



# Revenue acceleration for digital leaders

**Is your organization  
keeping up?**

KPMG International

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# Is your organization keeping up?

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.



## Our research revealed that:

Fewer than

32%

of organizations have a **clear digital vision** and **strategy** that is enterprise-wide.



This actually represents a drop from the previous year, when

41%

of organizations believed their digital strategy was **truly enterprise-wide**.

Nearly eight out of ten CIOs,

78%

admit their digital strategy is at best only **moderately effective**.







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.

Digital leaders 	Global average 
<b>1</b> Developing innovative new products and services	Improving business processes
<b>2</b> Delivering consistent and stable IT performance to the business	<b>Delivering consistent and stable IT performance to the business</b>
<b>3</b> Enhancing customer experience	Increasing operational effectiveness
<b>4</b> Increasing operational effectiveness	Saving costs
<b>5</b> Improving business processes	<b>Enhancing customer experience</b>
<b>6</b> Saving costs	<b>Developing innovative new products and services</b>
<b>7</b> Improving cyber security	Improving cyber security
<b>8</b> Delivering business intelligence/analytics	Delivering business intelligence/analytics
<b>9</b> Improving efficiencies through automation	Improving efficiencies through automation
<b>10</b> Driving revenue growth	Managing operational risk and compliance

Successful digital transformation also requires the whole leadership team to engage with it – not just the IT team. Many CEOs recognize this. KPMG's 2018 CEO Outlook Survey found that **71 percent** of CEOs are personally ready to lead a radical organization transformation. However, half of CEOs believe that their Board has an unreasonable expectation of returns on digital investments – another sign of how difficult the whole undertaking actually is.

In this context and based on the findings from the 2018 Harvey Nash/KPMG CIO Survey, there are three characteristics that are helping digital leaders enable a successful digital strategy:



**Be customer-obsessed**



**Make it real through people**



**Create a framework for innovation**





# 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.



“ Customer-centric organizations are **38 percent** more likely to report greater profitability than ones that are not.”



## Key questions to ask yourself:

- How can we better understand our customer journeys?
- How can we better measure profitability by customer?



# 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.



## Key questions to ask yourself:

- Are our people empowered to make fast decisions in the flow?
- Are we doing enough to foster an agile and innovative culture?



# Create a framework for innovation

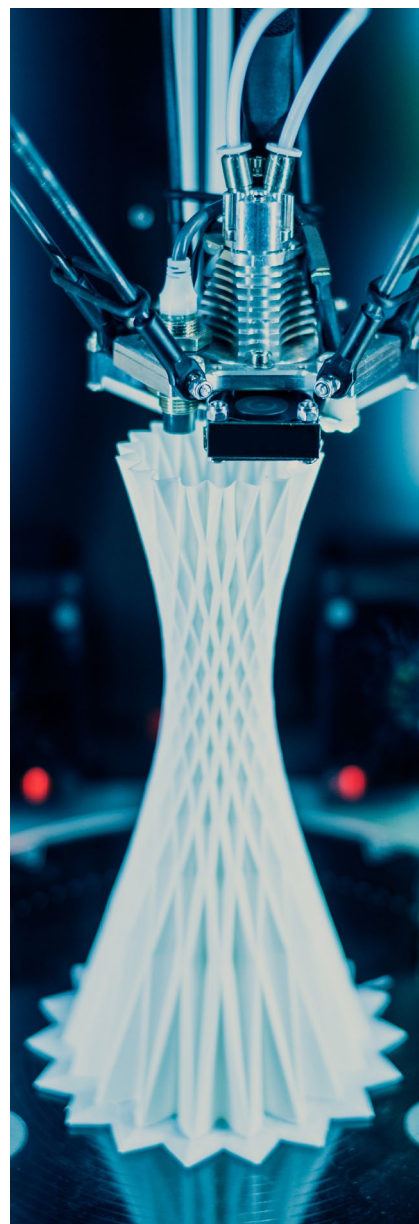
Digital leaders are much more likely to be investing in new technologies across the board compared to other companies, and often vastly so. For example, over half (**52 percent**) have invested in cloud compared to less than a third (**29 percent**) of other businesses, while **17 percent** of digital leaders have invested significantly in Artificial Intelligence (AI) compared to just **five percent** of others.

But no matter where the investment is going, businesses need a clear and continuous mechanism to control, monitor and manage it. In order to get value from innovation you need to measure the benefits from it and also know when to switch things off.

In the experience of KPMG professionals, a framework needs to be created that can become the mechanism for governing the investment portfolio – and that has control at executive committee level.

