



Make the connection

**Building the Connected Enterprise
for sustainable success and
profitable growth**

September 2021

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CEOs are embracing disruption head-on and are taking personal responsibility for driving growth.

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Introduction

Today's businesses know that in order to survive and thrive they must be built around their customers, with an ability to continuously respond and adapt to ever-changing needs.

To create a truly customer-centric business requires an approach that is founded on three key attributes.

First, organizations need to think 'outside in' and look at everything they do from the customer's perspective and understand the economic implications. This means connecting what is happening externally with changes that need to be driven internally.

Secondly, businesses must use these insights to satisfy customer wants in order to create engaging experiences throughout the customer lifecycle. This also means aligning these experiences across third parties and suppliers to make it seamless for customers to interact with them.

Finally, every business must ensure that the entire organization – front, middle and back - is aligned to deliver on its brand promise and customer expectations. This means breaking down silos to become a customer-centric, digitally enabled business truly engineered for profitable growth.

A focus on these three components distinguishes winning organizations. It makes them connected: to their customers, to their partners, and between teams and functions within.

A KPMG-commissioned global study¹ of 2,252 decision makers conducted by Forrester Consulting shows that developing a customer-centric strategy is a high or top priority for 71% of organizations – and yet 40% of organizations rate their customer-centric capabilities as only average.

In this report, we look at how organizations can become a Connected Enterprise and how being so can deliver greater agility, resilience and growth.

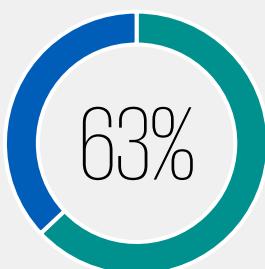
It is time to make the connection.

¹ Source: A commissioned study of 2,252 professionals involved with customer-centric strategy decisions conducted by Forrester Consulting on behalf of KPMG, January 2019.

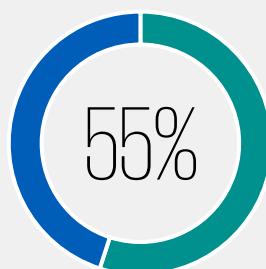
Connected. Powered. Trusted.

CEOs are taking the lead in connecting their organizations, powering technology initiatives and driving trust in their brand.

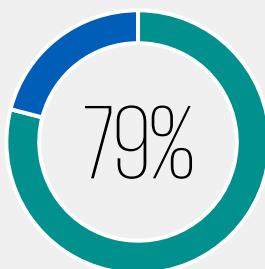
CEOs need to be the catalysts for profitable organization-wide digital transformation to drive growth. For many organizations there is a lack of alignment between front, middle and back office functions. The constraints of legacy IT, and the lack of collaboration across organizational silos, combine to make it almost impossible for organizations to be nimble and responsive to changes in their environment.



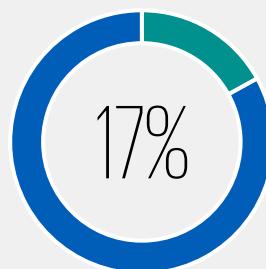
of CEOs say their business is actively looking to disrupt their sector rather than waiting to be disrupted, up from 54% a year ago.



of CIOs are reporting budget increases, up from 49% a year ago.



of CEOs say they are personally responsible for overseeing cross-functional alignment in a way their predecessors were not.



Of CIOs report increasing automation as a board priority.

Source: 2019 Global CEO Outlook, KPMG International; 2019 Harvey Nash/KPMG CIO Survey

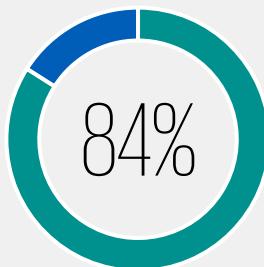
KPMG International's 2019 CEO outlook survey shows that CEOs are taking personal responsibility for greater cross-functional alignment. Seventy-nine percent said that they were responsible for overseeing this alignment in a way that their predecessors were not.

The CEO's personal intervention is also key to realizing a customer-centric organization, where a better customer and employee experience drives profitable business outcomes. Shifting the enterprise to focus on the customer will fail if you end up with a collection of uncoordinated efforts taking place within different silos.

