KPMG

Building a Self-Funding Digital Model: Leveraging a Holistic Strategy to Monetize Digital Value

Winning in digital is simply winning. Period.

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In today's market, there is no longer a distinction between business strategy and digital strategy. Every enterprise is a digital enterprise. Whether you deliver digital products or service, connected devices, or use digital internally across your entire business, digital is a (or in many cases, "the") big value driver for most businesses across all industries. This is even more so with market leaders. But executing on a digital mandate requires talent, and the traditional US talent pool is fundamentally tapped out. And it is expensive.

The Talent Reality Check

The IT talent scarcity is a massive problem. Already. In 2026, 76% of employers report difficulty finding tech talent in the US and abroad, with a global shortage impact this year in excess of $5.5 trillion.[1] In the US, fierce competition has driven turnover rates for digital roles to historic highs, while compensation costs continue to skyrocket. Relying solely on local hiring is no longer mathematically sustainable.

To compensate, the market has shifted aggressively. Today, most US companies now leverage offshore or nearshore IT services, with India reigning as the dominant hub employing over 5 million tech professionals.[2] Yet, while offshoring provides scale, relying solely on traditional labor arbitrage is no longer a competitive advantage—it is merely table stakes.

Despite massive investments in digital transformation and globalized workforces, companies routinely fail to optimize their IT organizations because they lack a holistic vision.

[1] "The Trillion Dollar Talent Problem" Forbes Technology Council (March 17, 2026)

[2] "India's IT ecosystem employs over 6 million people" ET CIO.com (July 24, 2025)

The Silo Trap

The root cause is structural: organizations act in silos. IT manages the technology roadmap. HR manages the people. Real Estate manages site selection. Tax manages incentives. Decisions are made in vacuums. Even within IT we often find silo upon silo. Even when multiple stakeholders sit in the same room, they rarely sit as equals. Whoever is "driving the bus" naturally optimizes for their specific departmental KPIs, leaving massive, enterprise-wide value stranded on the table.

