



# Uncovering the connection between digital maturity and financial performance

How digital transformation can lead to sustainable high performance

Deloitte Global Consulting's Digital Transformation network helps clients succeed not just today but become adaptable to the many changes coming over the horizon. We call this future-proofing a business. It starts with defining our client's unique ambitions which include how they continually gain competitive advantages through existing or new business models. We help our clients deliver new offerings into the market rapidly, successively and at increasing scale. It all adds up to achieving the ambition, with highly positive income statement and balance sheet impact along the way.

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# Digital maturity's bounty of benefits

**D**IGITALLY MATURE COMPANIES enjoy a wide range of specific benefits arising from their digital transformations that include, but go well beyond, the bottom line. Many of these benefits, such as improved product quality and customer satisfaction, contribute to better financial performance. Others, such as reducing environmental impact and increasing workforce

diversity, are increasingly seen as part of companies' broader social responsibility.

To reap benefits such as these, organizations should do far more than simply implement new technologies. Successful digital transformation requires the coordinated integration of technology-related assets and capabilities—which we call “digital pivots” (figure 1)—across an entire enterprise.

FIGURE 1

## Seven digital pivots propel an organization's progress toward digital maturity

Digital pivot	Description
<b>Flexible, secure infrastructure</b>	Implementing technology infrastructure that balances security and privacy needs with the ability to flex capacity according to business demand.
<b>Data mastery</b>	Aggregating, activating, and monetizing siloed, underutilized data by embedding it into products, services, and operations to increase efficiency, revenue growth, and customer engagement.
<b>Digitally savvy, open talent networks</b>	Retooling training programs to focus on digital competencies, and staffing teams through flexible, contingent talent models to rapidly access in-demand skill sets and flex the organization's workforce based on business need.
<b>Ecosystem engagement</b>	Working with external business partners including R&D organizations, technology incubators, and startup companies to gain access to resources such as technology, intellectual property, or people to increase the organization's ability to improve, innovate, and grow.
<b>Intelligent workflows</b>	Implementing and continuously recalibrating processes that make the most of both human and technological capabilities to consistently produce positive outcomes and free up resources for higher-value actions.
<b>Unified customer experience</b>	Delivering a seamless customer experience built around a 360-degree view of the customer that is shared companywide so that customers experience coordinated digital and human interactions that are useful, enjoyable, and efficient in immersive, engaging environments.
<b>Business model adaptability</b>	Expanding the organization's array of business models and revenue streams by optimizing each offering to adapt to changing market conditions and augment revenue and profitability.

Source: Deloitte analysis.

Last year's digital transformation study found that enterprises that apply the pivots broadly and deeply tend to perform better financially.<sup>1</sup> Our data this year affirms this finding: Higher-maturity organizations surveyed were far more likely than lower-maturity ones to significantly outperform their industry average on key financial metrics.

The question remains, however: *Why* is digital maturity associated with better financial performance? In this year's report, we dig deeper into the factors that could link greater digital maturity with superior financial performance. Our

broad conclusion: Digital maturity's impact on financial performance comes from enabling improvements in efficiency, revenue growth, product/service quality, customer satisfaction, and employee engagement—as well as by prompting a greater focus on growth and innovation. We also found that executives seem to credit some pivots for contributing to these benefits more than others. However, we continue to believe that a balanced approach to investing across all of the pivots is required for attaining higher levels of digital maturity.

### **DIGITAL MATURITY LEVELS: WHAT DOES IT MEAN TO BE MORE OR LESS DIGITALLY MATURE**

For our analysis, we considered an organization to be digitally mature to the extent that it experienced a positive business impact from its digital transformation initiatives. For each digital pivot, respondents were asked the degree to which they saw a positive business impact from the application of that pivot within their organization. Responses to this question for each of the seven pivots were aggregated to classify organizations as higher-, medium-, or lower-maturity according to a distribution by the degree of business benefit they said their digital efforts had yielded:

- Organizations that scored in the top 25 percent of the impact distribution were classified as “higher maturity”
- Organizations in the middle 54 percent were classified as “medium maturity”
- Organizations in the bottom 21 percent were classified as “lower maturity”

See the [appendix](#) for a fuller description of the survey demographics.

