



# Digital fuel

**Igniting enterprise transformation and growth**

KPMG International

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[home.kpmg/digitalfuel](https://home.kpmg/digitalfuel)

# Introduction

When COVID-19 reared its head, it was sudden and dramatic. In many industries, revenue plummeted. Overnight, companies of all sizes had to adjust to new ways of keeping their people, customers and suppliers safe and connected remotely.

This involved stepping up the pace of digital transformation. [When we surveyed digital decision-makers in 2020\\*](#) (in the earlier stages of the pandemic), 67 percent had accelerated their digital transformation strategy and 63 percent had increased their digital transformation budgets\*. Although this was followed by a dip, we appear to be approaching another spike, with investment in digital transformation continuing at a significant rate. [KPMG's 2021 commissioned study](#), conducted by Forrester Consulting, revealed that 46 percent of respondents anticipate an increase in budget over the next 12 months, and a further 27 percent expect to maintain spending at least at current levels.\*\*

Now, more than a year later, as markets rebound, companies are shifting their focus from survival to growth. There's renewed confidence and a determination to grow revenue, boost market share, improve Net Promoter Scores (NPS) and target new customers. Seventy-one percent of respondents to our latest 2021 digital survey say that revenue gains are a top priority. And as we're seeing in the market, as asset prices rise and investors seek deals, there's also an urgent need to enhance corporate value.


\*Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2020

\*\*Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021





 It's time for a reset


 Key findings of the 2021 Digital Transformation Study

 Meeting customers where they are

 Creating an empowered, connected workforce

 Creating digital agility

 Building a trusted enterprise

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# It's time for a reset

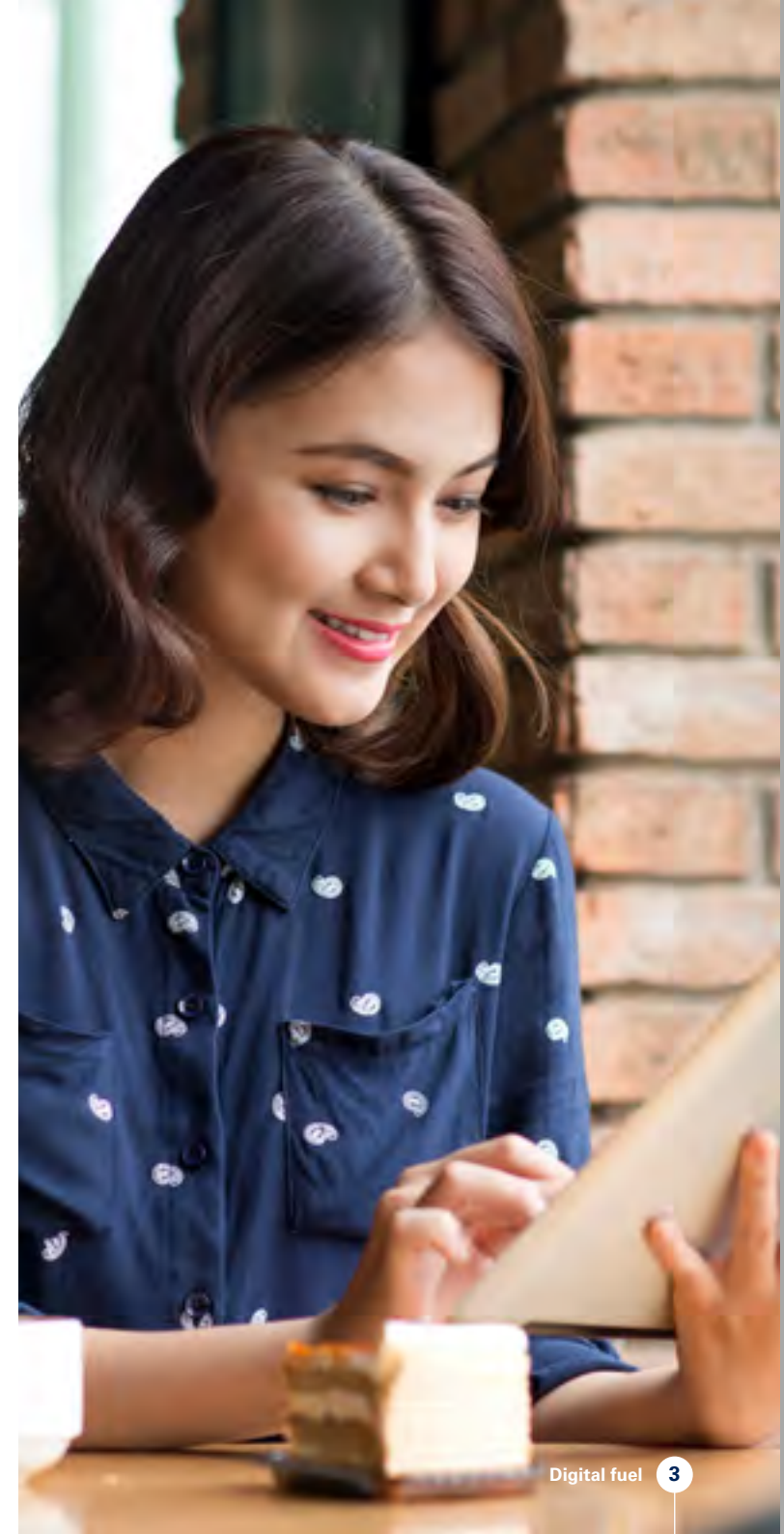
As companies get back to growth, they're rebalancing their priorities away from the day-to-day demands of COVID-19 accommodation and looking to a digital future built around the customer.

