



Racing to Tomorrow:

Digital agility becomes indispensable

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Growth is back on the corporate agenda, but getting there in a tumultuous world requires a new commitment to digital agility.

After two years navigating pandemic-induced disruptions, businesses are reframing their digital transformation goals—and putting growth squarely back on the agenda. But the world they face is not the world they left behind in early 2020. In the U.S., inflation has leapt to its highest levels in four decades, the stock market is in turmoil, and economists are warning of a possible recession.¹

In Europe, Russia has undertaken a brutal invasion of Ukraine, roiling energy markets and throwing a wrench into supply chains already disrupted by the pandemic.

And, of course, the COVID-19 pandemic refuses to slink away and instead continues to spin out new variations of its deadly virus. Given how much the “old” normal of the not-so-distance past is continuing to evolve, smart companies will want to focus on three key areas—market relevance, customer centricity, and organizational agility—as they work to meet their growth objectives.

Market relevance has always been important, but not as easy to identify as it is today in our increasingly digital world, when nearly limitless internal and external data points, or signals, are available to guide businesses.

¹ Christopher Rugaber, “U.S. inflation hit a new 40-year high as price increases spread” Associated Press, June 2022





Assuring that your organization's products are aligned to what customers are buying—or want to buy—and that your service model is ready to meet their needs all along the customer journey—requires, among other things, leveraging those signals to understand customer needs and wants with a high degree of precision.

Market relevance and customer centricity are, of course, tightly linked. When we deliver what the customer wants in the way the customer wants it, through their preferred channels and personalized where possible to their unique needs and expectations, we're pairing market relevance with customer centricity.

In all these endeavors, organizational agility, grounded in digital acumen, has become indispensable. To deliver on market relevance and customer centricity at scale in a tumultuous world, organizations must embed agility across the enterprise—in the front office, in the back office, and in the middle—so they can respond quickly both to evolving customer demands and to macroeconomic trends.

Many companies are already committed to pursuing this more agile, customer-centric, market relevant agenda. Last year, KPMG LLP commissioned a survey of more than 100 U.S.-based digital transformation strategy leaders to explore the impact of the COVID-19 pandemic on digital transformation strategies and the future of work.



Three quarters of the executives surveyed, having seen their organization thrown onto the defensive by the pandemic, said their company would now prioritize revenue growth, with a strong emphasis on customer centricity and managing security risks. Only about half were planning a similar focus on cost reduction and paring their workforce.

Our research further revealed that many businesses are focused on market relevance and agility—and looking to technology to fuel their growth in the highly digital, customer-centric world they expect to prevail no matter how the pandemic evolves.

And, in a reversal of recent trend, they are planning to throw additional resources at these objectives. While 58% said their organization either held its digital transformation budget steady or decreased it in the 12 months leading up to the survey, 56% indicated their organization would be increasing that budget over the ensuing 12 months. They were boosting their budgets with a new degree of confidence, too: 53% said their process for making the business case for digital transformation had become more flexible and agile, making it easier to reach timely investment decisions in a fast- and ever-changing environment.

“The pandemic may still be with us in 2022, but the approach to dealing with it is changing, and it must—with a reinvigorated emphasis on growth buttressed by agility,” says Jeanne Johnson, US lead for the Connected Enterprise digital transformation practice at KPMG.