# Digital transformation continues to drive financial performance

**O**UR RESULTS FROM this year’s study soundly corroborate last year’s finding that greater digital maturity is associated with better financial performance. The higher-maturity companies in this year’s sample were about three times more likely than lower-maturity companies to report annual net revenue growth and net profit margins significantly above their industry average—a pattern that held true across industries.

Our definition of digital maturity is based on the extent to which digital transformation has delivered positive *business* impact, not necessarily positive financial impact. The superior financial performance resulting from higher digital maturity is a consequence of—not equivalent to—the business impact on which our definition is based.

## How does digital maturity make a difference?

What explains the link between greater digital maturity and superior financial performance? To understand this, it’s helpful to look at digital transformation through the lens of the seven digital pivots listed in figure 1. Building the capabilities described by the pivots tends to deliver a broad range of business benefits that contribute to improved financial performance. Specifically, our data shows that higher-maturity companies were two to three times more likely than lower-maturity companies to report that they were receiving the following benefits from *every* digital pivot: efficiency, revenue growth, product/service quality, customer satisfaction, and employee engagement.

FIGURE 2

### Higher-maturity companies reported industry-leading revenue growth and profit margins

Percentage of respondents reporting metrics significantly above industry average, by level of digital maturity



Note: Comparisons to industry averages were self-reported by the respondents.

Source: Deloitte analysis.

## EFFICIENCY

A number of the digital pivots can pave the way for increased efficiency. For insurance giant Guardian Life, for instance, flexible infrastructure has helped it cut costs, along with enabling more agile operations and accelerating its engagements with startups. The company has migrated more than 200 applications to the public cloud, allowing it to shut down its last data center in November 2018. Per Guardian's CIO, the costs associated with running those applications have fallen by 20 to 30 percent since migrating them. Moving to the cloud has also helped facilitate the shift to a more agile product development approach, as the company's IT organization can now spend more time and resources on testing new applications and learning rather than managing data centers. Additionally, migrating to the cloud has made it easier to pilot and integrate new tools and solutions with startups, which are also typically running on modern cloud-based infrastructure.<sup>2</sup>

## REVENUE GROWTH

Digital transformation can help organizations grow revenue by improving the customer experience or supporting the introduction of new products and services. The fast-casual restaurant chain Chipotle offers a recent example of the connection between digital maturity and revenue growth. After the company upgraded its mobile app to allow customers to more easily customize orders to their liking, its digital sales increased by more than 100 percent year over year in each of the next two quarters, accounting for 18.3 percent of total sales in Q3 2019 compared to 11.2 percent in Q3 2018—and growth in total revenue and comparable store sales increased as well.<sup>3</sup> Rounding out the digital shopping experience was the introduction of dedicated in-store production lines and pick-up windows for online buyers: brick-and-mortar enhancements that allowed Chipotle to further capitalize on its digital improvements.

## PRODUCT/SERVICE QUALITY

Some of the digital pivots, in particular data mastery, can help companies gain new insights to improve product performance and service quality. For instance, Rolls-Royce analyzes sensor data from the jet engines it produces to improve their fuel efficiency. Based on this capability, the company can promise to lower its airline customers' fuel costs—which has allowed it to evolve its business model to offer subscriptions to lease jet engines rather than selling them outright.<sup>4</sup> The model appears to appeal to customers: As one example, Rolls-Royce recently won a five-year service contract from a major airline in Asia for more than 130 planes powered by its engines.<sup>5</sup> Analyzing the sensor data in real time also enables Rolls-Royce to capture greater value by charging for engine usage, parts, and repair services. It could also increase safety, as the company can assess engine safety in real time and predict what repairs will be needed when.

## CUSTOMER SATISFACTION

By improving the customer experience and enabling better products and services, digital transformation can drive higher customer satisfaction. One multinational apparel brand has strengthened customer relationships and grown direct-to-consumer sales through digital transformation. It successfully integrated its consumer-facing mobile apps with its in-store shopping experience—as well as with its loyalty program, which provides personalized recommendations to members—to deliver a unified customer experience. The number of active mobile app users has surged in recent years, which has helped significantly in increasing digital sales in recent quarters. Meanwhile, the company recently scored its highest customer satisfaction rating in 25 years, according to one major index.

