

Digital disruption – dive in to thrive

Key findings from KPMG's CIO Advisory Survey

Just as Amazon changed how we buy things and Netflix transformed how we consume videos, companies like AirBnB and Uber have shaken up the hotel and transportation industries. With new disruptive technologies, products, services and business models being introduced almost daily, CIOs need to take charge of their organization's response now to secure long-term business success.

A recent global survey of KPMG International member firms' advisors who work closely with end-user organizations found that the majority of clients profiled are concerned about digital disruption – but few are adequately prepared to address it.¹

While digital disruption may threaten current businesses, it also creates opportunities for those organizations that embrace change. Organizations that do not dive in stand to lose, and will find it ever more difficult to catch up as technology advances.

Understanding the impact that digital disruption will have on a firm's products services and business model is the first step. Developing a digital business strategy, acquiring the necessary digital skills, and getting the organization to buy into the required changes represent the next steps. Additional data from the survey reveals that this will not be easy.

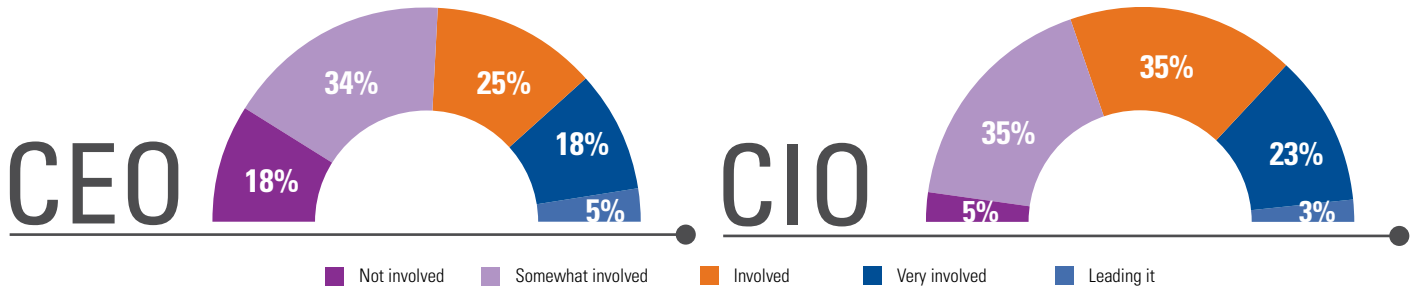
¹ The CIO Advisory Pulse survey polled 118 KPMG advisors globally in all major markets.

CEOs and CIOs must take the reins

The majority of CIOs (58 percent) and almost half of the CEOs (43 percent) are involved or very involved in their firm's digital business strategy, but only a small number are actively leading the effort. This low rate of leadership is troubling. Given the

magnitude of the impact that digital disruption is likely to have and the significant organizational change effort required for transformation, the absence of strong executive leadership is likely to present a greater risk to success.

If your client has a digital business strategy, how involved is the CIO and CEO in formulating and/or executing it?