Customers — and indeed employees, supply chain partners and other stakeholders — have a newfound appreciation for the digital experience and will expect it to get better. The number one digital transformation priority is to improve the quality of the customer experience.

Front-to-back-office operations are increasingly running on the cloud, offering flexibility to scale up and down and upgrade at short notice. 60 percent of business leaders report that there is more flexibility in their digital transformation business case process, to make it more adaptable and enable timely investment decisions under constantly changing market dynamics.

In our experience, companies are also keen to embed trust through robust cyber security and strong environmental, social and governance (ESG) values and practices. Trust gives a license to operate, by winning the confidence of investors, employees, customers and communities. Cyber security is essential to gain operational resilience, assure customers that data is safe and secure, and meet ever-tougher regulatory standards. A strong ESG commitment is equally important, to reduce carbon footprint, contribute to a waste-free, circular economy and secure supply chains in the face of increasing shocks and disruption. Stakeholders expect organizations to be aligned with their values of respect for people and the planet and there are emerging standards on formally reporting non-financial impacts. Digital technologies can drive trust by enhancing innovation, security, performance measurement and transparency.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021



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KPMG commissioned Forrester Consulting to explore the impact of COVID-19 on organizations' digital transformation strategies; 820 digital transformation strategy leaders in 12 countries/territories across 12 sectors were surveyed.

**We found that organizations are focusing on four key elements of digital transformation:**

Meeting customers where they are

Building customer-centricity



Creating an empowered, connected workforce

Harnessing digital technology to help improve employee experience and meet future capability needs with people and machines



Creating digital agility

Investing in advanced technology, digitally enabled capabilities and new ways of working



Building a trusted enterprise

Keeping transactions and data secure; acting on ESG as a value driver



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# Meeting customers where they are



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Even the most customer-centric companies had to further adapt when the pandemic hit in 2020. With most physical interactions limited or curtailed, the customer experience went digital.

To respond to these unique circumstances, more than half of the organizations surveyed have accelerated digitization in pursuit of 'next-generation' operating models, and 62 percent have advanced the creation of a seamless digital customer experience. A further 37 percent of businesses have developed new channels to serve customers.

As leaders move into growth mode, they're acutely aware that customer-centricity is the key source of competitive advantage, with 79 percent of respondents prioritizing a customer-centric strategy for the next 6–12 months. They want frictionless e-commerce and responsive supply chains, all powered by the cloud, to enable them to adapt to changing market conditions and satisfy continually evolving customer needs. Three quarters say seamless interactions and commerce are high priorities for digital transformation.

Organizations are, accordingly, targeting technology that enables closer relationships with customers by

connecting the front, middle and back offices. Our survey found that organizations are increasingly engaging with technologies that provide better operational leverage, with the top three areas for increased investment being data security, automation and customer-centric technologies.

Digitized interactions, speed and choice have raised the bar in terms of customer expectations and engagement. It's no longer sufficient to know your customer; now it's essential to sense the pulse of the market and truly understand each customer's unique perspective in order to anticipate their needs and meet them where they are. Such capabilities will be powered by analytics and an agile, cloud-based operating model.

There is a need and, indeed, an opportunity to reinvent customer engagement. Customers have clearly adapted to new, seamless digital interactions and business models and expect these to continue to improve. We call this a Connected Enterprise — where the front, middle and back offices are interconnected, enabling an orchestrated and consistent customer experience: from browsing and purchase through to delivery, then payment and service.