## EMPLOYEE ENGAGEMENT

Reskilling and upskilling workforces to make them more digitally savvy—another digital pivot—can pay dividends in the form of increased employee

engagement. One manufacturer used digital technology to support its rollout of a reskilling program to retrain employees for new positions within the company. With the help of an interactive, analytics-based tool that helps workers explore alternative roles and career paths offered across the firm, the program led to a double-digit boost in overall employee engagement.

### A FOCUS ON GROWTH AND INNOVATION

Beyond the five factors described above, higher-maturity companies' superior financial performance may be related to their greater propensity to value innovation and growth as benefits of their digital investments. When asked to choose the single biggest benefit of digital transformation to their functional areas, respondents from higher-maturity

organizations tended to highlight growth-oriented benefits such as increased sales, responsiveness to business needs, and customer satisfaction.

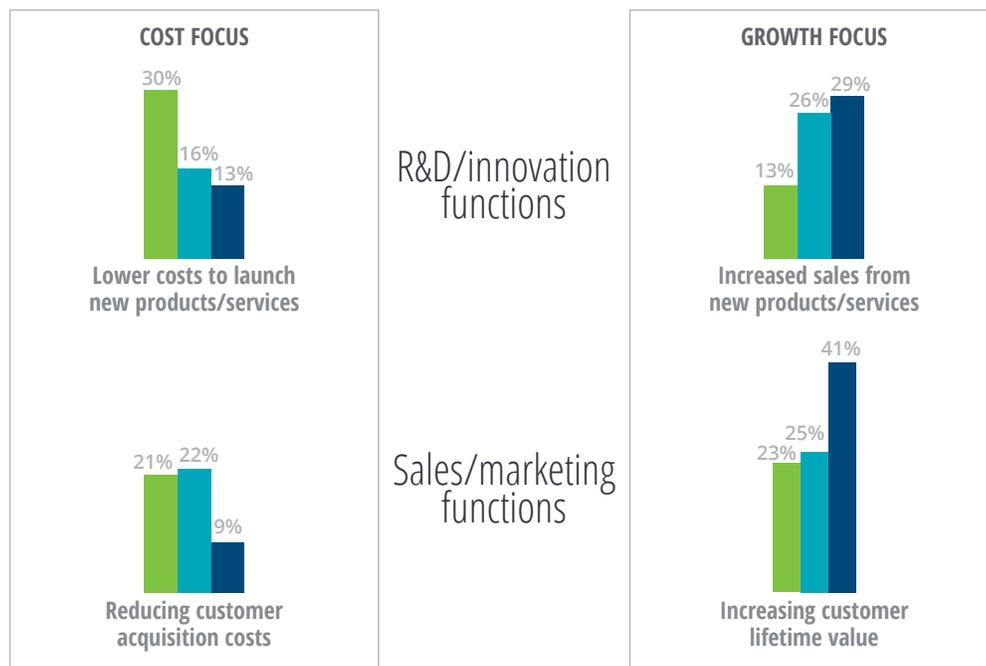
Respondents from lower-maturity organizations focused more on benefits such as cost reduction and efficiency improvements. Higher-maturity respondents, for example, were most likely to cite sales from new products or services as the chief benefit of digital transformation to their R&D or innovation functions, while lower-maturity organizations were most likely to cite lower costs for launching new products and services. The same pattern held true in sales and marketing: Higher-maturity companies were more likely to point to digital transformation's impact on increasing customers' lifetime value, while lower-maturity companies were more likely to cite reducing customer acquisition costs (figure 3).

FIGURE 3

## Executives from higher-maturity organizations are more likely to emphasize digital transformation's benefits for growth and innovation

Percentage of respondents reporting positive impacts on specific functions, by digital maturity level

■ Lower maturity ■ Medium maturity ■ Higher maturity



Source: Deloitte analysis.

One big reason that lower-maturity organizations could be missing out on growth and innovation is that they aren't using digitally enabled business models. Higher-maturity organizations were significantly more likely to report having digital business models in place than lower- or medium-maturity ones: While 58 percent of respondents from higher-maturity organizations said that they offer digitally connected products, only 33 percent from medium-maturity and 17 percent from lower-maturity organizations said the same.