Source: KPMG Global CIO Advisory Pulse Survey 2014

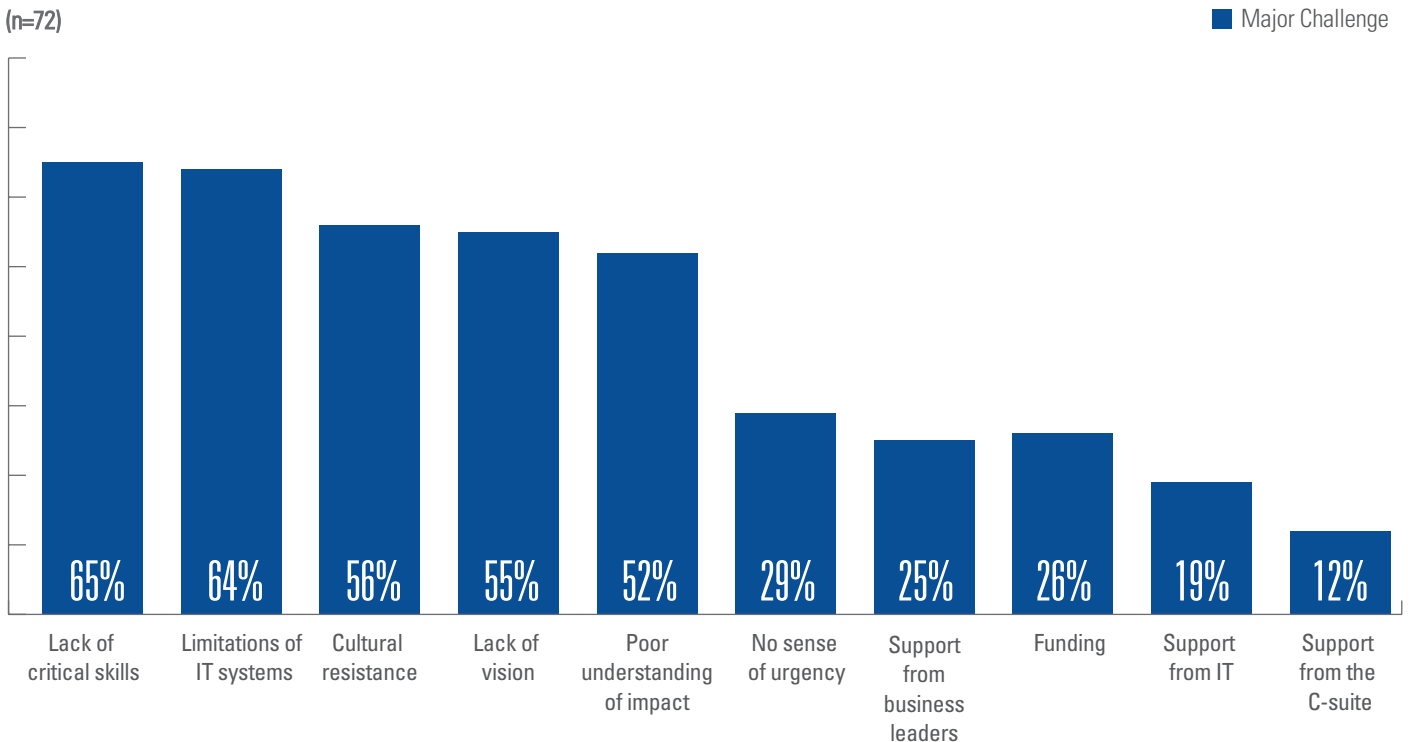
Lack of critical skills and IT systems are big challenges

Responding to digital disruption involves mastering and implementing new technologies that require new skills. Many of these new skills are in short supply, and this will only get worse as more organizations undertake digital business initiatives. A strong majority of respondents cited a lack of critical skills and the limitations of existing IT systems as their biggest challenges.

There are no easy or quick solutions to the challenges created by digital disruption. However, without a clear

vision, it is impossible to tackle the other challenges. CIOs should work with the business to define what 'digital disruption' specifically means to the organization at all levels – enumerating its threats and opportunities and identifying ways to meet implementation challenges and requirements. Once the vision is in place, a clearer picture of the required skills and systems changes will become apparent.

What are the biggest challenges in responding to digital disruption?



Source: KPMG Global CIO Advisory Pulse Survey 2014

IT capabilities are weakest where needed most

High on the CIOs' agenda is acquiring new skills and capabilities as well as improving the maturity and performance of existing capabilities required for digital transformation.

Some of these improvements will come from developing existing IT staff and recruiting internally from other departments, but some will require acquiring capabilities from external sources whether through direct hiring, or from outsourcing/contractor relationships. Either way, this will be challenging given that demand for these capabilities is very high while the supply is thin.

