

Revenue acceleration for digital leaders

Perspectives
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The customer must be at the heart of any organization's digital transformation.

Companies across the corporate spectrum are striving to implement digital transformation strategies to drive up agility, responsiveness and enhance the customer experience. A clear minority of leaders are starting to emerge who are reaping the benefits. In fact, according to the 2018 Harvey Nash/KPMG CIO Survey – the largest IT leadership survey in the world, taking in the views of nearly 4,000 IT leaders across 84 countries – 61 percent of companies that are effective at using digital technologies see higher revenue growth than their competition. But the majority of businesses are finding it more challenging – a reality that came through very clearly in this year's survey.

However, we believe that there are a number of clear priorities that organizations must embrace to drive better, quicker and more certain returns. We can see these by looking at the small proportion of businesses that we identified as digital leaders in our research - organizations that are 'very effective' or 'extremely effective' at using digital to support business strategy. These leaders account for only around 22 percent of the total population. Certain core IT priorities remain important to all organisations, such as efficiency, stability and cyber security; with cyber security notably making a 23 percent increase as a key business issue that the survey respondents' management boards are looking for IT to address this year. However, our research shows that Board priorities at digital leader organizations are markedly different from the rest – with a much more pronounced focus on innovation in products and services, and a higher focus on enhancing the customer experience.

Be customer-obsessed

The customer must be at the heart of any organization's digital transformation. We found that almost half of digital leaders (47 percent) are able to measure the profitability of individual customers – compared to just 22 percent of other businesses. They not only understand the profitability of their customers but can then segment and prioritize them accordingly and engage with them in a differentiated and personalized manner which will improve the customer experience. It isn't difficult to see how this can result in greater profitability. One of the hallmarks of customer-centricity is taking an outside-in perspective to develop empathy with customers and truly understand what they want and need. The customer experience is everything. Customer-centric leaders focus their efforts across five key customer-focused capabilities: Generating actionable insights from customer data, measuring profitability by customer, creating engaging customer experiences, leveraging customer data to deliver personalized customer experiences, having a single view of customer interactions across all service channels.

When your organization can properly understand customer needs, and the factors driving both customer revenue and costs, then you can truly focus on making the right digital changes across the front, middle and back offices that will drive the greatest value and show the fastest results.

Make it real through people

Digital and customer-centric leaders foster an agile culture – 41 percent of digital leaders do so, compared to just 11 percent of other businesses.

This culture matters because it is the people within your organization that will make digital transformation actually happen. They are just as crucial as the customer. It is essential that they are empowered through a culture of agility and innovation that allows them to take responsibility for decisions and keep things moving quickly. They need to understand and buy into the digital vision and, at the same time, be given the right levels of support throughout the changes that might affect their day-to-day roles.

Leadership teams have to recognize that digital development requires a different organizational approach. In many businesses, work happens in functional silos such as Marketing, Finance or HR – but for digital transformation to be a success, you need to break down the barriers between functions and create integrated teams in a boundary-less approach that creates a looser, more flexible and networked organization. These teams will be driven through a product or experience owner structure, i.e. one that is based around the product or experience being created or delivered rather than the traditional functional model.

However, it can't just be a creative free for all. The right balance has to be struck that enables people to work and experiment in innovative ways, but that retains clear structure and protects investments. Our research found that digital leaders are twice as likely to understand the need for governance to be defined and understood.

The excerpt was taken from the publication entitled Revenue acceleration for digital leaders.

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