One multinational manufacturer, for instance, significantly increased its services and aftermarket parts revenue by offering digitally enabled services such as asset monitoring and predictive maintenance built on the data collected from its

products. The company plans to drastically expand this recurring revenue source in the coming years to help shield it from the potential impact of macroeconomic downturns that could dampen demand for its capital-intensive products.

The takeaway? Digital transformation is about both doing old things better, faster, and cheaper *and* doing new things that weren't possible before. In some ways, cost savings and efficiency are the low-hanging fruit of digital transformation; ambitious companies aim higher. Lower-maturity organizations should certainly capture the cost savings and efficiency benefits of increasing their digital maturity, but they should also aim to boost growth and innovation to fulfill digital transformation's potential.

## **DIGITALLY NATIVE BUSINESS UNITS CAN BE AN INCUBATOR FOR TRANSFORMATION**

As part of their digital transformation efforts, some organizations are opting to create entirely new digital business units. These units operate separately from the parent companies, with their own technology foundation and processes. This tactic can allow companies to grow their digital revenue and learn from the experience of building a digital business from the ground up without disrupting their legacy businesses.

Examples of companies launching digitally focused divisions and subsidiaries are becoming more common in industries such as financial services (Goldman Sachs' Marcus and Wells Fargo's Greenhouse), automotive (GM's Cruise and the Daimler-BMW joint mobility venture), and manufacturing (Hitachi's Vantara and Siemens' Digital Factory Division).<sup>6</sup> Most of the companies we surveyed reported that they had at least one digitally native business unit, defined as a unit that has a digital platform as its core product and/or fully leverages digital technologies in all of its operations.

One example of a digitally native business unit's success is Telefonica's Giffgaff subsidiary, a mobile virtual network operator (MVNO) that the company established in the United Kingdom in 2009. The subsidiary has leveraged its innovative crowdsourced operating model to become the country's third-largest MVNO, surpassing 160 competitors in its market in number of total subscribers.<sup>7</sup> Giffgaff's emphasis on leveraging its "member" community has enabled lean operations, high customer satisfaction,<sup>8</sup> and consistent growth, with revenue reaching nearly US\$600 million last year and record profits of about US\$40 million.<sup>9</sup>

In another example, a mid-sized bank launched a digitally native business unit offering customers a mobile-centric banking experience built on a new digital banking platform. The digital brand lured hundreds of thousands of new customers and has since become a key part of the parent company's growth strategy.

# How pivots relate to business outcomes

LEADERS MAY BE curious which digital pivots deliver the greatest return on investment in terms of the benefits outlined above. The evidence is mixed, but we think the right path is clear.

Judging from this year’s survey data, two of the seven pivots—data mastery and intelligent workflows—appear to have the strongest impact on the five specific benefits of efficiency, revenue growth, product/service quality, customer satisfaction, and employee engagement (figure 4).

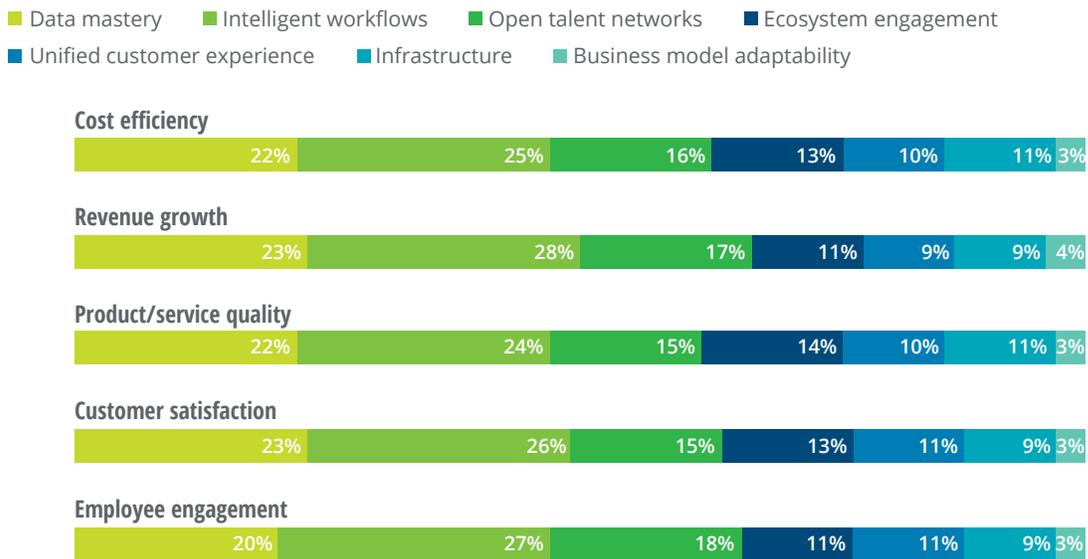
A regression analysis suggests that these two pivots together account for approximately half the impact seen on these outcomes, while the other pivots play a smaller role.