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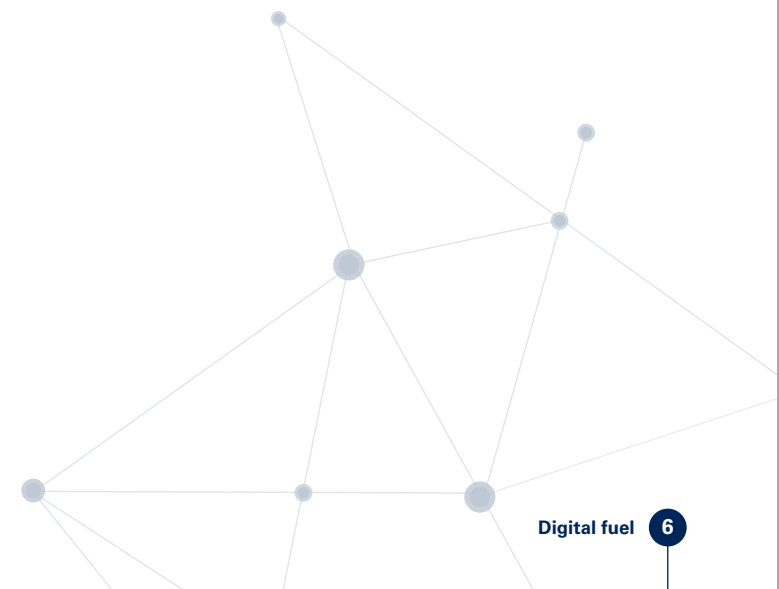
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# Creating an empowered, connected workforce



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The pandemic accelerated investments in new ways of working and advanced operating models to help deliver valued and trusted customer experiences.

As a result, many organizations have found themselves months — or even years — ahead of where they expected to be. Yet even these impressive advances have failed to keep pace with the demands of increasingly tech-savvy customers. And it's not only customers who have high expectations but workers as well.

The most obvious impact of COVID-19 has been the shift to remote working, as a giant step towards new, hybrid working models. Of the organizations participating in the latest survey, 44 percent have allowed employees to work from home and more than half plan to continue to do so. To support remote workers, they'll keep investing in collaborative technologies, with half planning to spend even more on videoconferencing and messaging platforms.

Workers, whether employees, contractors or participants in the gig economy, are key to a digitized, customer-oriented strategy. Fifty-seven percent of survey respondents are prioritizing the creation of a customer-centric organization and culture that inspires people to deliver on the customer promise.

Impressive though it's been, remote working is just one component of an empowered, connected workforce. Organizations are also investing in new technologies to enhance the workplace environment, with 33 percent saying they want to improve the quality of the employee experience. And a majority (71 percent) feel that the pandemic has accelerated their efforts to create new workforce models where human workers are augmented by automation and AI.

Many business leaders recognize their workforces, as currently configured and organized, are not fit for the future. It isn't simply a matter of re-skilling and introducing new learning management technologies since many future jobs don't even exist today. Workforce shaping —

accessing resources (internally and externally) to fit future capability needs — is the new way forward. This means investing in scenario planning and analytics to predict what types of skills will be required, and then finding ways to acquire those talents — whether permanently or temporarily.

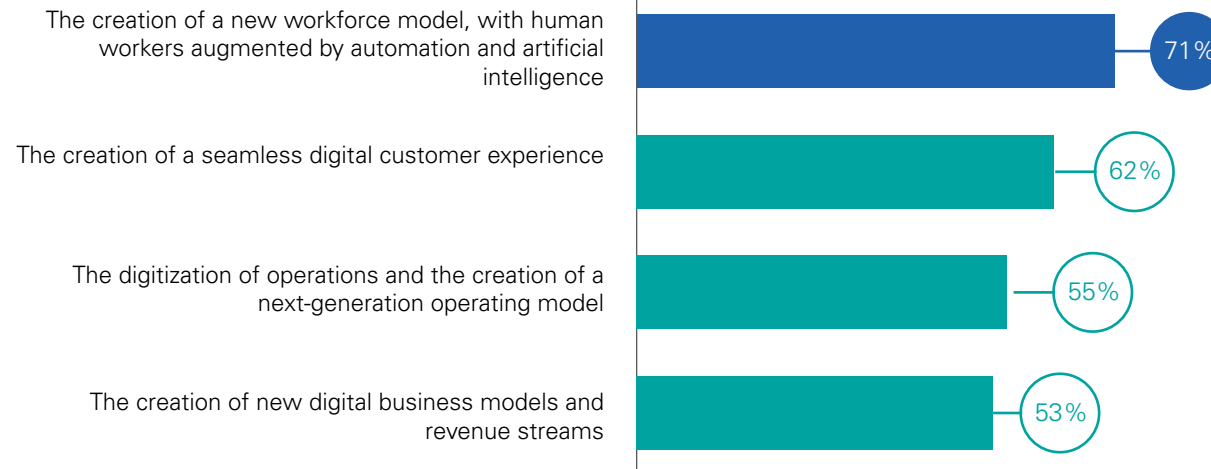
Tomorrow's workers are also seeking greater meaning from their jobs, so organizations should be wary of pinning all of their hopes on technological effectiveness. It is equally important to create environments where workers feel in tune with the company's values. When investing in digital transformation, leaders should consider how this can help foster team spirit, collaboration, and wellbeing. In the workforce of the future, one could say that purpose trumps process.



