



Are you an outpacer?

KPMG International

What it takes to outpace
the competition in today's
technology, media and
telecommunications markets

kpmg.com/tmtoutpacer



Are you an outpacer?

We all know who they are — organizations with ambitious visions and disruptive models that seem to glide effortlessly through the new digital economy, achieving astounding earnings, customer growth rates and market share targets time and time again.

More often than not, they shape the markets they choose to operate in and dictate the pace of competition. They are engaging — almost legendary — with customers who act more like fans than consumers.

In today's rapidly changing digital environment, technology, media and telecommunications organizations have two choices: they can either be outpacers or they can get left behind. We would humbly suggest the former.

That is why, over the past few months, our network of experienced technology, media and telecommunications professionals have combined deep research, client conversations and personal experiences to identify the 'secrets' to the outpacers' success.

Within this report, we share the high-level findings of our research and discussions. We outline what these nine characteristics are and why they matter. We identify some tell-tale signs of outpacer success and share some of the more pernicious challenges. And, through real-life examples and insightful tips, we demonstrate how organizations can put the right attention and investment into the right places to become outpacers.

Tim Zanni

Global Head of Technology
KPMG International

Alex Holt

Global Head of Media & Telecommunications
KPMG International



What makes an outpacer different?

Key characteristics





Clear strategy and vision

What does that really mean?

The organization understands what it wants to be in the future and has a clear roadmap to achieve that goal. The strategy is clear, ambitious and easily articulated. Goals, objectives and operating models across the organization are fully aligned to the strategy and vision. Value propositions are well defined and communicated. Leadership continuously communicates and reinforces the vision to stakeholders and employees. Most importantly, the strategy and vision are viewed by all stakeholders to be 'purposeful' and are constantly refreshed to ensure the business is relevant and impactful.

Why is this important?

Today's dominant businesses are the ones redefining the world around them; they have a higher purpose and clearly understand how they intend to change people's lives. Organizations that are empowered with a strong vision and clear strategy take measured risks and make calculated investments to achieve their long-term vision. Their employees are more engaged and their customers are more loyal, which allows them to take bigger risks in the pursuit of their vision.

Key challenges:

Communicating clearly

Articulating the full ambition and value of the strategy across the organization

Ensuring alignment

Maintaining a single definition and understanding of the strategy and vision

Remaining relevant

Continuously reviewing and refreshing the strategy to ensure the goals of the organization stay relevant to customers

Being audacious

Creating and working towards a strategy and vision that motivates employees and customers

A tip from experts

Your strategy must transcend the financial to the aspirational. It must be something that all stakeholders see as purposeful and valuable; audacious yet achievable. In many cases, the best strategies are those that redefine the industry and create ground breaking value in ways not previously achieved.



Most top-of-mind organizations articulate world-changing visions. Google wants to 'organize the world's information and make it universally accessible and useful'.



Entrepreneurial culture

What does that really mean?

The organization is not beholden to maintaining the status quo. Employees are encouraged to take calculated risks and to do things differently when opportunities present themselves. Everyone in the organization is continuously looking for new opportunities to improve their offering, outpace the competition and grow the business. Customers feel their needs are being predicted and addressed before they are known. Failure is considered a necessary consequence of being entrepreneurial and the organization embraces the learnings to become better.

Why is this important?

In today's ultra-competitive global marketplace, technology, media and telecommunications organizations must think, invest and act more like startup. Entrepreneurial organizations do not wait for new opportunities to emerge; they make their own opportunities. They ruthlessly pursue growth. They thrive on competition and are willing to take chances to make big gains. The outpacers of tomorrow are those that are able to combine this entrepreneurial culture with sound processes and deep experience to develop and win new markets.

A tip from experts

An entrepreneurial culture is not something you can create with the 'flick of a switch'; you've got to establish the right environment for entrepreneurs to thrive. It must be based on a clear desire and intentional strategy that enables individuals and teams to be creative, take risks and move quickly.

Key challenges:

Enhancing governance

Creating the right environment to support entrepreneurial behavior and risk-taking while simultaneously managing risk

Changing cultures

Encouraging employees to take ownership over the business and the customer experience

Augmenting capabilities

Developing or acquiring entrepreneurial skill sets and capabilities and integrating them into the core business

Scaling up success

Rapidly commercializing new ideas and approaches to drive value across the enterprise



The success of disruptors such as Uber and Airbnb is based on their ability to develop and rapidly commercialize new business models in previously entrenched industries. 3M allows employees to put 15 percent of their work time towards their own projects.