The conclusion, however, should not be that organizations can gain the most benefit by pursuing these two pivots at the expense of the others. Why? Because, as we found in last year’s study, organizations that execute a greater number of pivots more broadly across more parts of their

FIGURE 4

## The *data mastery* and *intelligent workflows* pivots have the strongest measurable impact on business outcomes

Relative importance of individual pivots in driving business outcomes



Note: Percentages refer to each pivot’s share of the total impact that organizations report seeing from their digital transformations in line with the benefits mentioned above. For instance, 23 percent of the revenue growth that organizations received from their digital transformations was seen to be the result of their investments in data mastery. Percentages may not add up to 100 due to rounding.

Source: Deloitte analysis.

organization tend to achieve higher levels of digital maturity—with greater associated benefits.

Executives may give data mastery and intelligent workflows the greatest credit for delivering benefits because the impact of projects involving these pivots tend to be easy to measure. Analytics produces insights that support superior operational decisions, and automation can directly improve efficiency and cost metrics. One study found that organizations using AI in their financial reporting systems improved productivity by 33 percent, reduced errors by 37 percent, and cut the time required to complete their monthly financial close by four days on average.<sup>10</sup> The direct impact of other pivots, such as infrastructure or unified customer experience, can be harder to quantify.

These harder-to-measure pivots are still vital enablers of digital transformation, however. Infrastructure provides flexibility and security that are necessary to succeed in the digital world. As Joe Weinman, author of the book *Cloudonomics*, puts it: “The real value of cloud or hybrid cloud architecture comes in the form of agility, decreased time to market, accelerated innovation, better and richer user experiences, and inherently cloud-native or cloud-centric business models.”<sup>11</sup> Customer experience is similarly critical: Eighty percent of B2B and B2C customers now consider their experience to be just as important as a company’s products and services when making a purchasing decision.<sup>12</sup> Indeed, there are compelling examples that demonstrate how companies can measure the value delivered by even these harder-to-quantify pivots. Unilever, for example, has developed more than 50 apps on Salesforce’s cloud-based platform, which has allowed them to deploy apps four to five times faster and at 40 percent lower costs.<sup>13</sup> And prior Deloitte research has demonstrated that organizations that focus more heavily on customer experience increased their customer lifetime value by 1.6 times more than other organizations.<sup>14</sup>

Balancing investments across all the pivots helps organizations mature digitally and enables business model innovation. As demonstrated by Rolls Royce and other examples mentioned above, such business model innovation can give organizations opportunities to create and capture new value.

## Best practices within each pivot

Leaders should understand how to maximize the benefit of each pivot. To that end, we asked this year’s respondents to identify what practices were most important in driving success within each of the pivots (figure 5).

On the whole, the high-impact practices make a great deal of intuitive sense. Within the *unified customer experience* pivot, for example, having omnichannel touchpoints supports customers’ desire for diverse interactions, while capturing the voice of the customer and having a 360-degree view of the customer relationship help organizations better understand and address customer preferences and behaviors. Similarly, for the *flexible, secure infrastructure* pivot, two of the three most important leading practices—automating cloud cost management and optimization, and automating the provisioning and operations of cloud infrastructure—demonstrate the growing importance of automation in managing cost and complexity in enterprise cloud environments, which are growing more complex thanks to the prevalence of hybrid and multicloud infrastructures.<sup>15</sup> And for the *intelligent workflows* pivot, establishing an automation center of excellence was the top-ranked leading practice. This is not surprising: An automation center of excellence helps develop automation expertise that can be leveraged throughout the organization, and it also supports consistency in developing and implementing automation efforts, tracking and reporting those efforts’ impact, and managing compliance with IT security standards.

