KPMG Executive Insights: How Utilities Can Navigate Complex Business Transformation

Zoe Thompson
Principal, Transformation Delivery

Zoe has over 30 years of consulting experience helping organizations manage change and improve operational performance. Previously, she led social impact strategy for KPMG's US sustainability.

Todd Durocher
Energy Leader for Enterprise Transformation

An executive leader focused on helping Fortune 250 clients strategize, plan, and execute enterprise transformations leveraging SAP S/4HANA, Todd works with utility and oil & gas executives and leaders throughout the world with strategy, transformation, and technology projects related to front, middle, and back office transformations.

James Bushnell
Principal, Enterprise Solutions

A proven leader in the development and execution of leading business financial process improvement and technology implementations (SAP S/4HANA, Financials, Central Finance, SAC Planning, & Group Reporting). James has led more than 100 SAP projects that have improved the outcomes and operational effectiveness of his clients' business and financial processes. He combines that experience with his background in corporate finance where he worked in industry at multiple large global companies.

Brad Stansberry
Energy & Chemical Industry Advisory Leader

Brad has more than 25 years of experience delivering results on complex projects for finance function leaders in the energy and utility industry. He also has the privilege of leading the KPMG Energy and Chemicals Advisory business. Brad's focus is on helping CFOs and finance executives in the energy and chemical industries to run the "business of finance" better. This includes a focus on defining finance organization strategy and objectives, improving finance processes, deploying enabling technologies, enhancing finance talent and skills, and being a more valued service provider to business constituents.

In an era of rapid evolution, utility companies face pressing challenges, from modernizing operations and embracing emerging technologies to navigating shifting regulatory demands. This transformation is indicative of more than just a technological upgrade; it reflects a drive to reimagine how value is delivered to customers and internal stakeholders.

KPMG, a global leader in professional services, is at the forefront of guiding utility organizations through complex transformations by aligning strategies with business objectives, optimizing operational efficiency, and driving sustainable growth. With deep expertise in the sector, KPMG partners with utilities to build agile solutions that address current challenges while empowering resiliency for future disruptions.

In conversation with ASUG, KPMG leaders Zoe Thompson, Todd Durocher, James Bushnell, and Brad Stansberry provided expert insights into how utilities can navigate these developments. From the shift to SAP S/4HANA and the rise of AI to the role of talent management and empathetic engagement, this far-ranging conversation reveals the challenges and opportunities facing the utility sector today.

This interview, which you can also download, has been edited and condensed.

Q: What considerations are essential for ensuring internal alignment, stakeholder engagement, and value delivery in a transformation project?

ZT: I'm going to start with the word "value," because that's a huge part of this. Why are we doing this? Why are we doing this now? It's about communicating the benefit for both the organization and the individuals in a way that ties into something the organization already values, like continuing to get electricity to our customers. It's not creating value out of nowhere; it's reinforcing an established value proposition.

One of the essential things for tying this to your stakeholders and driving alignment is the ability to tell a story. We talk about communication and key points, but how well can leadership compellingly tell a story? A story has a plot, tension, and characters you can see yourself in. The ability to tell a meaningful story is crucial for driving internal alignment and ensuring stakeholders are not just involved but genuinely engaged — because they care about how the story ends, which is the completion of a successful project.

Unlike consumer products, which I can choose not to buy, utilities are intertwined with everything we do every single day. When people think of SAP, they might not immediately find it exciting or emotional. But in the utility industry, you have the chance to talk about something fundamental to daily life. It's about making things easier, better, and more efficient, which can lead to cost savings or simply ensuring that we get what we need to power our homes and lives. We have the opportunity to talk about the impact and power of what we do in a deeply personal way.

TD: I often use the analogy of a journey when discussing this — it's about narrating that story and tying it to personal value along the way. Value overall has to be tied to the corporate value. If we're not doing a transformation aligned with what the company has set out to do, then we've failed. It also needs to be discretely measurable. Each group involved in delivering and measuring the value in the business case needs to hear and believe the narrative in a way that's meaningful for them.