Motivated workforce

What does that really mean?

Employees are engaged, collaborating and determined to achieve a common and well-articulated vision — often employees feel that the company's vision is 'purposeful'; that they can make a positive impact on society at large. Every employee understands how they contribute to the organization's success and are properly enabled and motivated with appropriate and aligned goals and objectives. Diversity is encouraged, and employees are expected to contribute and collaborate, regardless of title, grade or experience. The organization offers an attractive rewards package, sets clear career paths and creates opportunities for employees to excel. Leaders don't just articulate the vision — they inspire, live and epitomize it.

Why is this important?

When employees are motivated by a higher purpose, they are much more likely to 'go the extra mile' to achieve the company's vision and are often more engaged in contributing to the company's success. Turnover is often lower, and the percentage of high performers is often higher at organizations with engaged workforces. Engaged employees also tend to be more willing to identify and learn new skills and capabilities that eventually lead to increased productivity and competitive advantages.

A tip from experts

If you want a motivated workforce you've got to really engage everyone from the security desk to the boardroom. It's not easy. And it takes time. But if you're paying someone to be on your books, why wouldn't you want to really engage them, find out what they see as purposeful and what motivates them? It's not about delegating strategy and vision; it's about being a team right from the start.

Key challenges:

Connecting the vision

Ensuring that all employees and stakeholders understand how they contribute to the achievement of the vision

Building ownership

Fully engaging teams in the development of the strategy to create ownership and capture vital input

Rewarding talent

Offering the right rewards and benefits packages to appeal to a broad variety of generations and motivations

Maintaining momentum

Keeping employees motivated and engaged in improving the business and customer experience



Amazon offers its distribution employees US\$5,000 to quit with the message "Please don't take this offer". The program encourages unmotivated employees to leave on their own.





Innovation and collaboration

What does that really mean?

Innovation is not an 'initiative' or 'transformation project' but rather an enterprise-wide capability and approach. Employees, business partners, customers and stakeholders are encouraged to suggest and develop new ideas, which are then thoroughly reviewed and tested. Robust measurement and monitoring is placed around all new innovations to ensure that they materially move the business forward in line with the strategy and are rapidly commercialized in the market. Collaboration is at the heart of the innovation approach, with co-creation and partnering delivering outside perspectives and capabilities, which enhance the results.

Why is this important?

Outpacers know that innovation isn't simply about investing into the latest technologies; it's about creating new business models and ideas that generate real disruption and create opportunities for growth. Outpacers tend to take a much more strategic approach to the way they embed and encourage innovation across the organization and seek out new partners and opportunities for collaboration. They align their innovation investments with their vision to develop and achieve audacious strategies that generate new value and drive future growth.

A tip from experts

This is where outpacers need to measurably outperform their peers — continuously pushing the organizational innovation capability to deliver tangible outcomes from their investments. Everyone in the organization needs to come to work in the morning with a deep desire to change things and to try something new.

Key challenges:

Empowering employees

Providing employees with the right time, resources and encouragement to be innovative

Achieving scale

Developing a process for identifying, developing and growing new ideas and innovations

Building partnerships

Collaborating with external parties, suppliers and customers to generate new ideas and capture different capabilities

Measuring progress

Ensuring that investments are flowing towards the projects that will deliver the greatest value



Seeking opportunities to create new markets, Deutsche Telekom partnered with Inmarsat to launch in-air broadband services for airlines in the Europe Aviation Network. Additionally, Spotify uses agile management processes and organizes its workforce into 'squads' and 'tribes' to improve collaboration.





Data-driven insights

What does that really mean?

Decision-makers rely on data-driven insights and evidence to set, improve, monitor and predict organizational performance and objectives. Experience and instinct is still valued, but must be informed, triangulated and reinforced through quality data, appropriate insights and smart analytics. Visualization tools and dashboards are cutting-edge and user friendly. Data is properly managed and curated to ensure that users build and retain trust in the insights they receive. There is a total commitment to developing and using artificial intelligence (AI) in all decisions today and into the future.

Why is this important?

You can no longer run an organization based solely on emotion and experience. Today's outpacers are those that base every decision they make on real-time predictive data. In doing so, they are able to remove much of the bias and error that is inherent in human decision-making in order to make better investment and operational decisions.