FIGURE 5

### Best practices within each digital pivot

Digital pivot	Top three best practices in order of importance
<b>Flexible, secure infrastructure</b>	<ol style="list-style-type: none"> <li>1 Automate cloud cost management and optimization</li> <li>2 Leverage platform-as-a-service (PaaS) or managed service provider (MSP) models</li> <li>3 Automate provisioning and operations of cloud infrastructure</li> </ol>
<b>Data mastery</b>	<ol style="list-style-type: none"> <li>1 Embed data-driven insights into tools employees use every day</li> <li>2 Democratize access to data/insights through self-service portals</li> <li>3 Offer products/services to clients powered by data we collect</li> </ol>
<b>Digitally savvy, open talent networks</b>	<ol style="list-style-type: none"> <li>1 Hire freelancers/independent workers to extend the core employee workforce</li> <li>2 Hire gig workers who are paid by the task (or microtask)</li> <li>3 Engage crowd workers who compete to participate in projects</li> </ol>
<b>Ecosystem engagement</b>	<ol style="list-style-type: none"> <li>1 Sell solutions together in the market</li> <li>2 Cocreate intellectual property and/or solutions</li> <li>3 Ensure interoperability with some competitors' digital solutions</li> </ol>
<b>Intelligent workflows</b>	<ol style="list-style-type: none"> <li>1 Establish an automation "center of excellence"</li> <li>2 Automate business decision-making (e.g., resource allocation, dynamic pricing)</li> <li>3 Automate routine customer and/or employee interactions with chatbots/conversational AI</li> </ol>
<b>Unified customer experience</b>	<ol style="list-style-type: none"> <li>1 Provide multi/omnichannel touchpoints</li> <li>2 Capture and incorporate the voice of the customer into decision-making</li> <li>3 Maintain a single 360-degree view of the customer</li> </ol>
<b>Business model adaptability</b>	<ol style="list-style-type: none"> <li>1 Offer digital services</li> <li>2 Operate a digital marketplace</li> <li>3 Offer digitally connected products</li> </ol>

Note: The order of importance of the practices was determined by a regression analysis that examined the degree to which each leading practice drove the overall impact that organizations reported seeing from each respective pivot.

Source: Deloitte analysis.

# Digital maturity's advantages go beyond traditional business benefits

IN ADDITION TO supporting better financial performance, digital transformation can help companies keep pace with society's changing expectations of businesses. This is important in an era when companies are being called upon to demonstrate social responsibility and to respond to the interests of stakeholders besides investors. Over the past couple of years, calls have grown among business leaders for companies to expand the scope of their mission. Rather than concerning themselves only with investor returns, enterprises are increasingly committing to tackling a variety of rising socioeconomic concerns.<sup>16</sup> In 2019, 181 US CEOs signed a Business Roundtable statement pledging that their companies would commit to benefit stakeholders beyond their investors, including customers, employees, and the communities where they operate.<sup>17</sup> More than two-thirds (69 percent) of business executives in a 2017 Deloitte survey called workforce diversity an important issue for their company, up from 59 percent in 2014.<sup>18</sup> And in 2019, 87 multinational companies pledged to meet environmental targets in line with the Paris climate accords.<sup>19</sup>

Digital technologies can help address these emerging priorities. A recent analysis looked at 20 targets related to the UN Sustainable Development Goals and found that the expected global deployment of existing digital technologies will, on average, help accelerate progress toward 20 targets related to those goals by 22% and mitigate downward trends by 23%.<sup>20</sup>

Companies are already applying digital technologies to goals other than financial returns. Some companies, for instance, are applying digital technologies to support workforce diversity (figure 6). Online real estate marketplace Zillow Group saw a 12 percent boost in female applicants after using machine learning to identify and edit language in its job postings to be gender neutral.<sup>21</sup> And several workforce analytics vendors are now promoting their capabilities to help companies measure and meet diversity goals.<sup>22</sup>