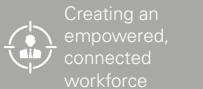
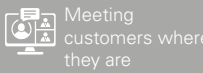
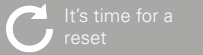
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### What impact has the COVID-19 pandemic had on progress across each of the following areas of enterprise digital transformation?

#### Accelerated by months or years



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Digital transformation is not just a way to enable e-commerce or to improve employee collaboration. It is, in fact, the foundation of the new connected enterprise, built around the customer.

Although it was necessary for many companies to seek quick digital fixes to respond to the pandemic and enable remote connectivity, leaders are acknowledging the strategic, holistic nature of transformation. Among business leaders, almost six out of ten (58 percent) see digital transformation as part of a defined, longer-term strategy, 45 percent are applying it to the entire organization and 32 percent say it encompasses a specific country or region.

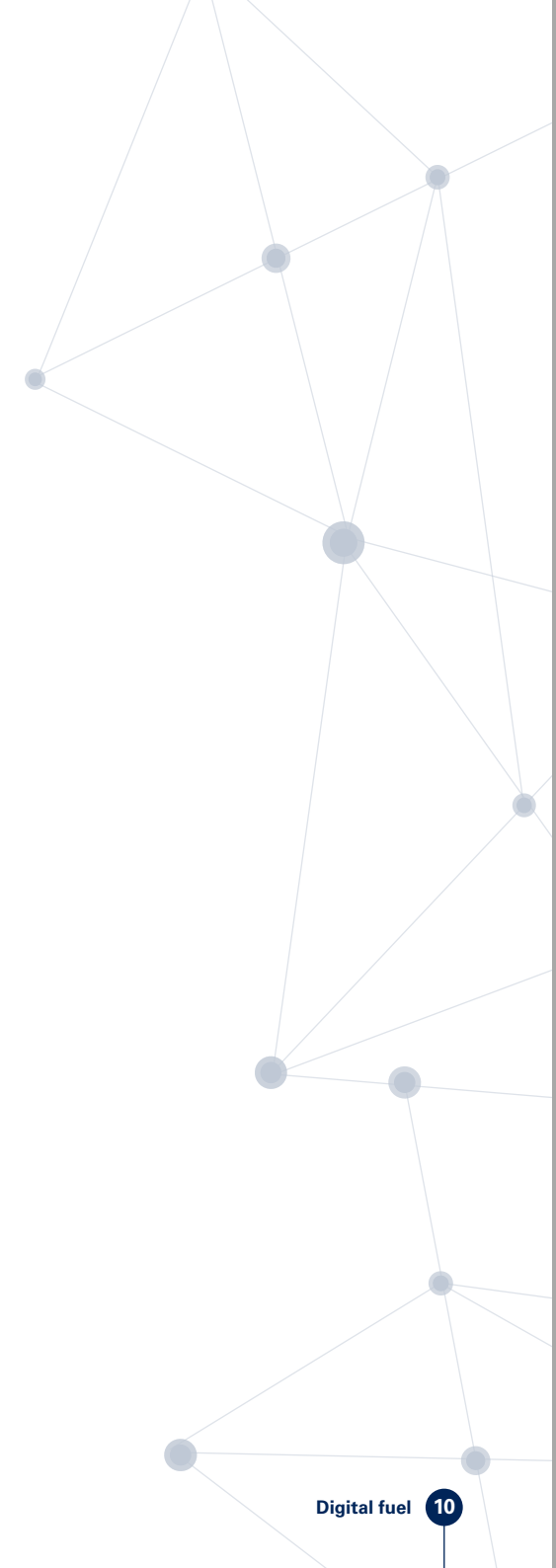
More than half of business leaders (52 percent) aim to sustain their digital transformation investment and momentum by aligning it to a longer-term organizational transformation. This is in tune with the new growth agenda — 63 percent say they want to create intelligent and agile services, technologies, and platforms that are secure, scalable, and cost-effective. These advances will be powered

by the cloud, with 57 percent planning to increase investment in cloud computing, and 52 percent in low-code software.

