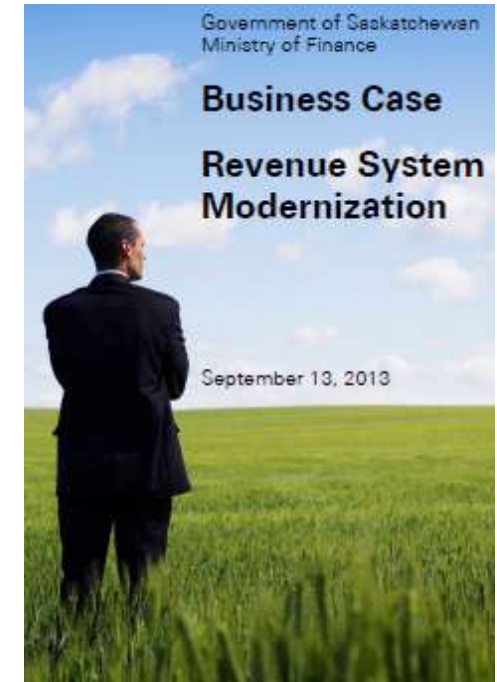
Project Close-Up:

Developing and validating business cases for change

In 2013, KPMG assisted Saskatchewan with developing a business case to modernize an aging, mainframe-based revenue management systems.

Despite many failed attempts in the past decade, the Province approved this project's implementation because of the focus on business benefits, producing a return on investment through the identification of increased tax revenue, reducing costs, and increasing the efficiency of revenue management processes.

In May 2014, KPMG was awarded the follow-on contract to provide consulting and advisory services for this implementation.



Project Close-Up:

Establishing value management procedures and benefits tracking



UK Power Networks, the electricity distribution network operator for London, the South East and East of England, has embarked in 2013 on a large scale and ambitious business transformation program, enabled by investments in new, integrated information systems and significant business process changes.

An innovative concept is driving the program: managing by business-based outcomes. During the program's inception, the business developed a comprehensive list of 168 critical, must-have outcomes (which have been publicly published).

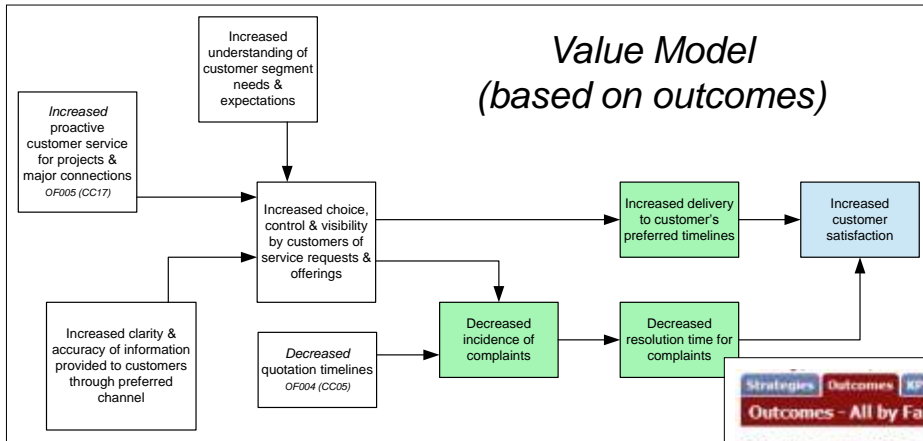
KPMG is assisting UKPN to implement their Outcomes Assurance Framework (see sidebar), by augmenting existing program control points and processes.

From UKPN's Outcomes Assurance Framework:

In the early part of the BTP, our focus was on process design, systems design and use of data. All of these are fundamental to achievement of our outcomes. However, we recognise that our transformation journey will also encapsulate **business change**, which is about how we deploy the new processes, data and systems within UKPN and achieve outcomes that cannot be delivery through systems and processes alone. The success of business change will significantly contribute to the assurance of delivery of the pre-defined 168 outcomes.

Sample Work Products:

Establishing value management procedures and benefits tracking



Outcomes by Outcome Family



Workstreams and Releases

Strategies | Outcomes | KPIs | Releases | Workstreams | Workstream Releases | Business Change Projects | Deliverables | Tasks | Processes | Divisions | Admin