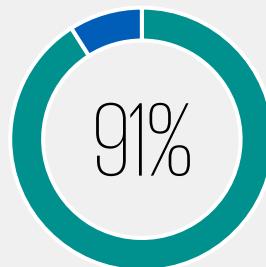
There needs to be alignment across the organization — a connected enterprise approach — to meet customer expectations, improve business performance and achieve profitable growth.

Cloud-based solutions will be key to addressing fragmented digital infrastructures, made up of a range of bespoke, on premise computing infrastructure.

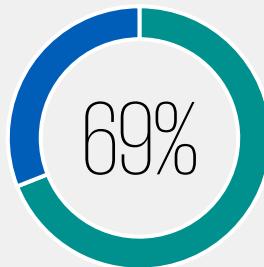
The cloud offers scaled capabilities and advanced technologies that can power and transform how work used to be conducted via legacy IT. CEOs are embracing these technologies wholeheartedly. Seventy-nine percent said that they were more confident today about increasing their organization's use of cloud technologies than at any point in the last three years. Winning and retaining customer trust is paramount in building market success. CEOs also have a role in improving trust in their business, building a culture based on clear ethical values, and creating a more sustainable future for their organizations.



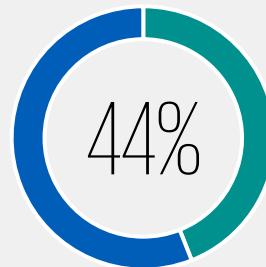
of CEOs are personally leading the technology strategy; 79% are more confident about increasing their use of cloud-based solutions than at any point in the last three years.



of CIOs agree that data privacy and security will be as important as product/service offering in customer attraction.



of CEOs say a strong cyber security strategy is critical to driving trust with key stakeholders, up 14% from a year ago.



of CIOs expect major or radical change to their organization's primary business activity over the next three years.

Source: 2019 Global CEO Outlook, KPMG International; 2019 Harvey Nash/KPMG CIO Survey

How to stay ahead of rising customer expectations

Today's customers are connected; they are demanding, empowered and armed with almost unlimited information and choice.

They expect more from businesses than ever before, demanding personalized experiences that involve minimal time and effort. Loyalty has become portable, with customers quick to move their business if things go wrong or even just mildly disappoint.

As a result, meeting expectations is becoming ever more challenging. Less than half (43%) of organizations say they routinely meet customer expectations and only 12% believe they consistently exceed them.²

At the same time, it explains why improving the customer experience is most commonly cited by organizations as the top objective driving their customer-centricity strategy.³

This environment has created a fiercely competitive marketplace where brands must transform rapidly to stay ahead. Disruption has become pervasive - challenging business models, legacy products and entire industries. Even the most established players and markets are not immune.

Against this backdrop, delivering on the customer imperative requires organizations to be more agile, resilient and closer to their customers than they have ever been in the past.

Achieving business growth depends on it and the businesses that fail to meet customer expectations will themselves fail. However, knowing what a customer's expectations are, and actually delivering on them are two separate challenges.

This difficulty comes about because too many organizations are focused on understanding and addressing their customer facing issues without actually aligning the different layers of their organization to execute and deliver on their customer promise. They're facing a myriad of obstacles such as customer data that's buried in different business units; products and pricing that vary across channels - supply chains that can't meet the commitments made to customers; and a workforce that doesn't understand or embrace a customer centric mindset.

The solution lies in becoming a Connected Enterprise – joining up the silos across the organization and connecting them for greater customer centricity.



67% of CEOs

believe acting with agility is the new currency of business

Source: 2019 Global CEO Outlook, KPMG International

² Source: A commissioned study of 2,252 professionals involved with customer-centric strategy decisions conducted by Forrester Consulting on behalf of KPMG, January 2019.

³ Ibid.

