



# The market speed organization podcast

Part of KPMG's Future of IT podcast series

Episode transcript

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### Steve Bates:

Hello everyone and welcome to another edition of The Future of IT - KPMG's view on the forces that are shaping IT in the function and the business over the next three to five years. Today's session is going to focus on the market speed organization. As we talk about the future it's always alluring trying to get that crystal ball, that great guess, but it takes more than that. It takes thoughtful research, it takes deep analyst interactions and it takes constant communication with executives and leaders in the market to understand that the future of IT is being shaped by digital transformation every day.

The market speed organization is around the orientation of the business and IT to recognize value like product companies do. We're seeing businesses now which have existed for tens or hundreds of years starting to successfully digitally transform their business. They're delivering material value to their shareholders. It's showing how technology is becoming the very oxygen which allows a business to breathe and run at what we call market speed. These organizations who are doing this are clearly digital leaders.

I'm really lucky today to be joined by Adam Lund, a Senior Manager in the CIO Advisory practice of KPMG in the UK. Adam, thanks for joining us today and I'm excited to get into this topic around what's been happening in the market. I'm really interested to get your perspective on what are the drivers and trends that are causing this reshaping of the future of IT?

**Adam Lund:**

Thanks Steve, and as you said, we're seeing lots of change in the operating model space led by digital leaders but also other organizations who are now following. They realize that if they don't change they won't be able to survive. There are lots of drivers that we're seeing in the market. I think the main ones which are driving operating model change, are around the blurring of the boundaries between business and technology. Historically, IT was a separate function, and more and more we're seeing those boundaries blurring. So shadow IT, traditionally seen as a risk for the IT function, is becoming normal. In recent surveys that we do as KPMG, we've seen two thirds of organizations now have at least five percent of their IT spend outside of IT, and actually nearly half have more than 10 percent.

So the concept that IT and technology is separate is really going away. I think the other big driver which is impacting on how IT organizes itself is around hyper automation. It's the fact that many of the activities and tasks that previously were the domain of the IT function, are now being automated. So that frees up the role of IT and the role of technologists to do much more value-add activities and really integrate fully with the business, to drive change and drive digital transformation.

**Steve Bates:**

Those are really good points, I think that we get fixated on what a digital leader is doing but I think it's important to know that almost every organization is on this journey. Our research shows that over 95% of companies are focused on transformation, but the really interesting thing that I've pulled out is that over 80% of the executives that are leading those transformations are not confident that their business can build and implement a new operating model. And a quarter of that is technology, it's the IT function. Two thirds of the CIOs we talked to, say that their lack of skills, the lack of talent and resources, that's holding back their strategies to enable the business and help implement a new operating model.

I think to successfully deliver on the promises that we're making to our customers, companies are aligning their entire organization, meaning the front, middle, and back office. They're becoming what we call a connected enterprise. It's all enabled by technology stitched together in a single operating model. So again, it's not just IT measuring traditional IT metrics of uptime and availability and close. IT is increasingly being asked to measure itself by a customer value, about satisfaction, experience, retention, revenue, profitability. There's a whole new set of metrics that I think the IT operating model of the future supports. It orients the ability for organization to run at market speed. If IT is not positioned to be able to help the organization achieve those outcomes, I think IT can really hinder market speed.

Creating an environment which works as an integrated team is incredibly important. And it's not just from colleagues within the organization, you also have to externally work with your partners and your alliance ecosystems. This is tough today because today's organizational structures really push against this, don't they? They have different

personal metrics that often are very odd, that don't incent collaboration. So how important is culture in getting this right?

**Adam Lund:**

I think culture is absolutely critical in any operating model change. Particularly when we're talking about such a transformation in the technology function that goes beyond just the traditional IT function. So actually driving a new culture that is product focused, it's customer focused, it thinks about the end to end integrated value chain, and not just the little elements where individual people or teams may have traditionally have focused. We see the future of the operating model, the term we use is, decidedly human. That's increasingly important in the technology space.

Let the automation eliminate the traditional repetitive IT tasks, and then really enabling people to focus on the creative, human-centric value add activities, empathy with the business, with customers, creativity, design thinking, emotional intelligence. All of these things will become more and more important, and we believe that driving those sorts of behaviors and encouraging them is a critical element of getting the operating model of the future right.

**Steve Bates:**

I couldn't agree more. I think the transformational CIO is not just going to embrace these concepts and principles, but they're going to author and champion them in the new operating model. I love some of the things you said. It's going to be collaborative, open sharing. It's going to be product-focused. Most importantly it's going to be empathetic and I love the term, decidedly human, because really it's around defining the relationship between people, and the work that they do.