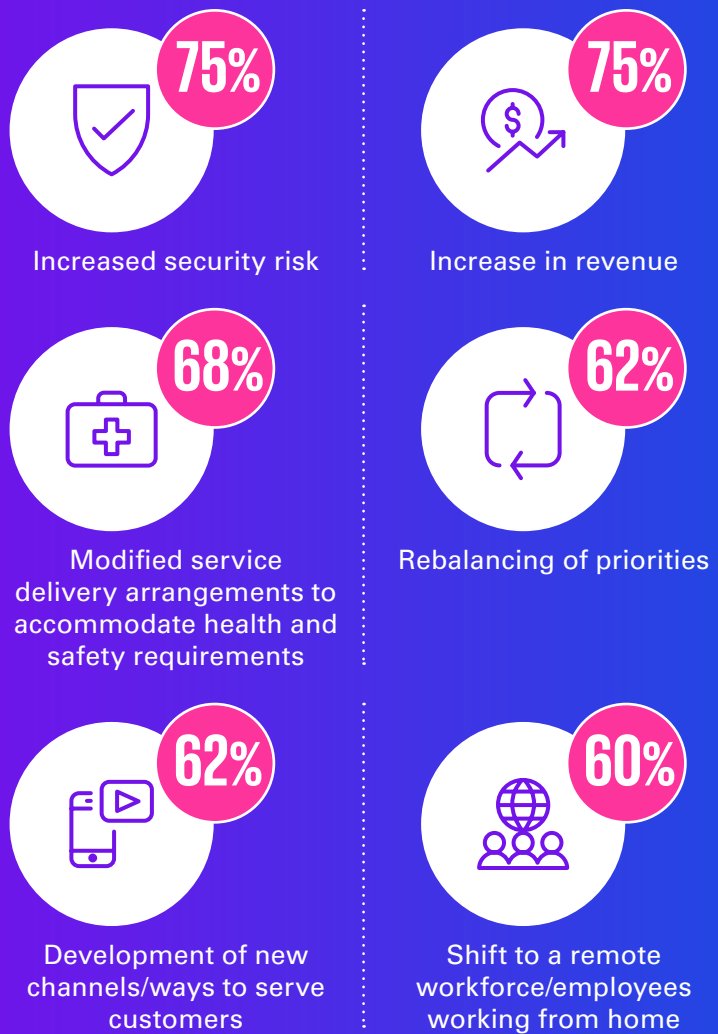
“Defense alone is not a long-term strategy. Companies must be able to meet customers where they are in our new world, and digital transformation will play a role in enabling that.”

Because health and safety are still top of mind with most consumers—just one example of how what is relevant has shifted—fully two-thirds of the executives surveyed said their organization will now prioritize modification of service delivery. Because growth is back on the agenda, even more organizations (75%) are prioritizing revenue gains.

And because the shift to more digital shopping, banking and buying has heightened opportunities for fraud and cybercrime—the FBI saw cybersecurity complaints jump as much as fourfold in the immediate aftermath of the pandemic’s onset¹—an equal number will be prioritizing managing security risk. (Figure 1)

Figure 1: Boosting revenue and managing security risks are top business priorities

To what extent will your organization prioritize each of the following COVID-19 related issues as part of its business strategy over the next 6-12 months?



Source: Forrester Consulting survey April 2021

¹The Hill, “FBI Sees Spike in Cyber Crime Reports During Coronavirus Pandemic,” by Maggie Miller, April 16, 2020

Many organizations have already made a good start toward building the organizational agility they'll need to reach their growth goals. Seventy-three percent of the executives surveyed said the pandemic accelerated the creation of a new workforce model at their organization, augmented by automation and artificial intelligence.

Sixty-percent said it accelerated creation of a seamless digital customer experience, 57% said it sped the creation of new digital business models and revenue streams, and 51% said it accelerated digitization of their operations and the creation of a next-generation operating model.

Notably, a majority of executives now see this work continuing not as a discrete initiative—only 19% characterize it as such—but rather as an ongoing investment aligned with a longer-term transformation strategy.

Among the areas where they most commonly plan to increase their investments are automation, data security, digital communications, and customer-centric technologies such as chatbots. Reflecting the pandemic's ongoing disruption of global trade and manufacturing, a majority also said that addressing supply chain delays and breakdowns will remain a priority.

Amid so much disruption, many consumers—still concerned in many cases about their personal health, and now wrestling with sharply higher prices—have understandably become wary.

"Businesses today are tasked with winning over a customer base that is more informed, more attuned to the world around them, and more accustomed to personalized service through their preferred channels, than at any time in history," says Rick Rose, US Lead for Connected Enterprise in the Commercial Sector.



“At the same time, they’re tasked with delivering on customer safety and security at an extraordinarily high level. The tools and the methods for delivering on customer expectations are available.

But it takes a real commitment to change, not only on the technology front but also in processes and corporate culture, to bring it all together and make it work.”