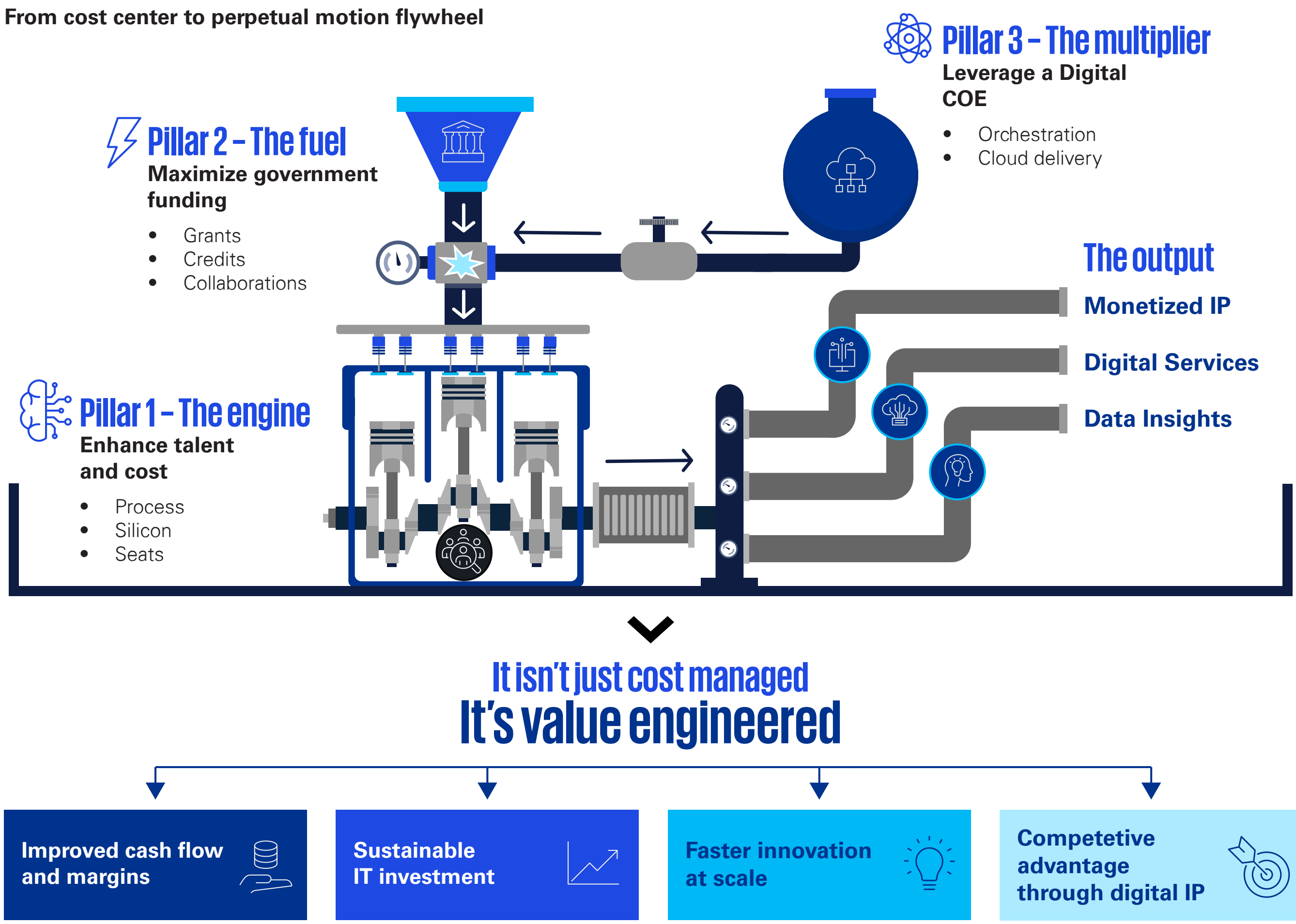
When IT leadership operates without deep integration with the CFO's office or global tax strategists, you get expensive execution. But a holistic model that synchronizes talent placement, tax efficiency, and corporate structure can deliver outsized results. It maximizes overall output and creates an economic engine capable of internally funding future IT development.

The Framework: Pillars of a Self-Funding Digital Model

Transitioning IT from a traditional cost center to a self-funding engine is not a myth; it is an engineered corporate ecosystem leveraged by leading companies. A self-funding digital model is built on three deeply integrated pillars:

The self-funding digital model

From cost center to perpetual motion flywheel



Pillar 1 – The Engine
Optimize Talent & Cost

Optimization is not about hunting for the lowest cost per head; you get what you pay for. Optimization is about matching the *right* task to the *right* resource globally.

While many functions are still appropriate for lower-cost labor pools in India or Latin America, the calculus is rapidly changing. Most optimized models still rely heavily on a cadre of fingers on keys located in India or other lower cost, high volume plays. However, human tasks at the lower end of the complexity spectrum are increasingly being augmented or replaced entirely by Generative AI. Tomorrow's talent strategy must account for silicon, not just offshore seats.

Furthermore, location strategy must be driven by specific skill availability rather than just volume. While India offers massive scale, specialized Eastern European or LATAM hubs might offer the concentrated expertise required for complex AI architecture or data science.

To break the silos, best-in-class organizations adapt their global operating models to fit a dynamic people strategy, often utilizing a three-tiered approach:

Self-Funding Digital: People Paradigm

STRATEGY LAYER	ORCHESTRATION LAYER	EXECUTION LAYER
Proximity to the business, high-level architecture, and strategic alignment	Orchestrate agile management, cross-functional integration, cloud delivery and workflow	Scale, speed, code generation, and 24/7 delivery capabilities
Local/Onshore (Often at the "Mothership")	Strategically Selected (e.g., an Irish Digital COE)	Offshore/AI Augmented

Pillar 2 – The Fuel
Maximize Government Funding

Funding optimization is not just a budgeting or corporate tax exercise—it is an operational cash flow strategy.

