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Are you a digital leader? KPMG



Gone are the days when digital disruption was something you read about or planned for. Now, it's here. Digital transformation has become a strategic imperative for

most organisations and a matter of survival for some. KPMG professionals' experience shows that digital transformation starts with a board-driven, enterprise-wide digital vision and strategy and requires substantial technology enablement to bring it to fruition. Yes, short-term gains can be achieved with point solutions like mobile apps or social media engagement, but sustainable competitive advantage only comes when organisations go beyond restructuring operations in customer-facing functions and fully integrate across the front, middle and back offices to create a truly digital enterprise. CIOs and the IT function need to play a key role in delivering technology-enabled innovation. However, data from this year's survey reveals that many CIOs need to take a more aggressive approach to engage business stakeholders to enable it to happen.

In line with this, the results are surprising when asking about the key business issues that the management board is looking for IT to address. When asked to rank the issues based on importance, those directly correlated with being a leader in digital transformation did not move to the top of the list. Instead, the top spots are taken up with issues that drive traditional priorities and investments for IT, i.e. delivering consistent and stable IT performance to the business, increasing operational efficiencies, improving business processes, and saving costs.

The evidence is clear, then, that many organisations have a way to go if they are to successfully implement digital transformation. The good news though is that, through asking additional questions related to digital transformation execution and effectiveness, we have been able to identify 18 per cent of respondents as organisations that are digital leaders. We give a snapshot of what KPMG professionals believe characterises a digital leader here – so that organisations can assess where they are against these attributes.

The early survey findings indicate that digital leaders appear to be:

Better at aligning IT and business strategy

One of the perennial challenges for CIOs is to work closely with business stakeholders to ensure that IT strategy is closely aligned with business strategy. This is even more critical when it comes to digital transformation where business strategies are driving new digital business models, new avenues to connect with customers and employees, and new ways to drive a step change in the cost of business operations. It's no surprise that firms identified as digital leaders are more than twice as likely as the others to be very effective at aligning IT and business strategy.

Focused on innovation and growth

When it comes to key business issues, digital leaders are more focused on innovation and growth. For them, developing innovative new products and services is the number one priority. When addressing a board meeting they are most likely to be discussing digital transformation and disruption strategy – rather than just providing an 'IT strategy update'. And, as might be expected, they are more than twice as likely to have an enterprise-wide digital business vision and strategy.

Digital business is all about innovation, whether that's on-demand business models, digital streaming services, or engaging customers with social media or mobile apps. All of this innovation requires some form of technology enablement. With a deep understanding of technology and internal business processes, coupled with a cross-enterprise perspective, CIOs can play a key role in driving such innovation – as is borne out in the survey data where CIOs and digital leaders are almost twice as likely to be leading innovation across the business.

Making aggressive investments in disruptive digital technologies

Cloud serves as the underpinning foundation for much digital disruption because of its quick time to provision, scalability, resilience and favourable economics. As you might expect, digital leaders are currently making significant investments in cloud across all three delivery models (IaaS, PaaS and SaaS) at rates that are two to three times higher than others; and they can be expected to maintain their investment lead over the next one to three years as

others try to catch up. Another area where digital leaders are making aggressive investments is in automating processes across the enterprise – what KPMG calls digital labour. For example, using robotic process automation (RPA), they are automating repetitive manual processes, like claims processing and data entry, as well as more advanced knowledge-based implementations using cognitive automation (CA), such as personal shopping assistants. According to the survey results, digital leaders are currently investing at four times the rate of others. What's more, they are also implementing digital labour solutions across the enterprise, in some cases at twice the rate of everyone else, and are more effective at realising benefits including optimising processes, improving quality and reducing costs.

More likely to see IT budget growth

When it comes to technology budgets, digital leaders are spending more. Almost half of digital leaders' CIOs have enjoyed a budget increase over the last year versus only a third of other companies. They are also more optimistic about the next 12 months, with significantly more digital leaders expecting their budgets to increase than their counterparts. At the same time, digital leaders are controlling or managing more of the technology spend outside the IT organisation, indicating that the business is more involved in making decisions and investing in digital capabilities.

More attractive for CIOs

CIOs and digital leaders are playing key roles driving innovation and technology enablement to transform

their organisations into digital businesses and in return are finding more fulfilment and staying in their jobs longer than others. As digital leaders, twice as many respondents find their current role very fulfilling and more than four in ten plan on staying with their current employer for five or more years – versus less than a quarter for everyone else.

While digital leaders are more likely to have a CDO or someone acting in that capacity than non-leaders, they still remain a minority. So the opportunity is there for CIOs as non-leaders to take a more active role helping their organisations become one.

The bottom line is that the survey shows a clear divergence between organisations that are effective at digital transformation and those that are not. Digital leaders have more closely aligned IT and business strategies, are more focused on innovation and growth, and are investing more in digital technologies.

In the coming months, we will take a still deeper dive into the data and identify in more detail what KPMG specialists believe constitutes a digital leader, the implications for CIOs and recommendations on leading practices. In the meantime, as a CIO are you doing your part to understand and communicate the opportunities, challenges and digital capabilities needed to help your organisation get there?

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