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Rick Rose

Let’s look closer at the key areas where successful organizations focus their digital agendas:





Creating organizational agility through digital transformation

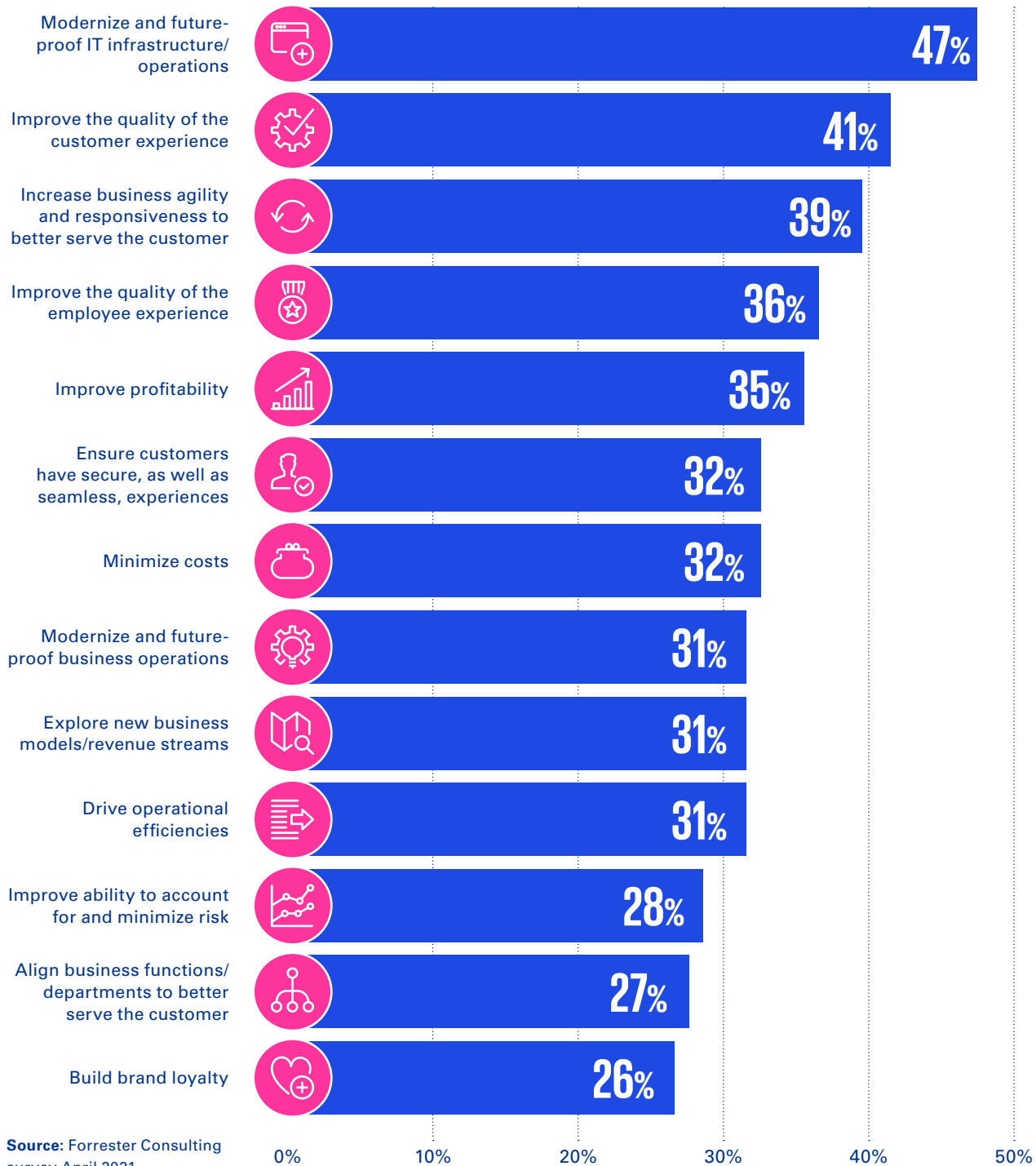
Creating an agile, data-driven enterprise is challenging. And it's not a once-and-done undertaking.

