

Positioning your digital strategy for the new reality

Accelerating digital transformation efforts in times of uncertainty



Real insights

The systemic shock caused by the COVID-19 virus is making many CIOs and industry leaders ask what this means to our economy, way of life, and their organizations. During these times of uncertainty, there is a strong temptation to cut transformation programs in an effort to increase cash flow and contain expenses. However, in previous times of uncertainty, organizations that eliminated or delayed transformation efforts found themselves later lacking key competitive capabilities.

Digital transformation is an example of a program that delivers these needed capabilities. Eighty percent of revenue growth over the next three years hinges on digital offerings and operations.¹ Technology leaders should continue transforming their operating models and investing in key enablers, such as integrated cloud, automation, and blockchain. Companies that continue to invest in their digital strategy while balancing short-term efforts with long-term measures will emerge from this pandemic more competitive.



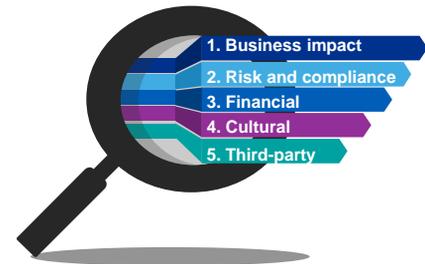
Our perspective

Cutting expensive, large-scale transformations may seem appropriate in the current environment. The need to preserve cash and redirect scarce resources drives the agenda of many key leaders; however, this instinct may be counterproductive if one cuts needed future capabilities. When reviewing one's transformation program during times of uncertainty, it is better to ask "how can our transformation program best serve us in today's environment?" Many digital transformations use an agile method to determine their priorities—building and working off a backlog of transformational outcomes. Rather than slashing one's transformation programs, a better response is to rework the transformation backlog to include today's needs *and* continue to deliver on high-priority digital outcomes that enable the business for the future.

To preserve your hard-won transformative initiatives, there are five lenses to consider:

- Business impact: How should programs be reprioritized based on their impact?
- Risk and compliance: What is the risk of canceling or delaying the initiative?
- Financial: What direct and indirect financial impacts will this program affect?
- Cultural: How will cutting transformation initiatives impact the culture we have worked to create?
- Third-party: How will this reprioritization affect my relationship with partners?

This approach to existing transformations delivers much-needed technical outcomes, but also continues IT's capability development—a subtle, but critical outcome of a digital transformation that can be completely derailed by canceling transformation initiatives.



Triggers and pain points

As organizations adapt to changing cultural and market conditions, leaders will naturally seek to eliminate extraneous items; however, eliminating key transformation efforts or digital capabilities may not position the firm to adapt to the crisis or the emerging new reality. Factors that influence organizations to make these less than optimal decisions include:

- Misalignment of IT strategy to business goals resulting in inconsistent technology enablement of business priorities
- Lack of insights into which transformation programs drive key outcomes in today's environment, like employee and customer engagement
- Unclear signals and fluctuations in customer needs that make discerning the customer requirements difficult in a rapidly changing market environment.

	Near term	Longer term
Business impact	Identify opportunities to scale up investments in automation technologies to augment a capacity constrained workforce, responding to these changing conditions by investing in future capabilities.	Stay committed to broader transformation initiatives that really make a difference in your business (e.g., data, cloud, automation). Reevaluate your transformation roadmap, but don't discard a valuable plan. Modify as necessary, while staying true to strategic objectives.
Risk and compliance	Assess what IT capabilities need to be changed or improved to ensure that business continuity and technology resiliency are not compromised with the new demands.	Consider the future risk implications of the delay or cancellation of programs to regulatory compliance, security, legal, or audit execution.
Financial	Take stock of the current situation carefully; review your overall transformation roadmap and your primary business goals while you look to free up needed capital. Evaluate what you can deprioritize and look for opportunities to prune and invest versus slash and burn.	Evaluate the architecture of the entire value chain—front, middle, and back office—to ensure your transformation initiatives stay aligned with your revenue streams and customer needs.
Cultural	Assess virtual workplace technology demands such as videoconferencing and collaboration tools to ensure your workforce is effectively enabled, while articulating the values that underpin key decisions, especially hard decisions, that impact employees' lives.	Focus on transformation initiatives that allow you to boost the capabilities of your workforce, with an emphasis on new digital capabilities and employee engagement.
Third-party	Reevaluate priorities, shift resources, and track progress more closely, while viewing third-party resources as scalable resources to enable targeted responses in the current environment.	Review your overall third-party approach to ensure it aligns with your operating model and supports the future transformation efforts and is not shifting core capabilities out of your organization.

April 27, 2020

Where am I now? – Qualifying questions

Resilience

- How well are your transformation initiatives aligned with your business goals and objectives?
- Is your IT able to provide services to the business at market speed and quality?
- Do you have a multiyear roadmap for IT capabilities required to support business needs?
- How do you ensure IT initiatives are aligned with the new acceptable level of risk for the business?
- How are you navigating the contractual and relational nuances of programs that depend on vendors to deliver?
- How do you optimize the backlog of transformational outcomes as the current situation increases demand for transformational outcomes?
- How do you ensure resources stay engaged with transformation tasks at hand while managing uncertainty as it unfolds?

Recovery

- What new IT capabilities are needed to support your transformation efforts?
- How do you ensure that your transformation efforts stay risk neutral in times of uncertainty?
- How do you quantify direct and indirect financial impacts to canceling or delaying transformation initiatives?
- How do you reinvest in your resources and capital to ensure that winning ideas are continuously generated?
- Are you reassessing skills in order to support the technology and delivery paradigm needed to support business?
- How do you systemically prioritize and fund transformations in a way that allows more agility and speed even during times of unprecedented uncertainty?

New reality

- How will you measure and report IT performance targets differently?
- How are you exploiting data as a strategic asset to make decisions for accelerating, delaying, or canceling transformation initiatives?
- How should you plan capacity as the recovery takes shape?
- How do you evolve your technology ecosystem to enable more digital capabilities?
- How will your organization adapt to changes in culture and mindset to sustain ongoing transformation efforts and position for future initiatives?
- How can you approach transformation efforts in an agile way to make future big bets?
- What changes will you make to your business and IT operating models to achieve the right balance between stability and agility?

Getting started

As with any journey, the biggest challenge can be taking that first step. Organizations can take the following actions to get started:

- Rework your transformation backlog to prioritize quick-win features, enablers, and capabilities with greatest business impact given today's conditions
- Consider the risk posture you will be left with as you reprioritize, and calibrate priorities based on the acceptable level of risk for your organization during these times
- Quantify the direct (e.g., write-offs, interest charges, tax credit loss) and indirect (e.g., ramp-down/restart costs, contractual penalties, future availability of capital) financial implications of each transformation initiative
- Formulate a resource and strategic sourcing plan according to the work, capacity, and skills needed for reprioritized transformation initiatives and new levels of acceptable business risk
- Identify where external partners will be needed to supplement skills and capacity gaps, and fast-track your engagement with them

Contact us

If at any time you need help, please use the information below to get connected to a specialist for more advice and support.



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¹ IDC Press Release, IDC Launches New Framework to Accelerate Digital Transformation and Help Enterprises Become Digital Natives (IDC, October 2017)