Key challenges:

Uncovering value

Finding insights that truly move the dial in terms of market performance and customer experience

Overcoming siloes

Creating enterprise-wide data and analytics strategies that encourage data sharing and integration

Securing talent

Winning the war to attract the new skills and capabilities required to power a data-driven enterprise

Creating trust

Helping consumers and business users build trust in their data, analytics and machines

A tip from experts

Data science and AI has to be fully integrated into every fabric of the business; it can't be a standalone team that is expected to deliver breathtaking insights at the drop of a hat. CEOs should be thinking about how they can create a roadmap for data and analytics that encourages integration and enterprise-wide thinking.



Many of the top organizations today — Netflix, Amazon and Tesla to name a few — rely heavily on the data they collect from their business and customers to improve service, enhance design and create products and services that drive greater success in the market.



What does that really mean?

The organization views their technology assets and capabilities as a differentiator. The technology estate is designed to enable agility and flexibility for the business, while providing actionable data insights through common data platforms. The organization adopts the right technologies at the right time and in the right parts of the business to remove barriers, increase speed, improve capacity, scale up ideas and create opportunities for the business to succeed in the market. In most cases, this requires scalable cloud-based solutions and significant robotic process automation (RPA).

Why is this important?

World class IT performance and real technology agility is critical to providing business flexibility. By focusing on creating a more agile technology estate, outpacers drive improved efficiency, increase the accuracy and real-time nature of their information and create value for the business and its customers.

Key challenges:

Understanding the environment

Knowing how the technology estate compares to the closest competitors and customer expectations

Driving two speeds

Adopting and implementing new technologies while maintaining the legacy processes and systems

Integrating tech

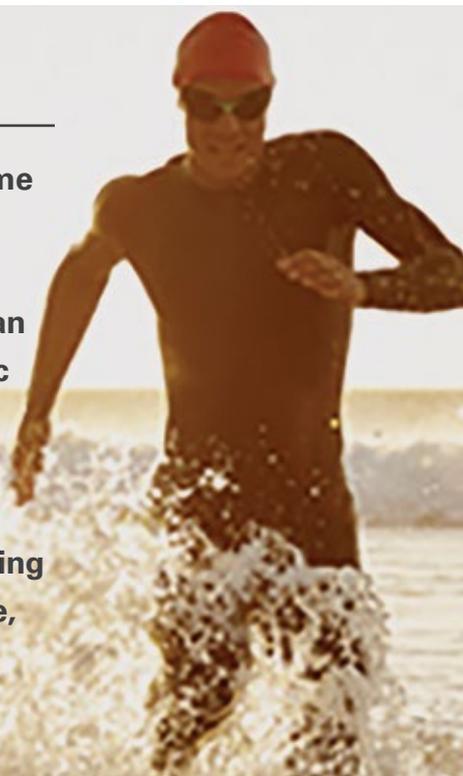
Focusing on technologies and platforms that increase collaboration and data-sharing across the organization

Justifying investment

Investing into (and writing off) the right technologies to deliver a meaningful impact on business performance

A tip from experts

The goal here is not to become more agile than you were before (an operational goal), it's to become more agile than your competition (a strategic goal). And that means being honest with yourself about the technology you have in the market. If it is not delivering a real competitive advantage, it needs to be challenged.



Amazon Web Services has made significant investments into serverless computing, allowing companies to build applications without provisioning, scaling, or managing servers, thereby providing improved flexibility and reduced infrastructure costs.



Financial excellence

What does that really mean?

Financial operations and management is transparent, agile, strategic and aligned to the organization's vision and mission. Finance and performance data are easily accessible to the business and the finance department is seen as a partner rather than a cost-manager. The organization routinely reviews its balance sheets and portfolio of investments/businesses, and seeks out new financial opportunities to ensure financial health is continuously improved. There is a clear understanding of organic versus inorganic development and the M&A capabilities allow swift acquisition of companies that threaten the business as a competitor, or accelerate growth beyond the organic plan.

Why is this important?

When chasing an audacious vision, you can't be hobbled by financial uncertainty. You need a finance function that works seamlessly with the business to provide decision-makers with the kind of 'oxygen' they need to get things done. At outpacer organizations, the finance function uses their position in the organization to add value to the strategy and to enable better decision-making through smart, data-driven insights. They help the organization understand their performance and achieve their objectives.

A tip from experts

In this challenging and pressure-filled environment, finance teams need to develop a robust agenda to deal with disruption. But this isn't just about the technology you use and the data that exists (or doesn't!). Consider all elements of your finance operating model, from the services you provide to the business, location and sourcing strategy, skills and capabilities, right through to the end-to-end processes that go beyond the finance function. At outpacer organizations, finance is behind the decisions that drive topline growth and margin improvement, as well as cost management.