When global talent placement is synchronized with financial strategy, companies can capture massive Credits and Incentives (C&I) "above the line," directly improving operating margins and expanding IT budgets. Maximizing this value requires layering different types of global incentives:

Functional & Labor Grants

Subsidies for hiring, training, and upskilling talent in specific emerging regions.

Location & Capital Incentives

Real estate, infrastructure, and regional economic development grants for placing hubs in designated global zones.

R&D Tax Credits

Global R&D incentives are incredibly lucrative for software and IT development. Crucially, in many jurisdictions, these credits are now *refundable* (generating actual cash back to the business), rather than just offsets against future tax liabilities. Importantly, not all R&D credits are the same. For example, in certain models designed by KPMG, we have observed that due to the complexity of qualification and limits of benefits the credit on a software engineer in the US might be in the single digit percentage of the costs, whereas an engineer performing the same work in Ireland typically produces a full 35% credit (plus it is fully refundable).

By integrating tax strategy directly into the IT site-selection and hiring process, the business actively subsidizes its own digital execution.

Pillar 3 – The Multiplier
Leverage a Digital COE

The capstone of a self-funding digital model is the Digital Center of Excellence (DCOE). A DCOE fundamentally monetizes the value creation of all IT development—including development of purely internal-use technology and capabilities.

A true DCOE acts as a centralized hub that isolates digital Intellectual Property (IP). It essentially operates as an internal software vendor, managing the development and delivery (whether of software, cloud services, data insights or other technology) to the rest of the organization globally.

The Financial Impact

Because a properly structured DCOE earns income based on value creation (arm's length pricing for the IP it provides) rather than mere cost reimbursement, it creates tax arbitrage, structural savings, and cash flow. The amount of annual savings created by Digital COEs can be significant and result in a "pay for" of some or all of a company's IT investment, and in some cases could even exceed the IT funding needs altogether.

Beyond the immediate financial injection, a DCOE can solve multiple strategic business challenges simultaneously:

Strategic Benefit	DCOE Impact
Silo Elimination	Creates a funnel facilitating the convergence of disparate functions (IT, Tax, HR, Finance) into a single operating vehicle.
Remote Productivity	Transitions offshore (e.g., India) teams from feeling like "back-office support" to being core IP creators with increased "connectedness" and natural business hour cross over.
M&A Readiness	Creates a clean, centralized platform to quickly integrate the IT and software assets of newly acquired companies.
Talent & Cost	Expands access to global and specialized talent while also reducing global IT labor costs through centralized, transparent management.

The Bottom Line

Digital transformation is too expensive to be managed in departmental vacuums. Continuing to treat IT solely as a cost center to be minimized, rather than an economic engine to be optimized, is a failure of executive leadership.

To determine if your organization is trapped in narrow, siloed thinking, ask your leadership team these three questions tomorrow morning:

Monday Morning Audit

1. Are we monetizing our internally developed digital IP globally, or are we simply absorbing it as a sunk cost?
2. Are we optimizing incentives and considering "true costing" of labor in talent decisions, or are we just accepting the market cost of labor?
3. Have we been decisive and strategic in aligning our financial and tax models with our IT model?

Winning in digital requires capital. It is time to look inward, break the silos, and build an IT organization that pays for itself.

About the author

Paul Glunt
Tax Principal,
Value Chain Management
E: gpaulglunt@kpmg.com
T: 949-381-8434

Paul Glunt is a Tax Principal who leads the KPMG LLP Value Chain Management practice, advising C-suite leaders on the financial and operational mechanics of digital transformation. He specializes in architecting self-funding digital models, digital COEs, and global operating models that turn technology investments into sustainable cash flow. Paul bridges the critical gap between tax objectives and IT execution, helping to ensure that every digital journey is financially focused and firmly anchored to a company's Strategic North.