Fifty-three percent of executives say digital transformation is part of a defined long-term digital strategy at their organization, with 44% applying it across the entire organization and 30% by country or region.

While digital transformation by definition requires a strong IT backbone—47% of survey respondents say modernizing and future-proofing their IT infrastructure and operations is a key objective of their transformation agenda—it also will require, in many cases, that businesses modernize operations, too. In fact, executives say their top objectives for digital transformation include increasing overall business agility and responsiveness to better serve the customer, and modernizing and future-proofing business operations. (Figure 2)

Figure 2: Improving the customer experience, and modernizing, are key objectives for digital transformation

What are the primary objectives of your organization’s digital transformation strategy?



To support their growth agenda, companies also need frictionless delivery channels backed by a responsive supply chain. Increasingly, that supply chain is powered by the cloud and informed by the insights smart analytics can extract from supply chain data. This organizational agility—this digital agility—can give companies the confidence and the flexibility they need to adapt quickly to changing market conditions and evolving customer needs.



Digital agility is quickly morphing from competitive advantage to table stakes.

Jeanne Johnson

Because data plays such an important role in understanding the customer, 58% of the executives surveyed by Forrester say their organization will prioritize harnessing data, advanced analytics and actionable insights with a real-time understanding of the customer and the business to shape business decisions. In addition, 65% will prioritize creating intelligent and agile services, technologies and platforms to enable the customer agenda with solutions that are secure, scalable and cost-effective.

Resources to advance this agenda will flow into many different areas. Fifty-nine percent of executives say their organization will increase its investment in artificial intelligence, and 58% will do the same in cloud computing. Fifty-two percent plan to invest more in Internet of Things technology, 48% in low-code software, 45% in smart analytics/AI-powered analytics, and 34% in blockchain.

All this is aimed, of course, at creating an agile organization attuned to the customer.

“Without digital agility, tomorrow’s companies won’t be able to compete,” says Johnson. “Digital agility is quickly morphing from competitive advantage to table stakes.”





Customer centricity: Meeting customers where they are

When physical interactions were limited or curtailed following the initial outbreak of the COVID-19 pandemic, the customer experience quickly went digital.

Having witnessed what is possible, customers are now eager to embrace these new delivery channels on a more permanent basis.

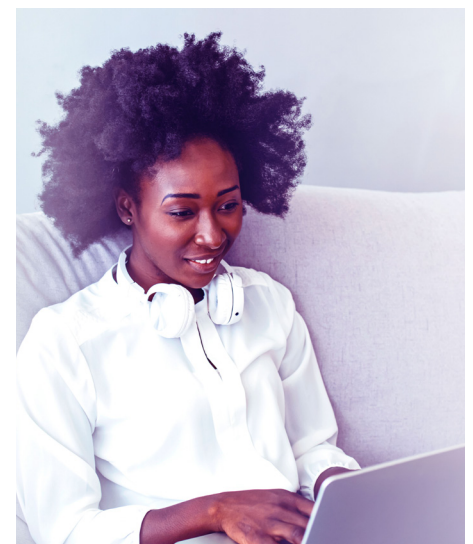
Business leaders aren't oblivious to the shifting winds and are even more acutely aware today that customer centricity is a key source of competitive advantage. Seventy-eight percent say their organization will place a high priority on its customer-centric strategy, including 35% who say it will be among their organization's top priorities.

Getting there means thinking holistically about the various phases of the customer journey and leveraging technology to deliver what customers want or need at each point along the way.

Today, companies can use technology to hear, understand and analyze customer conversations and journeys, foster better relationships by enhancing query handle and issue resolution, and personalize service beyond "know me" to "understand me." But they can't lose sight of the need for human connection, too, ideally creating a model where those who work directly with customers are able to meet them with creativity, emotion and passion.

As they rethink their customer engagement models, 55% of the organizations in our survey are building digital platforms for customer-facing systems, 49% are seeking to foster a customer-centric organizational structure, and 42% are developing new channels to serve customers. (FIGURE 3) Approximately four in 10 surveyed executives see their digital strategy as a pathway to increasing business agility and responsiveness specifically to better serve the customer and improve the quality of the customer experience.