Key challenges:

Improving automation

Enhancing the use of automation and the adoption of cognitive technologies

Creating insights

Leveraging financial data to serve as the powerhouse behind strong commercial analytics

Sourcing talent

Shifting from traditional accounting and controller-ship skills to data science, process excellence and relationship management

Driving efficiency

Working towards a smaller, flatter, more cost efficient and agile finance organization



From Intel's purchase of Mobileye through to Amazon's acquisition of Whole Foods, outpacers use their financial strength and acumen to boost their entry into new markets and segments.



Enabling governance

What does that really mean?

Governance enables the business to be truly excellent in all areas, keeping employees safe, ensuring the company is compliant with all legal and regulatory requirements and maintaining a highly trusted reputation with all stakeholders. The company understands the connected nature of risks and monitors them in a dynamic fashion. The governance framework does not create bureaucracy, but rather instils a high level of accountability that enables the entrepreneurial culture by ensuring risks are understood and decisions taken in an informed and calculated manner. Financial controls are tightly maintained, and audits are transparent with standards and practices above industry expectations.

Why is this important?

Effective governance enables the business to focus on its strategic imperatives by minimizing distraction caused by unforeseen operational issues. In today's rapidly changing competitive environment, businesses do not have time to 'pause' while they sort out a digression or failure. Risks must be properly managed to minimize the potential for disruption to either operations or reputations. Outpacers recognize that smart, appropriate and practical governance is key to enabling success. Everyone in an outpacer organization — from senior leadership through to the rank and file — believes that compliance is as much about achieving the highest quality as it is about a bunch of rules that must be obeyed.

A tip from experts

Sometimes it helps to go back and look at the last 10 decisions made by the governance team in order to identify what needs to be different in the future for governance to truly enable the business. Particular focus should be placed on reducing the habit of escalating every problem to the CEO.



Key challenges:

Improving processes

Creating supportive governance and risk structures that allow the business to innovate and grow

Adopting technology

Increasing the level of control automation and applying new analytics approaches to risk data

Aligning the function

Encouraging innovation and customer focus within the risk team by integrating risk into the business

Embedding compliance

Improving employee understanding, training and adherence to compliance requirements



The Microsoft Runs on Trust campaign helps employees understand the fundamental values that should guide their decisions and empowers them to make the right choices. The company also uses its extensive data analytics capabilities to identify potential compliance issues.



Exceptional customer experience

What does that really mean?

The customer is truly at the center of the organization. The organization maintains a 'single view of the customer' and uses data and analytics to predict new customer demands and expectations. Every decision is assessed for its impact on the customer experience. Every effort is made to remove barriers to customer satisfaction, improve relationships and engage customers. Employees can articulate the customer value proposition and understand that it is their responsibility to improve the customer experience.

Why is this important?

Exceptional customer experiences are at the center of the outpacer approach. These organizations continuously strive to excite and engage their customers. And this, in turn, allows the organization to build trust, loyalty, brand reputation and, ultimately, revenues and market share. Organizations that offer exceptional customer experiences tend to be able to predict and respond to new customer trends faster, thereby reinforcing their bond with their customers.

A tip from experts

The outpacers are breaking away from the pack because they have built firm foundations for customer experience (CX) success by cultivating four critical capabilities. First, a preoccupation with excellence at all levels of the organization and the adoption of global best practices. Secondly, a focus on engaging, empowering and enabling their people. Thirdly, the strict management of execution, ensuring experience designs are delivered by integrated marketing sales and service operations. And by ensuring funding for genuine transformation, rather than incremental improvement, thereby establishing a clear 'CFO-credible' understanding of the economics that underpin CX.

Key challenges:

Clarifying purpose

Ensuring the customer strategy is well articulated, effectively implemented and aligned to customer experience

Creating alignment

Mapping customer journeys and redesigning functional organizations to support the customer strategy

Improving experiences

Delivering consistent experiences that are aligned to perception and do not feel overly-engineered

Using customer insights

Mastering customer segmentation and using insights to fuel decision-making and customer experience improvements



Amazon's Zappos directs customers to a competitor website when they are out of stock of a product and their Kindle Fire HDX tablet allows customers to connect to a customer service representative via webcam within 15 seconds. And, if that's not enough, they've also demonstrated they can deliver an order to customers by drone within 2 hours of the order being placed.

Does this sound familiar?