Outcomes - All by Family

Ref	Outcome Family	Ref	Title	Title (Long)	Category	Ref	Master	Priority
CC01	Fulfilling connection							
OF001	requests as and when the customer requires							
CC01			Fulfilling connection requests as and when the customer requires (including the possibility for next day, out of hours and 7 days a week if required by the customer)		Performance			Primary
CC02			All re-instatement will be completed on the day of connection or within 24 hours		Performance			Secondary
CC05			100% of customers can book a site visit or delivery instantly for their preferred delivery date following payment (taking into account consents and traffic management restrictions)		Performance			Secondary
CC10			We will know when a job is fully completed (including reinstatement) and will offer all customers the opportunity to give feedback on our performance.		Performance			Secondary
CC11			We will segment our customers based on their needs and offer them relevant services to suit their expectations. This could include, out of hours, weekend delivery, fast track, premium account managed service, etc.		Performance			Secondary
			hour check in - less than 2%		Performance			Secondary
			available to contractors (including scope of		Performance			Requirement
			work is "ordered"		Performance			Requirement

Strategies | Outcomes | KPIs | Releases | Workstreams | Workstream Releases | Business Change Projects | Deliverables | Tasks | Processes | Divisions | Admin

Workstream Releases - All

Workstream Releases - All

Release	Workstream	Ref	WS Release Title	Stage	Sponsor	Manager	RAG	RAG Comments
Release1	Finance	FI1	R1 - Finance	Test			Green	Progress is currently in line with the plan. (Testing)
	Human Resources	HR1	R1 - Human Resources	Test			Green	Progress is currently in line with the plan. (Testing)
	Procurement	PR1	R1 - Procurement	Test			Green	Progress is currently in line with the plan. (Testing)
	Logistics	LG1	R1 - Logistics	Test			Green	Progress is currently in line with the plan. (Testing)

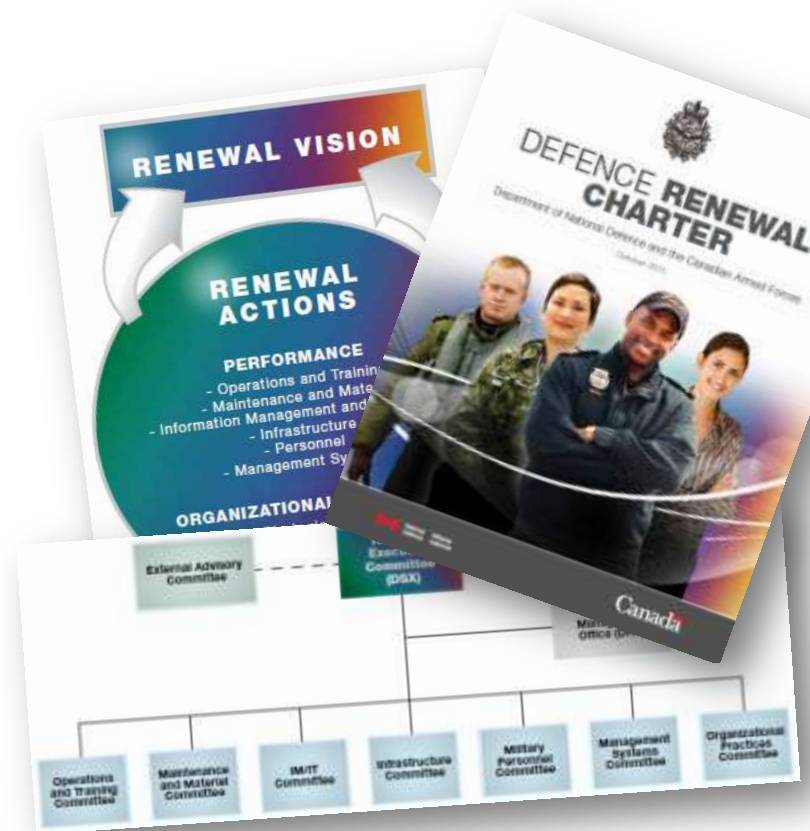
Project Close-Up:

Efficient, Strategic Front-Line Readiness of Canada's Armed Forces

The Canadian Department of National Defence and Canadian Armed Forces (DND/CAF) determined that fundamental change was required in the mandate, structures, and processes of Canada's Defence Forces and administrative services, to drive efficiencies and cost reductions, and to improve internal services in support of operational outcomes.

DND/CAF selected KPMG to provide Change Management services, in three areas:

- (1) Metrics & Performance Measurement:** Develop a DR-wide metrics and performance measurement framework, through a solutions-based approach, which will demonstrate the achievement of results across the full suite of the Defence Renewal portfolios;
- (2) Lean Headquarters:** Determine opportunities to optimize spans and layers of control to reduce headquarters structure to the appropriate levels to minimize costs and improve business agility and efficiencies; and
- (3) CAF Maintenance Execution:** Seek improvements in the efficiency and effectiveness of maintenance execution within the environmental services, i.e., Royal Canadian Navy (RCN), Canadian Army (CA), and the Royal Canadian Air Force (RCAF).





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Questions & Discussion



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