To have that you have to have a forward thinking, servant leader as a technology executive that is willing to put developing people across the organization as technologists, above developing a siloed function. That's a big shift in the operating model, big shift in leadership traits, to create that kind of collaborative and open culture. What do you think around attracting and retaining the talent in this type of operating model, is it different types of skills and people that work in this type of operating model than others?

**Adam Lund:**

It is different skills and I think it's an exciting opportunity for really blending a mixture of traditional roles. The mix of technology and business skills will be critically important, deep technology skills will still be relevant, but all of the roles in the future will need to have that decidedly human centric view.

And you said it, Steve, it's about a different style of leader, and that servant leader who enables and empowers their teams to really be able to deliver and share power, and encourage collaboration, and really give them the freedom to make decisions, experiment and innovate, without the fear of failure. I think that's a real magnet for talent in the future, if people feel that they can work in that sort of environment.

**Steve Bates:**

We see organizations trying to make it easy for people to respond to customer needs. To create, and not be seen as a blocker, which is the office of “slow” or even worse the office of “no.” That is obviously not operating model of the future. I think it's important that we also highlight that in this type of operating model that the CIO can't simply be focused on what's within their control. They've got to be able to be prepare to integrate their teams with the business. Again I think for most companies that's a big shift. Would you agree?

**Adam Lund:**

I do, you mentioned earlier the connected enterprise and that for me is about moving away from the concept of owning resources or controlling them, and really enabling people and teams to self-organize to understand that they're the experts in their areas, and come together to really deliver for the customer. I think that is a shift in mindset from a leadership perspective. It's about sharing and integrating teams, and skills, and people, and not necessarily worrying about where they physically report into in an organization.

**Steve Bates:**

And I think that companies that are in the process of altering their DNA from the top to the bottom, to have a culture that's not built upon the separation of IT and the business, are the ones winning in the digital transformation race. What I'm hearing you say is that their operating model is this. It's technology is the business, and we're all part of it. We're all oriented toward very specific value chains, or customer outcomes. I think that's a really important thing - this isn't just about transforming the IT function. Market speed is about running enterprise faster, about being oriented toward products and services at speed and scale. I think there's some level of also needing to be a kind of leader that challenges the type of traditional IT for IT, or monolithic work that has been done over the last several years, and saying does this actually add value to being a market speed organization? I think that's where we're seeing the winners in the market generate more revenue, more loyalty, being more profitable.

Adam, where do you think organizations should be starting? There's certainly a recognition that this is something where we're seeing around speed and scale but where do they start?

**Adam Lund:**

I think that the place to start, and certainly what what we're seeing in the market and has been going on and is really accelerating, is breaking down those silos. So, silos between teams within the technology organization, but I think more importantly, breaking down barriers between business and IT teams. So starting to embrace, agile in a really enterprise level way.

Building cross-functional teams across traditional boundaries, and really integrating those skills together. Up skilling, cross-skilling, and understanding that technology skills need to be fostered everywhere, not just in the technology organization. So breaking down those barriers with the business, giving them an awareness, and an opportunity to be

involved in technology. I think from a people and integration perspective, that's certainly something that all IT organizations should be thinking of.

**Steve Bates:**

I think some low hanging fruit in addition is around taking advantage of the wave of automation that is enabling IT to break down some of these walls and siloed behaviors. I think around the opportunities for example, within just traditional service management and the amazing amount of automation that is taking place that can make an organization have this step change, from traditional run and maintain organization to really a material step change toward DevOps. And really being able to work closely with the engineering and development teams in order to continuously integrate, continuously deploy. But do that through the layer of automation. I think there's an amazing opportunity for an organization to start right now where they are in just service operations, and recognize the benefits of that.

So Adam this has been a great conversation, we've learned a lot around what a market speed organization is, what's really driving the transformation of the IT operating model. Is there any last thoughts to our listeners on what the key take-aways that they should have today?

**Adam Lund:**

I think it's an exciting time. In terms of key take-aways, we've talked a lot about breaking down barriers, breaking down silos, building connected teams, and also the importance of culture in the operating model.

We believe the technical debt of the future is not platforms and infrastructure. It's an inflexible operating model, it's your skills, your people, and your culture. So really focusing and driving on transforming them will make you successful.

**Steve Bates:**

Great closing thoughts, thank you Adam again for joining us and thank you all for listening to today's podcast on the future of IT and the market speed organization. I'd like to invite you to continue to listen to our series on the future of IT, and until then I'm Steve Bates, thank you for joining us.

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