

KPMG Special Report

Becoming a future-ready Digital Leader

In the digital age, all organizations are striving to harness IT to transform the business and drive better performance.

But there is no doubt that some are faring better than others. The Digital Leaders identified in this year's report are putting clear water between themselves and their competitors. On average, their time to market is better, their customer experience is superior and their operational efficiency is higher. As a result, both revenue growth and profitability are higher too.

But what are Digital Leaders doing differently and what might lie behind their success? In KPMG's view, it begins with a fully integrated front, middle and back office, creating what KPMG calls the 'Connected Enterprise' – all laser-focused on the customer.

Steve Bates, Global Lead, CIO Advisory Center of Excellence at KPMG, says: 'There are eight key capabilities that Connected Enterprises focus on and that make them twice as likely to be successful in meeting customer expectations, delivering ROI and achieving their business objectives.'¹

Today, there is no longer business strategy and technology strategy. There is just

strategy, and technology is driving it. The opportunity for IT is to enable the Connected Enterprise and drive the benefits.

It is encouraging that investment in IT is as high as it's ever been, with more technology leaders (55 per cent) reporting budget increases than at any time over the last 15 years. Unsurprisingly, this was especially the case for Digital Leaders (63 per cent). This is a clear sign that leadership in businesses across sectors recognize IT's pivotal role, not just in keeping the business functioning, but in enabling business change. Moreover, business-managed IT – where technology is managed by business departments themselves – is growing, especially in Digital Leaders.

'The companies that are winning in the market are not asking IT to keep the lights on,' Steve Bates comments. 'The importance of technology in driving growth and reducing risk is fully recognized in the boardroom. But technology also needs to be in the hands of the people that create value so the growth of business-managed IT is an important development – although clearly there needs to be a strong governance system to ensure that activity remains coordinated and controlled.'

Eight capabilities of the KPMG Connected Enterprise



¹ Research commissioned by KPMG International, 2016 & 2018

But simply investing more in IT is not enough on its own. Along with it, a significant shift is needed in the way the IT function operates in and with the business. KPMG's 'Future of IT' series identifies six key elements that the IT function must get right to deliver business value, and in this year's survey we see Digital Leaders outpacing their rivals in these important areas:

1. Market speed operating model – realigning capabilities, people, architectures and ways of working to enable the delivery of new products and services across a broad spectrum of speeds and scale.

From the survey: Digital Leaders are more effective in implementing new technologies end-to-end across functions and geographies and changing ways of working to maximize the value from technology. They use cross-functional teams (IT and business staff) and ensure business leaders work collaboratively to deliver technology change.

2. Dynamic investment – deploying a 'think like a VC' portfolio investment approach and leveraging lean financial processes to drive dynamic and continuous funding of technology and investments.

From the survey: Digital Leaders are more effective in reporting business outcome-based metrics for

technology projects, and scaling up projects quickly if successful or stopping quickly if not.

3. Modern delivery – integrating business, engineering, testing and operations into full-stack teams, automating large portions of the value chain.

From the survey: Digital Leaders are better at integrating core business systems with newer digital solutions and bring a long-term 'product' rather than a short-term 'project' mindset to technology implementation. They employ automation in software development and maintenance and use methodologies such as agile and DevOps to speed up project delivery.

4. Flexible IT workforce – developing a 360 degree view of the IT workforce, including business, technical and virtual skills, to create a flexible ecosystem of talent.

From the survey: Digital Leaders are better at ensuring that non-IT staff have the right technology skills, and at using both internal and external resources to access the right skills.

5. Data as an asset – evolving foundational data assets to fuel demand for actionable customer insights, transparency to risk and opportunity, and operational efficiency.

From the survey: Digital Leaders are more effective at maximizing value from the data they hold and maintaining an enterprise-wide data management strategy.

6. Customer trust – instilling technical trust throughout the organization, delivering intrinsically safe products and services, to influence perceived trust for customer value.

From the survey: Digital Leaders are better at identifying and managing the key security and privacy issues across technology development and operations, and in building customer trust through the service delivered to customers and end users.

'Digital solutions are the oxygen that allow a business to breathe and run at market speed. This year's survey provides compelling evidence of the transformational progress Digital Leaders are making. It is up to the rest to catch up and join them,' Steve Bates says.

For more insights around KPMG's vision of the 'Future of IT', visit kpmg.com/Future-IT.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.