Clear strategy and vision

The strategy is clear and ambitious to the CEO and Chief Strategy Officer. But communicating that ambition with clarity has proven to be a challenge. Few understand the extent of the ambition and some of the executive team have even created their own version of the strategy. Confusion reigns. **Outpacers, on the other hand, are crystal-clear about their strategy and vision.**



Entrepreneurial culture

You created or acquired a 'ventures' division with proven entrepreneurial talent and encouraged them to go be 'entrepreneurial'. But you require them to operate within the existing finance and governance controls which kills the oxygen they need. And, in short order, the talent leaves and the momentum is lost. **Outpacers, on the other hand, create an entrepreneurial culture that spans the entire organization.**



Motivated workforce

Your leadership team is engaged and excited about your brilliant corporate strategy which you firmly believe will inspire everyone who works at (and with) the organization. But you don't fully engage your teams in the development of the strategy and, as a result, employees do not feel ownership over the strategy and vital input is lost. **Outpacers, on the other hand, ensure that everyone feels empowered by the strategy and vision.**



Innovation and collaboration

You set up an 'innovation lab' and invested into dozens of hot new technologies and companies. But you struggle to scale any of your innovations up to the enterprise-level and integrate them into your business or operating models. You continue to play catch-up with your top competitors and fail to capture the attention of customers. **Outpacers, on the other hand, have a strategic roadmap for innovation that includes both organic and inorganic approaches.**



Data-driven insights

Data science and AI are part of the corporate vocabulary, (especially externally). And you have a dedicated team of data scientists tasked with developing data-driven insights who occasionally come up with some clever insights. But their findings are almost always presented in siloes and few move the dial in terms of market performance. **Outpacers, on the other hand, understand the value of their data and know how to scale up their insights.**



Agile technology

Your leadership can point to some agile, cloud-based tech to demonstrate good momentum and investment into new technologies. Unfortunately, it's not enough to have a meaningful impact on business performance. That will take writing off some of the existing 'on prem' kit ... something the CFO is finding tough to justify. **Outpacers, on the other hand, invest into creating more agility through technology enablement.**



Financial excellence

The finance function continues to improve and — where it makes sense — automate processes. But it is becoming clear that business model disruptors and rising calls from the business for new insights are rapidly changing the demands on finance. The finance team is struggling to keep up with the pace of business disruption, let alone support it. **Outpacers, on the other hand, see finance as enablers of the business and future growth.**



Enabling governance

The board and the business are excited about the innovation agenda. But the risk team is either not prepared to change their process (worried that change, in-itself, is a risk), or they say they've changed it when, in fact, they have simply re-packaged it to look different. Without supportive governance and risk structures, any attempts at innovation by the business are squashed. **Outpacers, on the other hand, know that growth and innovation require agile and supportive governance.**



Exceptional customer experience

The good news is that your customer service levels are steadily increasing. But you tend to focus improvements on your areas of strength, rather than the really tough areas that can have significant impact on customer experience (CX). As a result, you never address your detractors and you never become iconic for CX. **Outpacers, on the other hand, view every business decision through the lens of the customer experience.**

Don't simply cope with change. Out-think, out-work, out-perform and outpace it. Welcome to the era of the outpacer.



Is your organization an outpacer?

Does your organization have what it takes to become an outpacer? Our network of professionals can help you find out. Leveraging our deep industry experience and drawing from our extensive exposure to leading organizations, we have identified what today's outpacers are doing to achieve their success. Working shoulder-to-shoulder with your team, KPMG

firms use this insider knowledge to help your organization identify new opportunities for improvement, exploit existing advantages and build a roadmap for success. Talk to us today to find out how your organization can become an outpacer.

About KPMG's Global Technology, Media and Telecommunications practice

Leveraging deep insight and experience from a global network of member firms, KPMG professionals collaborate with technology, media & telecommunications companies to optimize business models, identify emerging opportunities, and address complex operational, compliance and risk-related challenges.

Our extensive network of industry professionals combine global perspective with in-depth industry knowledge to

help companies adjust to today's rapidly changing market. We understand the business, financial, operational and compliance implications of the new competitive environment and know what it will take to outpace the competition.

Our professionals are focused on helping companies like yours optimize their operations, relationships and business models so that they can take full advantage of today's, and tomorrow's, digital opportunities.



Contact us

Tim Zanni

Global Head of Technology

KPMG International

T: +1 408 367 4100

E: tjzanni@kpmg.com

Alex Holt

**Global Head of Media &
Telecommunications**

KPMG International

T: +44 (0) 7887 832141

E: alex.holt@kpmg.co.uk

kpmg.com/tmtoutpacer

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Publication name: Are you an outpacer? | Publication number: 135154-G | Publication date: April 2018