For example, if we're trying to improve customer satisfaction or lower our cost of sale, how do I show the drivers of that impact? And then, how do I make it meaningful to the people doing the work so they understand that it matters? As Zoe said, it's as much about the people on this journey as it is about the journey itself or the product we're creating.

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Q: In setting a transformation strategy, what comes first, and how do you structure your roadmap to ensure that efforts align with business needs?

BS: I think about strategy in terms of where utilities will be in the next five to ten years. The utility business model is under more pressure than ever before — whether it's data center usage, vehicle electrification, or new generation builds, utilities face challenges like reinforcing circuits and building new transmission wires. Queues for developers trying to connect new green generation development are growing, and that's not acceptable.

Utility executives are wrestling with how to solve these problems while balancing customer bills, especially for lower-income customers. These are the 'keep me up at night' questions they're facing. Connecting these concerns to the broader purpose — delivering the new energy economy and driving efficiencies through an SAP platform — makes it personal.

I think about how we make this relevant and specific to different roles, like a general accounting team or an AP clerk. Strategic questions like how to deploy resources and organize to accomplish this big, complicated task are where the rubber meets the road. Many clients run past these questions too quickly, but they're vital for defining compelling priorities and building a successful governance structure deployment model.

TD: Often, when we work on transformation strategies, we focus on the vision and what we're going to achieve, but we forget about the end customer. I've seen utilities get caught up in thinking it'll be glamorous — we'll leverage technology, do cool things, and add features. But for one major utility, it boiled down to: if the lights don't go on, no one cares. You need to make sure the strategy is grounded in what your customer and user are looking for.

When setting up a transformation strategy, it's important to understand that it's a continuous journey about value. The strategy must align with the corporate goals, and you need to define in detail what the end looks like — what the business, processes, and data will look like. Create a detailed blueprint across the layers and tie them to value.

Also, consider the journey of your employees and everyone involved. One of the biggest silent killers of big programs is the company's culture. Financial practices change, and there's the technical side, but people won't buy in if the culture isn't aligned. So, strategy is about understanding the vision, tying it to corporate goals, and creating a clear picture of the end that everyone believes in.

Q: How do you define minimum viable product (MVP) and roadmap clarity when setting a scope and building the business case for transformation?

TD: One of the big things, especially when discussing MVP, is that it's often viewed from a tech-centric perspective — we get value when we implement a product. But when setting up the business strategy and case, there needs to be more thought on iterative delivery, even in a targeted transformation. We're not starting with a clean white sheet of paper, so we should consider how to deliver value to the organization iteratively.

For example, if we can cleanse our data sooner, there's value in that before we even get to the technology. Utilities have been notorious for layering complexity over the years. If we can start simplifying and standardizing processes sooner, knowing our target state, we don't need to wait for the technology. Thinking about a structure that iteratively builds in wins and delivery helps the company see ongoing improvements, like better quality of life, processes, and cost of service. I always encourage clients to think about this pace and iterative delivery, and not just to tie it to big tech releases.

JB: When I think of an MVP, it starts with value, impact, and outcomes. You then layer in other variables here in terms of the total cost of ownership, the total cost to serve, and strategy then that helps you define a roadmap. Building on what Todd mentioned, the iterative delivery roadmap — What can they deliver based on the vision, value, and outcomes that have been defined? — this helps build a picture of what an MVP we can deliver to clients to begin proving that value early to validate the strategy and drive adoption and momentum in the program.

Q: Why are data and regulatory considerations so foundational to defining project success and limits?

BS: For utilities, the regulator is essentially their biggest customer — their only customer, to some extent. The regulator sets the revenue requirement and determines how much money the utility can make. From an investor-owned utility (IOU) perspective, which is in the business of providing service and making money, the regulatory relationship is the

ultimate relationship — it defines the financial outcomes and gives them the license to operate.

Utilities must collaborate closely with regulators, especially given the pressures on the energy industry. A clear view of how to support the regulator and shape conversations is vital for achieving better outcomes for all stakeholders. Utilities have a unique relationship with regulators, unlike most commercial organizations. This relationship is both fiduciary and strategic, involving compliance with reporting requirements and engaging in broader conversations about issues like decarbonization and customer bills.