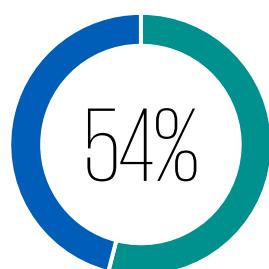
Customer centricity drives growth

Outstanding experiences deliver outsized financial returns

Customer experience (CX) leaders demonstrate a clear understanding of the link between the quality of the experience being delivered and the value created. They use return on investment (ROI) modelling to enable the prioritization and optimization of the initiatives that will drive the customer experience. They also understand whether the customer experience they are delivering is under or over engineered financially.

KPMG International research⁴ demonstrates that the leading companies are the ones that have already found the economic value of where expectations and experience align. They are the ones that are now working to connect their enterprise in a way that removes silos and eliminates friction in the customer journey. And they are enjoying success as a result.

The very best brands for customer experience excellence are now starting to think of their customers as assets that should be protected, nurtured and invested in. They view their customers' loyalty as a form of equity in the company. And they are thinking about how they might start to move their customers onto their balance sheets vs a simple transactional relationship that appears periodically on the income statement as a revenue item.



The revenue growth of the top 50 brands in the measured countries is 54% greater than the bottom 50, at an aggregated level.



The EBITDA growth of the top 50 brands in the measured countries is 202% greater than the bottom 50, at an aggregated level.

Source: Global Customer Experience Excellence Report, KPMG International

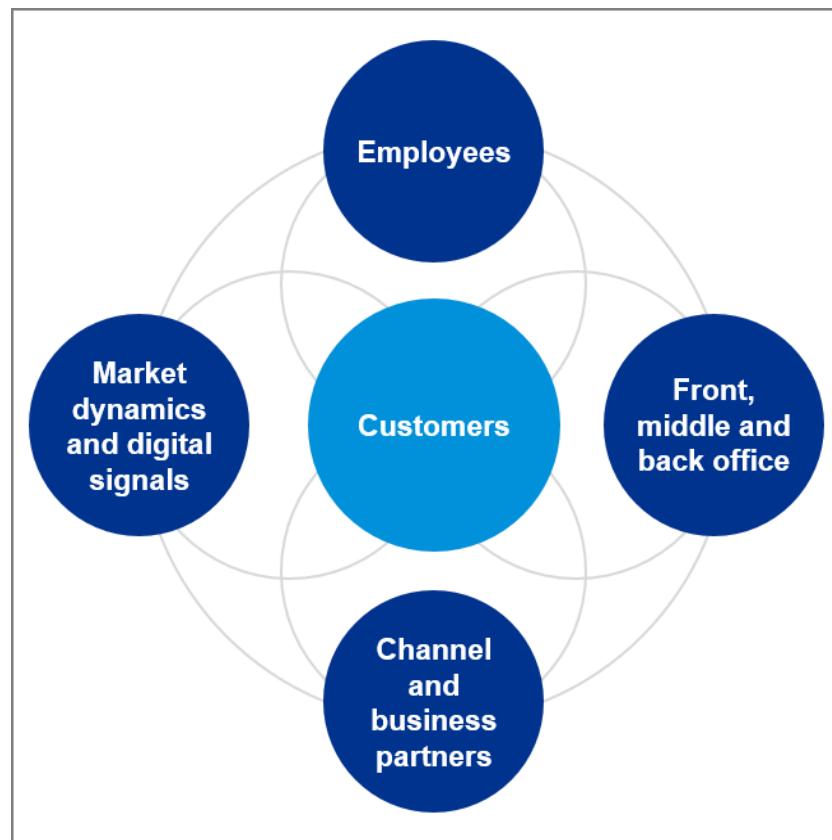
⁴ Source: Tomorrow's experience, today, KPMG International

The five key lenses for building a connected approach

So how can businesses become connected?

As a starting point, there are five lenses that we believe organizations should look through.

With the customer at the core, some of the critical questions that organizations should ask themselves are as follows:



Customers

Is the organization connecting to their customers with compelling value propositions, opportunities and interactions?

Do you continuously manage the economics of customer or employee journeys across all product offerings, balancing the cost to deliver?

38%

of customer-centric organizations are more likely to report greater profitability than their competitors.