Among many organizations, there is also a will to transform the entire organization in order to provide the necessary seamless connections from front to back. Consequently, the transformation business case encompasses a broad range of goals like revenue benefit, cost reduction, flexibility, talent acquisition and retention and risk management. And these efforts will be underpinned and funded by savings resulting from automation and digitization of products, systems, operations and processes, while also enabling better customer engagement strategies.

At the same time, there's a growing recognition that things can change swiftly. New agile ways of working and investment plans should be adaptable to new competitive threats and disruptive events, with 60 percent of digital transformation leaders reporting that they have adopted a more flexible and agile approach to their digital transformation business cases since the onset of COVID-19.

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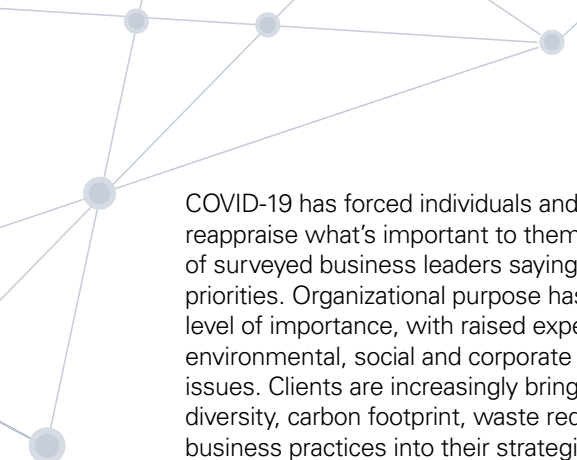
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COVID-19 has forced individuals and organizations to reappraise what's important to them — with 37 percent of surveyed business leaders saying they are 'rebalancing' priorities. Organizational purpose has taken on a new level of importance, with raised expectations of tackling environmental, social and corporate governance (ESG) issues. Clients are increasingly bringing topics like equality, diversity, carbon footprint, waste reduction and ethical business practices into their strategic conversations.

Almost half (47 percent) of business leaders say they are now including ESG benefits in their business case for digital transformation. Of those, 48 percent seek to build on the ESG gains they made during the pandemic.

Digital technologies can help companies improve supply chain resilience, make their products more circular, reduce carbon emissions and track and report ESG performance. All of which can raise trust amongst employees, customers, investors and wider society. Analytics can help measure a company's 'true value' — its non-financial outputs in terms of sustainability, such as its contribution to communities, positive impact on biodiversity and effect on climate change.

As increasing numbers of transactions are conducted online, cyber trust takes on greater importance. Reports of hacking, fraud and ransomware attacks have risen during the dramatic shift to remote interactions over the past year. Consequently, data security measures are the number one area for increased investment, followed by automation and customer-centric platforms that can offer secure and trusted experiences

Automation, AI and other technologies can improve transparency, strengthen cyber defenses, and speed up incident response to help further advance the trusted agenda.

Building confidence and trust with all stakeholders should be a must for every organization, and digital transformation should have trust at its core, to help underpin the growth agenda.

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# Ignite your digital transformation to help drive growth

At KPMG, we believe a future ready, digitally transformed organization should be connected, powered, trusted and we're here to help.



## Connected.

Rebuild your business around your customers to create a borderless organization, where people, data and technology interact for new levels of productivity and value creation.

KPMG Connected Enterprise is a customer-centric 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.

Find out more about [Connected](#), [Powered](#), [Trusted](#).

## Powered.

Harness the latest technologies, leading business practices and tested solutions for a smarter, faster path to nimble, scalable business functions and the right operating model.

KPMG Powered Enterprise is a suite of SaaS based solutions that enable you to manage transformation as an ongoing process, providing the operating models, tools, technology and mindset to manage sustainable change, rising performance and lasting value.

## Trusted.


Embed a balanced approach to risk and regulation into your transformation journey, securing the stakeholder confidence that enables responsible growth, bold innovation and high performance.

The trusted imperative is a dynamic approach to risk and regulation for a digital era that helps organizations earn and deserve the trust of their stakeholders, and create a solid platform for responsible growth, confident decision-making, bolder innovation and sustainable advances in performance and efficiency.





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