"Businesses are increasingly investing in technology that brings them closer to the customer, and they are doing it across the enterprise," says KPMG U.S. Digital Transformation Business Leader Rick Rose. "At the front end of the business, they are boosting spending on customer service, marketing and communications. In the middle office, they're spending on improving and streamlining operations, and in the back office they're spending on improving IT processes."



Building a trusted enterprise

A once-in-a-generation market shift is underway and the convergence of two life-changing forces is forging new attitudes. Climate change is causing an uninhabitable planet for future generations and society itself is facing a reckoning between those who have and those who do not. The market expects businesses to understand how they contribute to these shifts.

Experience-centric organizations must create an environment where customers trust them—with their health, with their personal data, and even with the way they comport themselves in the world. As a result, companies will have to quickly make strategic decisions around future operations, with more limited degrees of freedom.

Competing and winning in markets reshaped by environmental, social and corporate governance (ESG) issues will require that companies embrace these forces and transform through sustainable business models of the future.

In C-suites and boardrooms across the country, topics like equality, diversity, carbon footprint, waste reduction and ethical business practice are increasingly finding their way into strategy discussions. Fifty-one percent of executives say their organization now includes ESG benefits in the business case for digital transformation, and the same percentage indicate their organization is focused on locking in the sustainability and climate change gains they've already made.



Digital transformation's role in driving an ESG agenda may not be obvious, but it can be dramatic.

Eric Tresino

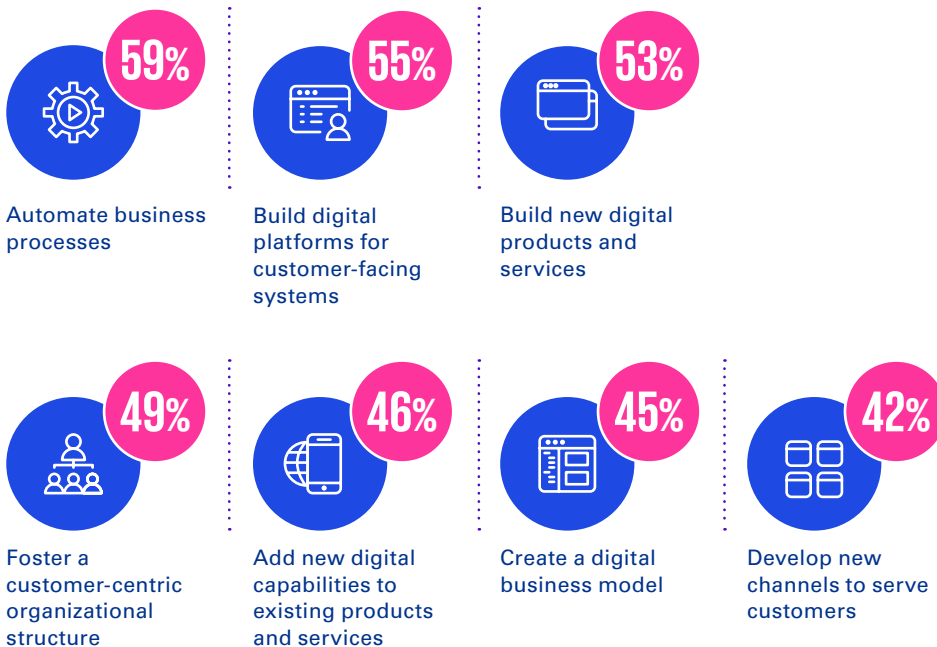
Fifty-three percent add that their organization's response to the pandemic has led to a new focus on the social component of its ESG program.

"Digital transformation's role in driving an ESG agenda may not be obvious, but it can be dramatic," says Eric Tresino, U.S. ESG Transformation Delivery Leader. "Digital technologies can help with improving the resilience of supply chains, making products more circular, reducing carbon emissions, and tracking and reporting ESG performance. All of that can raise trust among employees, customers and investors—and society at large."

