

Digital everything: how digital transformation is shaping the future of business

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Key takeaways:

- *With digital transformation shaping the future, it is imperative for businesses to prioritise investment in digital technology.*
- *Businesses now need to embed an ESG lens into everything they do to unlock value for themselves, the communities where they operate and for the planet as a whole.*

If the number one digital transformation priority is to improve the quality of customer experience, then 2020 was the year when the customer/citizen/client experience went digital. Digital transformation is built around the customer, with the pandemic providing a newfound appreciation for and expectations around continued improvement of the customer's digital experience.

COVID-19 has accelerated the pace of digital transformation and businesses are now shifting their attention from survival to **growth**. This renewed focus on growth brings with it the opportunity for resetting the emphasis again on the customer/citizen/client, employee and stakeholder.

The term 'digital' is ubiquitous and probably overused. Here are some popular definitions:

- "It describes the dominant use of the latest digital technologies to improve organisational processes, improve interactions between people, organisations and things, or to make new business models possible"¹
- "Digital transformation is not just about technology. It's the necessary but challenging journey of operating digital-first with the speed and nimbleness to change rapidly, exploit technology to create lean operations, and free people to do more complex tasks".²

A definition followed by KPMG across major markets incorporates rethinking how an entity utilises its people, processes and technology to pursue new business model(s) and revenue streams. This is especially relevant in the light of the value delivered to the customer in keeping with changing expectations for products and services. And I would highlight that digital is less a 'thing' and more about the way of doing

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things – it is a **mindset** that requires cultural change, agility, innovation, experimentation and a safe-to-try environment.

In April 2021, KPMG commissioned Forrester Consulting to explore the impact of COVID-19 on organisations' digital transformation strategies. The survey covered 12 sectors in 12 countries and collated responses from 820 digital transformation strategy leaders. *

This survey showed that organisations are focussing on four key elements of digital transformation:

- **Building customer/citizen-centricity** (meeting them where they are): This could include frictionless e-commerce, responsive supply chains, moving to a cloud environment, closer relationships with customers through digitised interactions, speed of service and more options.
 - **57 per cent** prioritised the creation of a customer-centric organisation
 - **37 per cent** of businesses have developed new channels to serve customers.
- **Harnessing digital technology to improve employee experience and meet future capability needs** (creating an empowered, connected workforce): This could include emergence of hybrid work models, better collaboration with technology and platforms, enhancing the workplace with improved employee experience and highlighting the importance of purpose and meaning.
 - **44 per cent** allowed employees to work from home.
- **Investment in advanced technology, digitally enabled capabilities and new ways of working** (creating digital agility): This could include looking at transformation as a holistic and longer-term enterprise focussing on strategy, agility and cloud.
 - **58 per cent** see digital transformation as part of a defined, longer term strategy
 - **73 per cent** of respondents expect to maintain (27 per cent) or increase (46 per cent) their digital transformation spend levels.
- **Data and transaction security and utilising Environmental, Social, and Governance (ESG) as a value driver** (building a trusted enterprise): This could include relooking at the organisational purpose that takes into account awareness of stakeholders, tackling ESG challenges and expectations, prioritising what is important, digital technologies to improve services and product + operating model, automation and artificial intelligence.
 - **37 per cent** are rebalancing priorities
 - **47 per cent** included ESG in their business case for digital transformation.

And the top three areas for increased digital investment, unsurprisingly, are in:

- data security

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- automation and augmentation
- customer-centric technologies.

So, what does this all mean for the shape and direction of your business?

- **Need to find the 'new' definition of productivity and it would likely be enabled by digital:** In future, an organisation's footprint is likely to be defined as a combination of actual and virtual resources for both operations and delivery of products and services. There will also be a focus on the workforce to be upskilled in digital capabilities as well as certain skills to be accessed on an as-a-service basis via managed services.
- **The importance of cloud technologies in enabling digital transformation:** Cloud technologies could be imperative in assisting businesses in collaboration with employees and their partners. Organisations will be leveraging collaboration tools and cloud computing to enable their digital transformation along with systems integration, IoT, and IT service management and operations.
- **The 'how' you grow also matters along with 'how much':** To ensure sustainable growth, functional silos need to be broken down and every part of the organisation needs to work together, to create business value and drive sustainable growth. [Connected Enterprise](#) helps build an organisation's key capabilities across eight priority areas to increase its resilience to future shocks and disruption and provides the speed and agility to the organisation to adapt to changing customer demands.
- **Embed trust through cyber security practices and ESG values and practices**
 - Trust (the license to operate): Digital technologies can drive trust by enhancing innovation, security, performance measurement and transparency
 - Cyber security: Organisations need to invest in operational resilience, data security and regulatory standards
 - ESG: Businesses need to embed an ESG lens into everything they do to unlock value for themselves, the communities where they operate and for the planet as a whole. ESG brings with it a significant digital transformation agenda.
- **Digital considerations for government** include interoperability across government service and jurisdictions (avoiding digital borders), security of digital identity, data sovereignty, what information is collected versus what an individual citizen is comfortable sharing, prioritisation of investment into digital technology, being inclusive and recognising that everyone and everything cannot or will not be able to go digital.

Digital transformation can bring huge opportunities for organisations across all sectors, private and public. Now is a critical time for businesses to focus on customer centricity while keeping pace with digital change

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in making the organisation resilient and agile. It is the need of the hour for organisations to reimagine their future and position themselves for the new reality.

For more on this, read KPMG International's publication [Going digital, faster](#)

¹ Gartner Glossary, accessed on 19 November 2021

² Digital Transformation, Forrester, accessed on 25 November 2021

*Digital Fuel, a report by KPMG, accessed on 30 November 2021

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