Thriving amid disruption

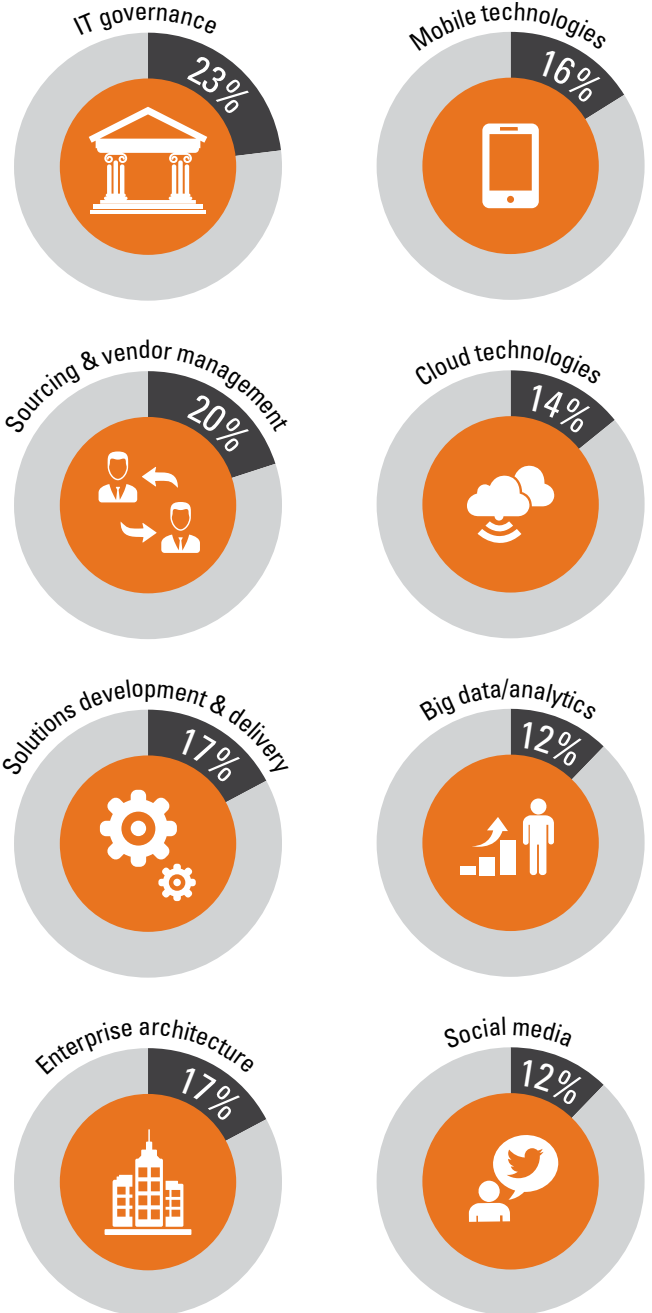
What can organizations do? To help transform the enterprise into an agile digital business, CIOs need to tackle three areas in particular:

1. To optimize the value from their investments, clients need to develop a **digital business strategy** at the enterprise level with sub-strategies that account for varying needs across business units, geographies, functional areas and for different classes of employees, customers and business partners.
2. By taking a more **active role in defining and driving the implementation of their digital business strategy**, CIOs can reduce risk and increase the likelihood of success.
3. CIOs need to shift from 'big bang' IT projects to the use of **agile development processes**, which see IT and the business working together on discrete digital initiatives in an incubator or lab-type environment. This allows the organization to move ideas from design to testing to reality much more quickly.

CIOs' unique vantage point gives them a window into the technological and information needs of each part of the organization. By combining this perspective with knowledge of current and emerging technologies and a comprehensive digital business strategy, CIOs can drive value for the company and evolve their role from IT service provider to digital business strategist.

In the context of digital initiatives how would you rate your client's capabilities in the following areas? (n=76)

■ High – Very High



Source: KPMG Global CIO Advisory Pulse Survey 2014

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