Source: 2018 Harvey Nash/KPMG CIO Survey

Employees

Are staff empowered and enabled to deliver the customer promise through having the right tools, knowledge and training?

Are they clear on what they are supposed to be trying to deliver?

Are they motivated by a culture of customer-centricity and teamwork to excel?

Are they leveraging technology and AI in the right way?

16% of CEO's

say they have implemented AI to automate processes, a third (31%) are at pilot stage and half (53%) are undertaking limited implementation

Front, middle, back office

Are the various functions within the business aligned and working together to achieve the ultimate goal of growth?

Are they pulling in the same direction – rather than merely trying to fulfil their own individual targets at the expense of the company's vision and purpose?

79% of CEO's

say they are personally responsible for overseeing cross-functional alignment in a way their predecessors were not

Channel and business partners

These are essential parts of the delivery dynamic, and in the customer's eyes are a proxy for your own business. Are they aligned with the customer promise and helping to deliver it in a way that stays true to your brand?

71% of CEO's

are more interested in quality over quantity when it comes to forging new partnerships

Market dynamics, digital signals

Picking up and rapidly responding to these signals is key. Are you constantly monitoring the market including social channels to pick up the signals of customer sentiment and demand? Are you taking control of your innovation agenda?

71% of CEO's

in 2019 disregarded data-driven insights because they were contrary to their own experience or intuition

Source: 2019 Global CEO Outlook, KPMG International; Global statistic from 2019 Canadian CEO Outlook, KPMG Canada

The trust quotient that binds everything together

Public trust in institutions has been declining⁵ undermined by data scandals, reputational issues and a lack of faith in what is reported ('fake news').

For businesses, winning and retaining customer trust is paramount in building market success. But it has to be earned.

At a base level, this comes through consistently delivering commitments you have made as a brand, as an organization and commercially. It means delivering on the expectations you have set with your customers in the context of marketplace dynamics. It is also dependent on open and honest communication underpinned by ethical and reputational integrity throughout the organization itself and the value chain it works with.

Trust is also essential within the business itself. Teams across different functions must trust each other and have a shared purpose and belief grounded in delivering on the customer promise.

At the same time, there must be trust between the business and its network of alliances and partners. Relationships should be carefully defined, with clear business performance targets, and regularly monitored and reviewed.

However, the business must also allow its partners to 'get on' with the job and be the experts in what they do. Both sides need to have faith in each other; a successful partnership will benefit both parties.

Without these trust dynamics in place, the customer promise cannot be met and the connected enterprise will begin to develop fissures.

Increasingly, data security and privacy have become such a high priority issue. A breach of security can directly damage customer trust. In fact, our research shows that concerns around data security and privacy are the biggest perceived obstacle to improving customer-centricity.



92 % of C-suite executives

question the trustworthiness of data, analytics and intelligent automation

Source: 2018 Guardians of Trust Study⁶

⁵ <https://www.edelman.com/news-awards/2019-edelman-trust-barometer-reveals-my-employer-most-trusted-institution>

⁶ Source: A commissioned study of 2,190 global IT and business decision makers conducted by Forrester Consulting on behalf of KPMG International, July 2017

Charting the way forward

KPMG International research shows that high performing organizations have mastered the art of looking through these five key lenses and building robust growth strategies. They are doing this by making significant investments in eight core capabilities.

Firms that make a moderate or significant investment in all 8 capabilities are 2.1x times as likely to deliver customer experience (CX) that exceeds expectations, successfully execute on one or more customer-centric objectives, and achieve ROI on one or more metrics.⁷

For example, in the Technology sector, high maturity organizations (those who score well against the eight capabilities) are 2.4 times more likely to provide customers with experiences that consistently exceed expectations than their less mature peers.⁸

Leading organizations are able to understand what customers need and value, and are delivering on those expectations profitably. They are responsive and resilient enough to evolve with the changing market landscape. Crucially, they understand that becoming a connected enterprise is an ongoing journey, not an end state. It is something that their business needs to continually work at and maintain, rather than a finishing line that is crossed with the job complete.