For example, California's regulatory approach has become very specific, asking utilities to align their spending on reducing risk, intersecting data sets that haven't typically been connected before. As California utilities navigate their S/4HANA journeys, they must think about how to capture and report information around risk and align their financial processes with regulatory demands. This trend is spreading, with regulators becoming more creative and demanding more accurate information. Utilities need to anticipate these regulatory trends and ensure their data capture across various domains — finance, customer, employee, and asset — is robust to support better regulatory outcomes.

JB: I'll add that this industry is unique in how regulators play an outsized role in shaping the transformation journey. As we help clients define their value, it's not just from their perspective but also how it can be justified to the regulator that there is recoverable value in the rate base. The regulators play a significant role in defining the application roadmap, making this industry's approach to transformation distinct.

Q: Continuous communication and defined design principles are both crucial for organizational alignment and readiness. Tell me more about why these areas matter and what else executives must consider in preparing the business for transformation.

ZT: One of the best ways to ensure a successful program is to involve stakeholders in the conversation from the start. It's important to balance giving people a say with the need to standardize, but involving groups in discussions about the program's value and what it means for them is crucial.

Rather than dictating how they fit in, suggest ideas and let them share their perspectives. Co-creation is key — when people are part of crafting the story and message, they feel a sense of ownership, making change management easier.

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If they see their fingerprints on something, they naturally buy into it because they feel a sense of ownership. So, the question isn't how to make a frustrating message acceptable, but how to ensure the people who need to hear the message are involved in creating it so it resonates authentically.

TD: In S/4HANA journeys, it's crucial to focus on what matters most to the customer, like cost of service. S/4HANA is usually a back-office system, so tying it to customer value is essential. Transformation strategy is about value, aligning with corporate goals, and defining what the end looks like — what the business, processes, and data will be. Creating a detailed blueprint across layers tied to value is vital. Additionally, consider the journey of employees and everyone involved, as company culture is often the silent killer of big programs. Strategy is about understanding the vision, aligning it with corporate goals, and ensuring everyone believes in the clear picture of the end.

Q: What is your strategy for talent management, and how can executives manage talent as part of their organizations' overall transformation strategies?

ZT: I hear this so often in meetings: 'It's so important; I've got to get the right skill sets for the program. I have to have the A team.' If I had a nickel for every time I heard that... What's important is to see this as an opportunity to build the A team. Use these programs not just to gather everyone who currently has the right skills, but to think in terms of career development: Where can we build people? Who has the aptitude? Who has the interest? These programs are so massive that, over time, you can see tremendous development.

I encourage organizations to look at this and ask not just, 'What do we currently have?' but 'Where do we want to go?' How do we see people, not just for the skills they possess today, but for who we want to build and how we want to build them? Think of the program as a way to develop the people you want them to be. This becomes an opportunity not just for the organization but for the individuals, resulting in a good product and people who have been developed through the experience.

BS: The intention behind an SAP platform is that the value comes from integrating various functions — supply chain to finance, operations to HR — not from standalone deployments. The power is in connecting all the data and viewing how the integrated platform enables the business. Utilities are historically siloed organizations, so breaking down those silos and designing at the enterprise level is crucial. Having a team that thinks broadly about the entire work of the utility, rather than just their function, will take intentionality, but it's vital for cultural change.
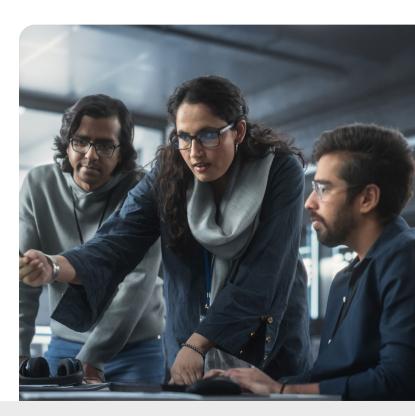
This is a unique time for utilities, a moment where many things are coming together, allowing them to change their direction and how they run the business. But it won't happen by itself. It requires a group of people setting the vision, saying, 'This is who we are. This is what we want to be.' And then doing the hard work to get there.