Traditionally, many investment projects are carried out in pockets of the business within functions, and almost go under the radar. With a digital innovation framework, small teams of design thinking facilitators can be assigned to work with the business - including capturing any projects or spend that could be classed as 'shadow IT' - to drive sessions in which ideas and concepts are developed, following which engineering capability can be brought to build the solutions. A financial mechanism is overlaid to measure the benefits and returns.

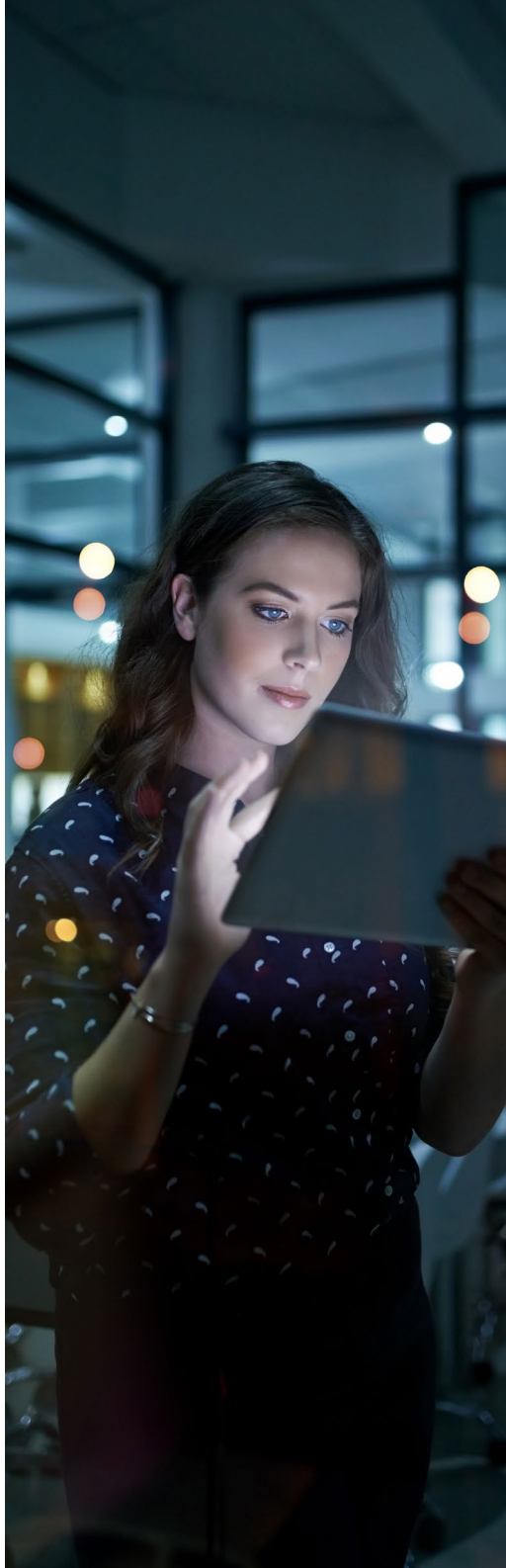
As the framework sits across the business rather than in disparate functions, the digital transformation effort can be effectively measured and directed. The executive committee can make decisions at a portfolio level. Value can be demonstrated, building executive confidence, and investment decisions can be validated more quickly.



## Key questions to ask yourself:

- Do we have an innovation framework to help us scale-up or stop initiatives quickly?
- Do we have the right balance between appropriate controls and business innovation?





# The CIO: an agent for digital change

Many organizations are struggling to make significant headway with their digital strategies – but the prize is clear for those that get it right.

We have begun to see the emergence of a clear cohort of digital leaders. Other businesses are in real danger of falling behind. Catching up will only become harder.

That is why all businesses need to stay committed to their digital goals and redouble their efforts through the three key lenses: customer, people, innovation.

In all of this, the CIO is key. He or she is the agent for digital change. Acting as the bridge between the executive committee and the customer and user experience, the CIO is the common thread that can pull things together.

With the engagement of the Board behind them, the opportunity is clear for energetic, focused and driven CIOs to make a critical difference to the success of their organization.



## Key questions to ask yourself:

- Is the executive committee fully committed to, and championing, digital transformation?
- Are they sufficiently supporting and engaged with the CIO?
- How do we compare with digital leaders in our industry?



# How KPMG can help

KPMG recognizes that CIOs and IT leaders face increasingly complex demands and challenges. Today, IT must advance the business, not just support it, with boards increasingly expecting returns on digital investments and the implementation of successful digital transformation strategies that will drive up agility, responsiveness and enhance the customer experience.

KPMG professionals help CIOs, technology leaders and business executives to harness new technology and improve the strategic value of their technology investments. If your business is seeking ways to leverage technology as a source of innovation and competitive growth, KPMG member firms can help.

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