⁷ Base: 1,299 professionals involved with customer-centric strategy decisions

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2018

⁸ Source: A study conducted by Forrester consulting on behalf of KPMG, January 2019.

Charting the way forward

(continued)

01

Insight-Driven Strategies & Actions

Connected enterprises harness data analytics to generate actionable insights. They are equipped to develop a real-time, multi-dimensional view of their customers, allowing them to shape meaningful and effective customer strategies and a personalized approach to executing them. They use insights to make integrated business decisions.

Connection points

- Do your D&A capabilities give you a holistic understanding of your business ecosystem?
- How do your data practices help you to provide a real-time, 360 view of your customers?
- Do you have detailed policies in place to ensure information security and privacy?

03

Experience-Centricity By Design

Many businesses invest heavily in new technology and operations – but don't base it around the actual impact on their customers, employees or business partners. Connected enterprises step back and ask what experience they want to deliver to these audiences and then intentionally create it through design, supporting the value propositions and delivering on business objectives.

Connection points

- Do you approach experience design from both the inside-out and the outside-in?
- Can you respond to rapidly evolving customer, employee and marketplace dynamics?
- Do you measure customer, employee and partner interaction across different products and services, delivered across various channels, using multiple KPIs?

02

Innovative Products & Services

A connected enterprise develops compelling customer value propositions including price, products and services to engage the most attractive customers and drive profitable growth. It innovates with the needs and priorities of customers in mind and, by anticipating where demand is moving, builds competitive advantage.

Connection points

- Does your strategic planning process balance value to customers with value to the organization?
- Do your customer insights help you target customers and prospects with the right products?
- Do you design new products and services leveraging deep customer insights and anticipating future needs?

04

Seamless Interactions & Commerce

The Connected Enterprise is a relationship business, engaging with prospects and customers at multiple touchpoints and ensuring an integrated experience across them. Whether the customer's entry point is marketing, sales or service, the business delivers a joined-up experience and provides the opportunity to buy across the marketing, sales and service lifecycle while making the customer feel valued. The business works together across functions to achieve measurable results.

Connection points

- Is your experience joined up and connected?
- How does your organization harness data and analytics to deliver a relevant, seamless experience across marketing, sales, service and commerce?
- Can your platform integrate internal systems with partners and third-party providers to provide the desired experience?

05 **Responsive Operations & Supply Chain**

Connected enterprises know they must have the right operations practices and supply chain in place if they are to actually execute on the promise to customers. They operate the business with efficiency and agility to fulfil the customer promise in a consistent and profitable way. They have the right enterprise decision analytics, operating models and procurement services in place.

Connection points

- Are your operations able to respond and adapt to changing market requirements?
- Does your supply chain bring you the consistent performance that you need?
- Do you leverage Data & Analytics across the full value chain to drive enterprise improvement?

07 **Digitally-Enabled Technology Architecture**

Connected enterprises have the ability to architect, engineer, enable and operate intelligent digital services, technologies, and platforms to deliver on the customer promise in an agile, cost-effective and scalable manner while maintaining security. They develop secure, scalable and cost-effective solutions that also support customers, employees and partners to work effectively.

Connection points

- Are you incorporating and optimizing the integration of today's and tomorrow's technologies to support high performance?
- Are you automating business and technology processes to respond to customer needs more effectively?
- Is the necessary security in place to protect your data, systems and products?

06 **Aligned & Empowered Workforce**

A Connected Enterprise has an agile organizational structure ready to adapt. The company attracts and recruits the right type of people; it builds and instils a customer-centric culture; it inspires people to deliver on the customer promise and drive up business performance.

Connection points

- Do you foster an innovative, forward-looking and customer-centric culture?
- Do your employees have the right skills and training to help them deliver to customers?
- Are you able to attract and retain the right digital and entrepreneurial talent with the right mindset for customer centricity?

08 **Integrated Partner & Alliance Ecosystem**

No business does it all themselves. Every business relies on its partners. Connected enterprises successfully engage, integrate and manage third parties to increase speed to market, reduce costs, mitigate risks and supplement capability gaps to deliver the customer promise. They develop trusted relationships with their partners and build a competitive edge together.