In a world where business increasingly gets done digitally, building cyber trust is critical, too. Having witnessed increased incidents of hacking, fraud and ransomware attacks during the shift to remote interactions over the past year, 75% of executives say managing increased security risk is part of their organization's business strategy this year, an issue matched only in its widespread importance by growing revenue. While businesses across industries have already spent enormous sums on cybersecurity, many see a need to do still more. A decisive majority are looking to automation to raise their game, particularly around security processes and risk and compliance.

Figure 3: Businesses are making customer engagement models more digital

What changes will your organization be making to its customer engagement model over the next six to 12 months?



Source: Forrester Consulting survey April 2021



Market relevance: Getting your aim right

This wide-ranging investment is critical.

Being able to sense the pulse of the market, understand each customer's unique perspective, anticipate their needs, and then meet them where they are requires capabilities powered by advanced analytics and an agile, cloud-based operating model.



A Connected Enterprise can respond quickly to market signals, pivot to new opportunities as they arise, and deliver the consistent customer experience, at every point along the customer journey, that customers now expect.

Rick Rose
KPMG U.S. Digital Transformation
Business Leader

And, of course, it requires data—signals that today are available from a wide range of sources both internal and external, often in real time. Signals can range from intelligence on what customers are buying and which services they are shunning to population trends and traditional economic indicators.

Customer centricity at its best also requires what KPMG calls a Connected Enterprise—one where front, middle and back offices are aligned and the organization is tightly connected with its customers, employees and business partners. Where that happens, developing a reliable and cohesive roadmap to digital transformation becomes easier.

“A Connected Enterprise can respond quickly to market signals,” says Rose. “It can pivot to new opportunities as they arise, and deliver the consistent customer experience, at every point along the customer journey, that customers now expect all in an environment that prioritizes the employee experience as well.”



Bringing it all together— creating a connected workforce and culture to deliver value

Even a Connected Enterprise can't sing in harmony, and deliver value for its customers, if its employees aren't able to easily share information and collaborate, not only among themselves but also with suppliers, vendors and other business partners and across delivery channels.

That connectivity is critical to delivering fully on an organization's agility, customer centricity and market relevance objectives.