Q: This would hardly be a discussion of enterprise technology if we didn't mention AI at least once. Where do AI and generative AI fit into the equation?

JB: It is the continued evolution of AI and the addition of generative AI, especially in industries like ours, which historically have been slow to embrace it. The expansion of use cases that are much more applicable to our industry is something I'm eager to explore and I'm excited to share how we're utilizing this technology and helping our clients drive its adoption.

BS: The really interesting thing for me is SAP. There are three platforms that run a utility: CIS, work and asset management, and ERP. While other technologies are needed, these drive the vast majority of business operations. SAP, as an integrated platform, captures a lot of information about company operations and execution. The data SAP collects will drive insights into the operation of the utility and the industry as a whole.

To piggyback on James's comment, the continued evolution of automation and embedded technology — how these platforms capture and benefit from rich data — will drive significant benefits across the utility platform. I'm excited to see how these platforms evolve and continue to bring more value to the execution of utility business and the utility franchise.

Q: How do you think that the S/4HANA transformation can be used to improve the way that utilities are moving forward, particularly regarding technology infrastructure and increasing that capability?

TD: This is a reset moment — a generational opportunity for utilities to rethink how they deliver services. S/4HANA is more than just a technical upgrade; it's about fundamentally changing how utilities operate, from work and asset management to back-office functions like finance, procurement, and supply chain. If utilities take the time to plan thoughtfully, they can deliver services more cost-effectively, reliably, and securely. But it's crucial to approach this as a transformative moment, or it will become the biggest lost opportunity.

JB: Addressing the emerging talent deficit for S/4HANA skills is a significant challenge for organizations. The focus needs to be on managing and bridging this gap, incorporating more automation and AI to support the talent in place. Simplifying the solution and enhancing the user experience are crucial steps in enabling in-house talent to grow. While there isn't a silver bullet to solve this issue, it's about investing in your team, improving their skill sets and capabilities, and then then simplifying and implementing a standardized SAP solution.

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BS: In corporate America, generative AI has captured so many people's imaginations because of its accessibility. Anyone can use tools like ChatGPT to get fantastic responses. This shift is leading to a future where people are not doing work but rather managing the automation of work. We're moving toward a corporate environment where, much like modern manufacturing, the focus is on monitoring and optimizing automated systems. This transformation is about using this opportunity to build skills within our workforce, enabling future automation capabilities and expanding the frontiers of SAP and the surrounding technologies. We must lean into this evolution and be intentional about how we develop our teams for the future.

Q: What haven't I asked you that's important to share around these topics?

ZT: What excites me is the potential for these programs to be a force for good and positive change. We're talking about the energy transition, energy equity, and what utility companies can do for their communities. These programs are huge and offer the ability to impact not just the community but also how people operate, develop, and live their lives. It's an exciting time because it combines lofty goals with tangible approaches. We know what's ahead, and we have the opportunity to make a positive impact on both the employee and customer experience in a way that makes sense and is accessible to everyone.

TD: S/4HANA is the big enabler — the platform and technology driving change. Utilities, traditionally seen as necessary but unexciting, have transformed over the past decade. They've gone from being slow followers to leading the charge, embracing new technologies because it's necessary. Utilities are now pivotal in driving the technological shift in the market; things like electric cars and battery technology depend on them. It's an exciting time because utilities are at the forefront of innovation, leading in almost everything we'll do in the future. S/4HANA enables them to operate differently and stay at the forefront of this innovation. This is why working with utilities now is so exciting — a huge amount of new development is coming, making it a great time for enterprise transformations.

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Technology transformation is complex and inevitable, and KPMG is here to make a difference by providing informed service specialists who simplify and extend the value of SAP solutions. With our experience in people and technology transformation, combined with SAP's digital and cloud-based ecosystem, organizations can confidently embrace future opportunities.

asug

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