Connection points

- Are you able to identify partners, alliances and vendors to fill any capability gaps?
- Do you have a defined, efficient and risk-reducing onboarding process?
- Do you monitor partners' performance and ensure it's helping you meet your business objectives?

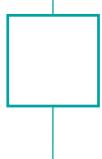
How to succeed

In KPMG professionals' experience, there are a number of key considerations that can help organizations make faster progress on the connected journey:



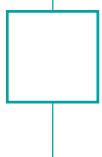
Keep close to what your customers want

As we have seen, the ability to think "outside in" is key in building a customer-centric business. Ensure that you are not deviating from your original goal of delivering on what your customers want, need and are willing to pay for; keep continually looking up and outside of the organization to ensure this mission is at the fore.



Do things in an agile way

Becoming a connected enterprise is a transformation – but that doesn't mean the business needs to revolutionize itself overnight. Break changes down into specific steps, sequence them and implement. Keep standing back to assess whether the change has been successful in a 'test and learn' approach. It's about a series of small changes that together add up to a significant and impactful transformation.



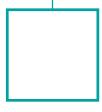
Build in resilience

71% of CEOs say their company's growth relies on their ability to challenge and disrupt the business norm, organizations must be ready to take on today's challenges with resilience and determination, and be prepared to fail fast and learn along the way.⁹



Keep it human

While embedding new technologies such as AI and automation are likely to be critical in developing more seamless interactions for customers, remember that you also need to keep the experience 'real'. Don't lose the human touch; make sure that your customers are still being served by humans – your staff – at the key moments. Ultimately, any great organization remains defined by the quality and passion of its people and its sense of purpose.



Make use of new technologies

Make sure that you are continually looking at what new technologies are becoming available that could help you serve customers better or connect your business up more seamlessly. Are you utilizing cloud effectively? Are you building in appropriate automation and AI? Are staff empowered with collaborative tools so that they can better work together and share key information and data easily?

⁹ Source: 2019 Global CEO Outlook, KPMG International

Some of the signals of success

The Forrester study highlights the benefits of building across the eight capabilities to deliver higher performance for customers, employees and the organization as a whole.

Capability	What good looks like for customers	What good looks like for employees	What good looks like for organizations
Insight-driven strategies & actions	Personalized, authentic and contextual experiences with a brand	Evidence based mindset, openness to challenge and learn from failure	Leverage real-time insights and data to optimize the enterprise
Innovative products & services	Connection to the brand, relevance of product and experience	Innovation is everyone's job: all employees contribute and there is a robust innovation harvesting process	Products/services, pricing and promotions are differentiated and constantly optimized to meet demand
Experience centricity by design	The Experience is the brand promise and it is consistently delivered across all interactions	Employee experience is of equal importance and is designed to support and mirror the desired customer experience	Experience centricity is at the heart of the organization and customer and employee experiences are optimized to deliver economic value
Seamless interactions & commerce	Seamless and secure interactions with a brand across all products/services, whenever I need them	Employees have the tools to enable them to freely operate, collaborate and interact across organization boundaries	Preference-driven interactions and integrated payment mechanisms across the brand
Responsive operations & supply chain	Receive and can return products and services when, where and how it is most convenient to them	Awareness of end-to-end value chain and individual's contribution to customer outcomes	Leverage innovation-driven demand, inventory management and distribution
Aligned & empowered workforce	Seamless and consistent experience received across all brand interactions	<i>Everyone a leader and everyone an innovator</i> mindset throughout the workforce. Teams and individuals know how they contribute to the strategy and the customer & business outcomes	Empowered employees, inspired leaders and a culture that embraces change with an organization truly aligned to the value it brings to customers and stakeholders
Digitally-enabled technology architecture	Technology enables a Frictionless, contextual and personalized experience	Courage to experiment and act quickly. High levels of digital acumen, harnessing the power of emerging technology	Culture of innovation and agility driving speedy, high quality tech implementation and adoption
Integrated partner & alliance ecosystem	Are able to access a rich and diverse set of products /services from a single brand	Seamless collaboration and interaction between all parties throughout the ecosystem	Identify and leverage synergies with third parties to overcome enterprise barriers and execute on the desired experience