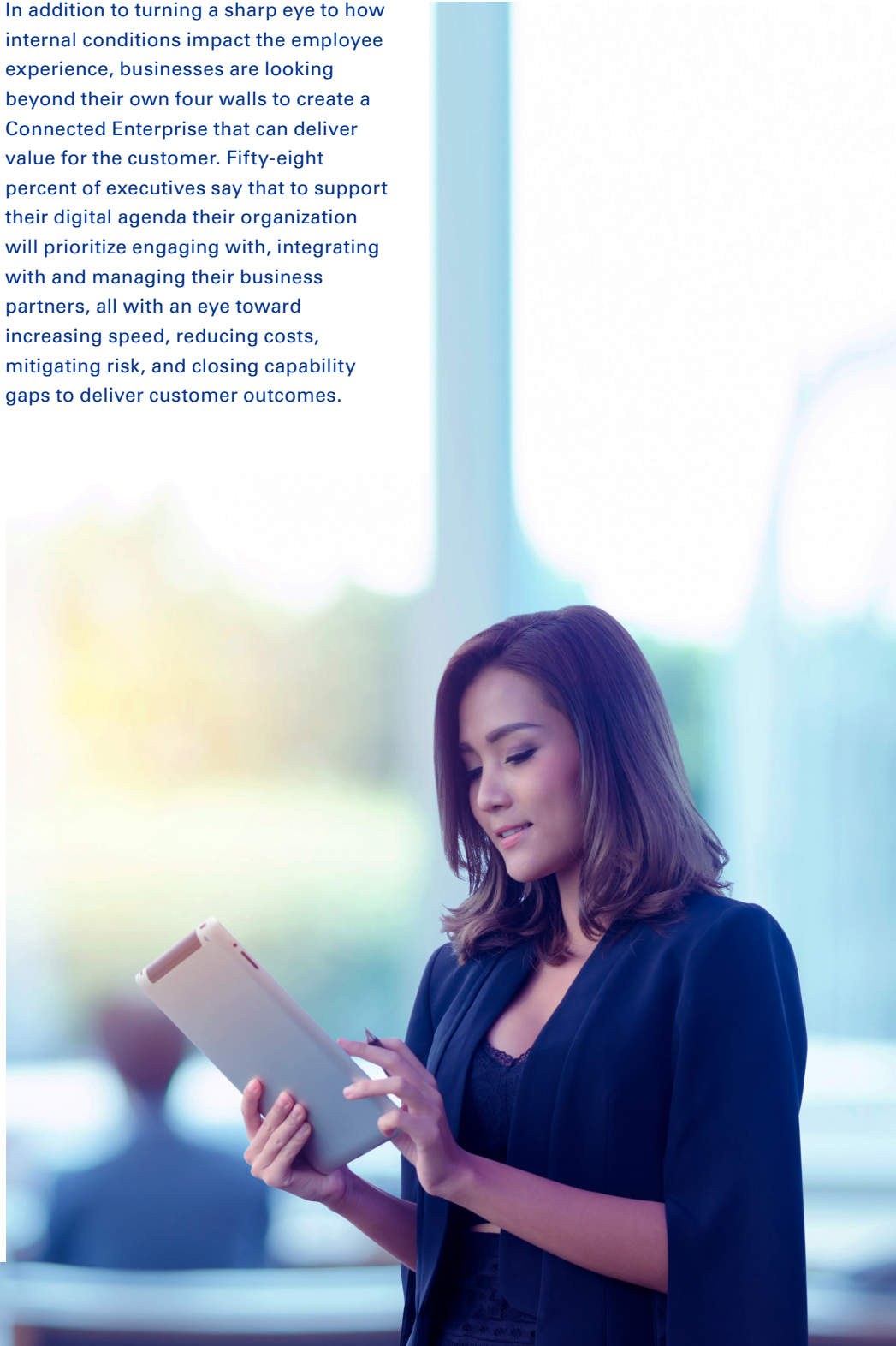
To some degree, doing all those things became more challenging when the pandemic forced workers out of their offices and into their homes to get work done—meaning they could no longer pop in on a colleague to toss around ideas or capitalize on the random sparks of creativity that can occur during chance hallway encounters.

Those challenges are likely to linger. Among the organizations represented in the survey, 43% have allowed employees to work from home since the pandemic began, and 60% plan to prioritize operating with a remote workforce over the next six to 12 months.

All that said, changing to a remote workforce model also revealed new opportunities for employees to connect in ways they often hadn't in the past, such as videoconferencing. We expect those types of changes to become permanently integrated into the communications toolkit at most organizations.

The net result is that business leaders are more focused than ever on what they need to do to build a cohesive, connected organization. Moving forward, 73% of surveyed executives in the private sector say their company will prioritize interacting and transacting with customers, partners and stakeholders across policy, services and communication channels in support of their digital transformation agenda. And while they're keenly focused on delivering a great customer experience, most recognize that it has to be undergirded by a great employee experience. Asked to identify their digital transformation priorities, survey respondents more often cite improving the quality of the employee experience than traditionally popular objectives such as improving profitability, minimizing costs or building brand loyalty.

In addition to turning a sharp eye to how internal conditions impact the employee experience, businesses are looking beyond their own four walls to create a Connected Enterprise that can deliver value for the customer. Fifty-eight percent of executives say that to support their digital agenda their organization will prioritize engaging with, integrating with and managing their business partners, all with an eye toward increasing speed, reducing costs, mitigating risk, and closing capability gaps to deliver customer outcomes.



