Transforming to a customer-centric future

With new technology, regulatory policies, customer behaviour and globalisation all impacting businesses and governments, the pressure is on to transform with customer outcomes at the core. KPMG partners in Transformation Program Management Ron Gardoll and Phil Barfield, explore this need for change, and the essential factors required to ensure its success.

Customers in Australia and internationally are increasingly expecting businesses and governments to be at the forefront of product and service delivery. Thanks to emerging technologies, disruption and social media, they are aware of the best and want an optimum experience from every organisation they deal with.

KPMG partner Ron Gardoll says this is triggering a raft of transformation projects with customer needs and benefits at the core.

"Customer centricity is a driver in both the government and private sectors. One of the drivers is the understanding that customer expectations and perceptions have been rewritten by social media and the use of tools that give customers what they want immediately."

Gardoll describes a transformation as a “fundamental change in an operating model” which could be strategic and long-term, or reactive to unexpected movement in the marketplace. The KPMG Global Transformation Study 2016 revealed 96 percent of organisations internationally are in the midst of a transformation activity. In Australia, 28 percent are completing at least one major change, and 25 percent have started a transformation initiative within the past 2 years.

This article looks at where transformation is happening, the role of technology in transformation, and the key factors organisations need to consider when undertaking a transformation program.

Sectors on the front line

While the need for transformation is broad sweeping, the financial services sector is at the forefront of change, largely due to its vast customer interaction. Australia’s new payments platform, which will be introduced late in 2017, is an innovation designed to satisfy customer demand for immediate service.

"Waiting for anything is completely unacceptable now. And that’s why we’re moving to this real-time payment solution. So that people can make a payment immediately and not have to wait the 24 hours that they wait now,” Gardoll says.

Phil Barfield says the health sector is another area embracing transformation. He offers the Electronic Medication Management System (EMM) as an example, which is using technology to overhaul handwritten ‘doctor scrawl’ into writing that can be understood.

“It is a system to ensure medication is given at the right time to the right people in the right quantity,” he says. “As a result, it’s driving some very real and life changing outcomes.”

While governments have a more captive customer, they still face customer demand. When customers benefit from modern service delivery from banks, retailers and the travel industry, they expect the same from government. In addition, they are seeing the standards set by international governments, and expect Australian government departments to improve.
The NSW Government has stepped up to the challenge with its Service NSW initiative, designed to create a "one-stop-shop experience for the customer," Barfield says.

"Previously different government departments had different shops or service centers. Instead of ringing one number, you had to work your way through a list of numbers. From an online experience, there was a very different look and feel for each. It has been an overarching campaign to drive consistency of look and feel," he says.

Another demonstration is the digital license program in NSW, which is looking at turning government issued cards into a digital system.

"We’re seeing that with anything ‘old school’ or paper-based, people are wondering what we can do to move that into the digital space, and then more importantly, how we can drive a better customer experience from that process," Barfield says.

Technology shouldn’t overtake customer need

Evolving technology is a powerful enabler of change, and is also a driver. Social networking/collaboration platforms (27 percent), enterprise applications (25 percent), artificial intelligence/cognitive computing (24 percent), the Internet of Things (23 percent) and the Cloud (20 percent) were listed as the top technology initiators of transformation in the KPMG study.

However Barfield thinks it is a mistake if transformations are primarily technology driven, at the expense of a customer-centric focus.

"Historically, technology has been the driver of transformation and as a result, a lot of the larger programs haven’t delivered into the business outcomes or the customer outcomes," he says.

He says it is important to keep focus on the “true requirements” that derive from customer need, then engaging or developing the right technology to facilitate it.

Getting ready for customer-centric transformation

Transforming to a customer-centric organisation requires detailed knowledge of what the customer wants. Gathering and analysing data on customer behaviour and interactions is essential, which in turn informs transformation strategy.

"Always refer back to customer research and basic data, to help overcome any kind of passion or emotion. Customer data says ‘this is what the customer wants’. We need to listen to them and use that as an anchor," Barfield says.

A transformation roadmap and governance model must be in place to streamline the process and prevent roadblocks.

"You need a very, very strong governance framework to make decisions early and stick with those decisions, rather than let them be re-litigated," Gardoll says.

Transformation programs must come from leadership, with the full commitment of the C-suite and a culture of support to sustain transformation. A dedicated program director can be accountable for finding resolutions to challenges and bringing momentum to the process. It could also be useful to appoint an internal lead sponsor of the program, and then engage with external consultants to steer the process. A transformation program steering committee could provide additional support.

Collaboration – a vital step

For a business or government department to transform towards a customer-centric model, collaboration and communication with all stakeholders will improve success.

"Transformation is, by definition, a massive change challenge," Gardoll says. "And that is usually poorly done. One of the techniques we used very successfully on the new payments platform is to have events where we get 200 of the stakeholders together for three days to work on the big challenges, and do the first level design of the solution."

Gardoll says this approach can help get everyone comfortable with the transformation plan and committed to the execution. In the public sector, it is essential to have political commitment to the purpose and process, such as an election mandate.

"Empowering people with information and being transparent upfront helps to drive that transformation forward;" Barfield says.

Time and measurement

With each transformation process taking a different length of time, clear frameworks must be followed. However, Barfield says as operational capabilities shift, the strategy can be refined.

"You need some boundaries that help drive the business forward – the agility is actually in the execution," he says.

Tracking transformation is also important, but too many metrics can be overwhelming. The study showed 37 percent of Australian respondents rated their ability to track transformation progress as 'somewhat capable'. To improve the measurement process, it is better to have three or four key measures that tap directly into improvements in customer value, to truly see where the improvements are being made. "You need to be measuring a smaller and more valuable list of things," Gardoll says.

For example, a business could focus too much on measuring staff productivity, but that may not deliver a lot of insight into the transformation program’s impact on customers. A dashboard summary of data results should be sufficient to show the most important measurements.

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Be aware of potential barriers

Undertaking a transformation that delivers the desired result for customers and the organisation is not without challenge. When asked to nominate the three top barriers to transformation, a key response for Australian organisations was the ‘underestimation’ of the operating model changes necessary in the process (37 percent). The problems of existing corporate culture and poor data metrics were equal at 36 percent.

Talent is another hurdle to be considered, as new technologies and operations can require skill sets that may not be within existing staff, therefore requiring hiring or training to facilitate. Managing budgets and communication around change also needs consideration. Just 36 percent of Australian respondents in the study reported that they are ‘somewhat capable’ of communicating the urgency of transformation.

“ It’s never easy to develop a strategy that everyone buys into and supports and that takes a lot of work. But execution is still the big issue. And that is where you need a transformation partner to help you manage the execution risk,” Gardoll says.

Driving value from transformation

Ultimately, all of the effort of a customer-centric transformation needs to deliver results for the customer and value for the business. Yet just over half of global and Australian organisations (55 percent) reported in the study that the realised value of the project was about equal to the anticipated value. Less than half of global respondents (47 percent) in the study believed they can extract and maintain the planned value from a future transformation initiative, with Australia just slightly up at 52 percent. Globally, only half (51 percent) believe they can create short-term transformation wins, with Australian respondents lower at 46 percent.

However, Gardoll says that if a transformation project is undertaken with a customer-centric ‘lens’, which firmly establishes what the customer does and does not value, and bases change on that finding, organisational efficiencies and value should result.
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The KPMG Global Transformation Survey 2016 surveyed 1,600 executives across 16 countries, including 102 from Australia about their status on transformation activities.

Find out more in our report:

Succeeding in disruptive times –
Three critical factors for business transformation success

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