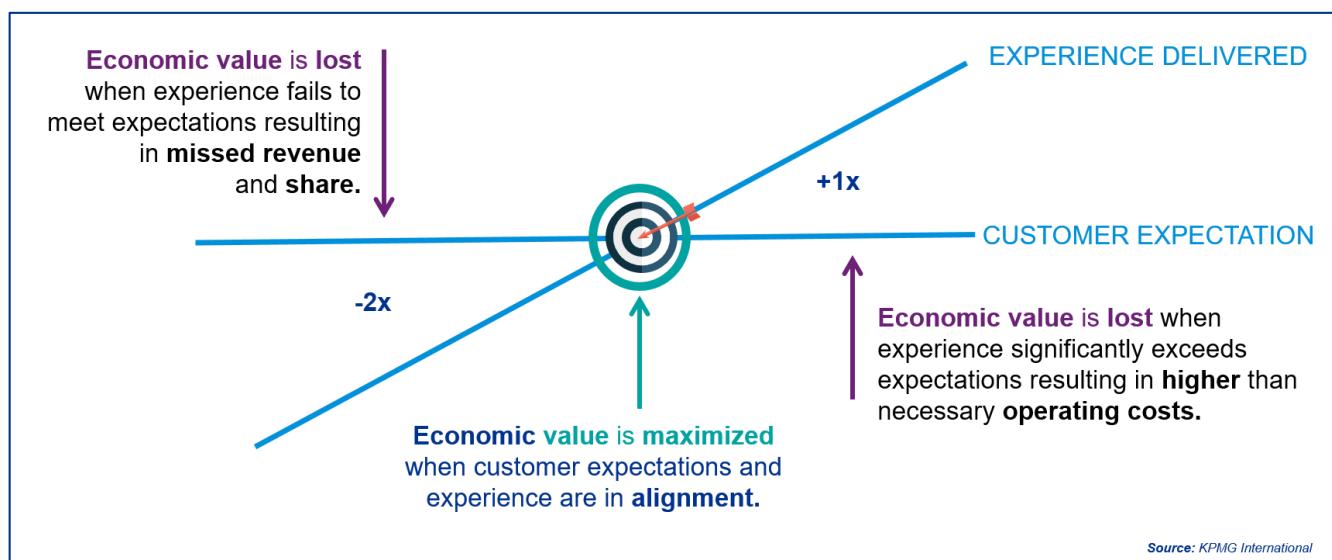
Getting the balance right drives economic value

Getting connected takes foresight, planning, commitment, agility and perseverance – and the evidence corroborates the effort.

The business won't only benefit from good customer outcomes – it will capture the economic benefits too.

This means generating maximum economic value on the most profitable services that customers value most and not wasting undue effort on areas that customers don't value or have merely functional expectations around in the first place.

In short, more mature organizations have greater success in striking the right balance between what customers expect and what makes financial sense to deliver. It is value engineering that comes from mastering the economics of customer experience. Simply stated, enterprises need to manage both experience expectations and experience delivery and execution, recognizing the power of the eight connected enterprise capabilities working together to execute in a connected manner.



Where are you on the Connected Enterprise journey?

The Connected Enterprise Maturity Assessment Diagnostic tool can help you assess how customer-centric your organization is. It delivers an assessment against industry best practice and highlights the opportunities and challenges that can affect your ability to become a connected enterprise.

Why work with KPMG?

KPMG consulting teams bring an industry-leading, customer-centric approach to enterprise-wide transformation that is designed to align the front, middle and back offices for efficiency, agility and profitable growth. These teams help clients to become connected, powered and trusted with solutions, frameworks, accelerators and tools designed and engineered to support continuing innovation and sustainable high performance in a fast-moving digital world.

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Creating a Connected Enterprise is not just about the front office – it is across the entire enterprise value chain. While we know that addressing this is a top priority, many organizations have not yet set or executed on their strategies to bring the whole business closer together. There is tremendous financial impact to getting this right – gains in revenue, efficiency, retention and customer lifetime value.

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