At KPMG, we see high-performing organizations connecting across five lenses centered around the customer. They connect to their customers with compelling value propositions and interactions. They connect and empower their employees to deliver on the customer promise. They connect their front, middle and back offices to execute the customer growth agenda. They connect their ecosystem of business partners to jointly deliver on commitments to customers. And they connect to market dynamics and digital signals to inform their customer-centered growth agenda. (Figure 4)

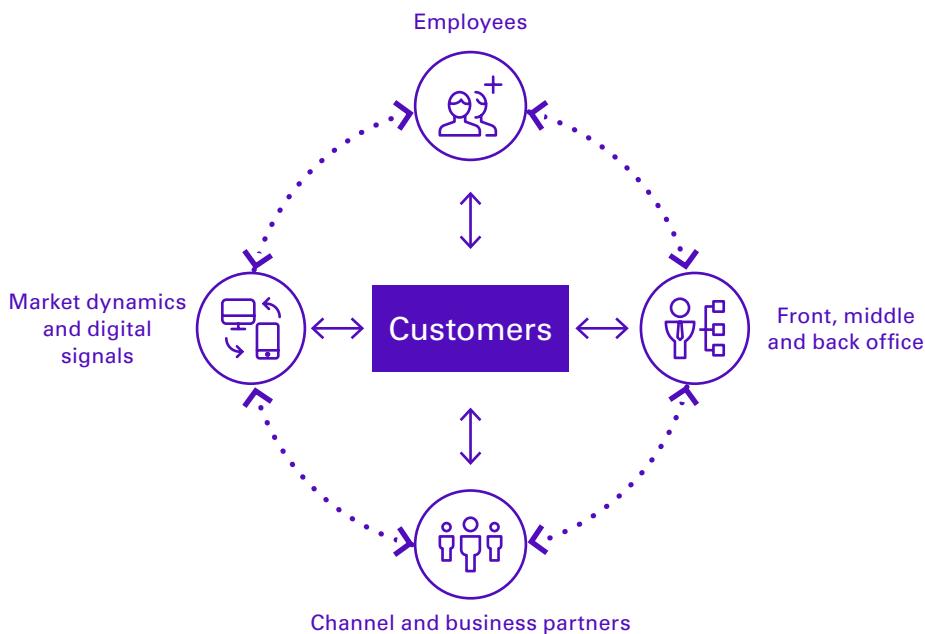
As with other parts of their digital transformation agenda, businesses are backing their talk about connectivity with money. Sixty-four percent plan to invest in digital communications, such as videoconferencing and messaging platforms, with 57% increasing their investment at least in part because they expect to continue moving ahead with increased remote work.



By investing in technologies that help to create a Connected Enterprise, companies are setting themselves up to thrive in a post-COVID environment.

Jeanne Johnson

Figure 4: The five lenses of a Connected Enterprise







Turning insight into action: How KPMG can help

Tomorrow's leading enterprises will be digitally transformed, future-ready organizations—connected, powered, and trusted. KPMG helps companies catapult into their ranks in each of those three key areas.



Connected.

Connected businesses allow people, data and technology to interact easily, creating new levels of productivity and value creation. KPMG Connected Enterprise is a customer-centric, sector-specific approach to digital transformation.

It focuses every critical process, function and relationship of a business on meeting customer expectations, creating business value, and driving sustainable growth in a digital world.



Powered.

The businesses that do best in the post-COVID world will harness the latest technologies, leading business practices, and tested solutions to find the smartest, fastest path to creating nimble, scalable business functions and operating models.

KPMG Powered Enterprise is a suite of SaaS-based solutions that allow companies to manage transformation as an ongoing process, providing the operating models, tools, technology and mindset to manage sustainable change.



Trusted.

Trusted companies embed a balanced approach to risk and regulation into their transformation journey, securing the stakeholder confidence that enables bold innovation and high performance.

The KPMG Trusted Imperative is a dynamic approach to risk and regulation for a digital era. It helps organizations earn and deserve the trust of their stakeholders, and creates a solid platform for responsible growth, confident decision making, bold innovation and sustainable advances in performance and efficiency.

To learn more about how KPMG can help your organization articulate and execute on a growth agenda tailored for a digital world, please contact:



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About this report

This report is based in part on findings from a survey conducted in April 2021 by Forrester Consulting and commissioned by KPMG LLP. The survey drew responses from 114 U.S.-based professionals involved with digital strategy transformation decisions at their organization. Of that group, 99 were employed in the private sector. The U.S. professionals were part of a larger group of 820 professionals who were surveyed globally, including 706 outside the U.S. Results from the global survey are featured in our companion report, **Digital Fuel**.

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