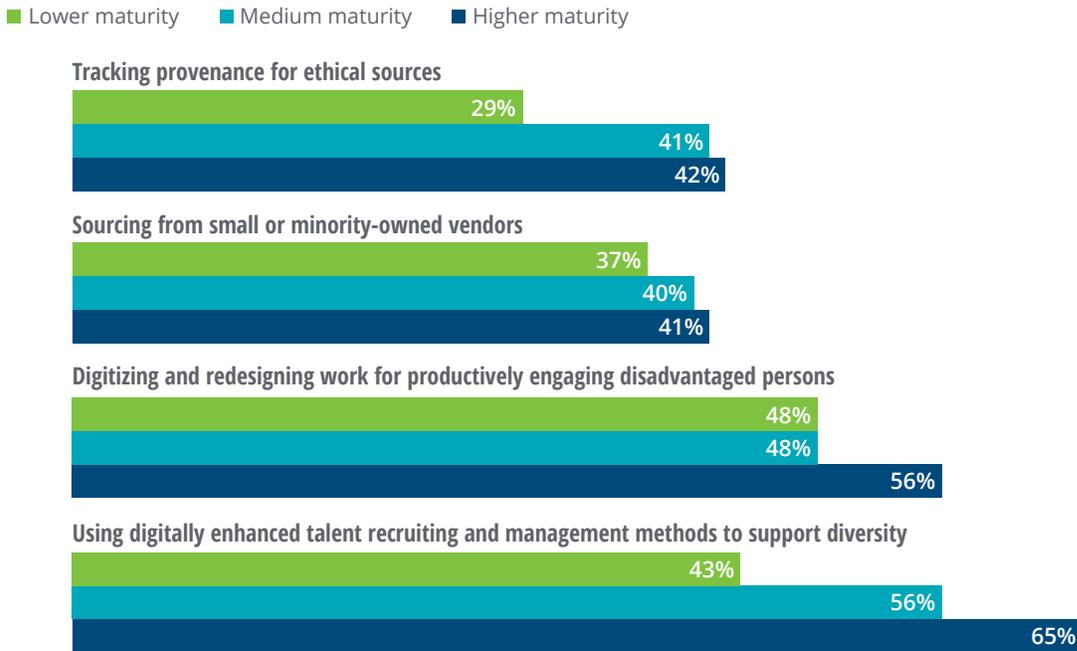
**Companies are already applying digital technologies to goals other than financial returns. Some companies are applying digital technologies to support workforce diversity.**

Other companies are making environmental sustainability a goal of their digital transformation efforts. For example, Tesco is using AI analytics to measure its environmental impact and meet aggressive carbon emissions reduction targets.<sup>23</sup> In the construction industry, drones are helping to reduce material waste at construction sites, which makes up 25 to 40 percent of the solid waste generated in the United States.<sup>24</sup> And in agriculture, robotic herbicide sprayers can cut farmers' herbicide usage by a factor of 20 over traditional methods of dousing entire fields.<sup>25</sup>

FIGURE 6

### Workforce diversity is among the goals of some organizations' digital transformations

Percentage of respondents using digital technologies to support socioeconomic fairness, by digital maturity level



Source: Deloitte analysis.

Many of the organizations we surveyed reported using digital technologies to boost environmental sustainability (figure 7). While higher-maturity organizations were the most active in this regard, even most lower-maturity organizations said they were using digital technologies in the pursuit of greater environmental sustainability.

**While higher maturity organizations were the most active, even most lower-maturity organizations said they were using digital technologies in the pursuit of greater environmental sustainability.**

Figure 7 illustrates how digital maturity can enable companies to better tackle issues of emerging importance to a broader set of stakeholders beyond their investors. Research from Deloitte and MIT suggests that digitally mature companies are more likely to have modernized governance and ethics frameworks.<sup>26</sup> This enables them to act with

greater agility, as they have erected appropriate guardrails to mitigate the risk of missteps that could lead to negative brand exposure. It can also help them quickly and effectively respond to the types of issues described in this section. For example, having the proper ethical frameworks in place may make it more likely an organization has a process for screening for and

FIGURE 7

**Even among lower-maturity companies, most are using digital technologies to address environmental sustainability**

Percentage of respondents using digital technologies to improve environmental sustainability, by digital maturity level



Source: Deloitte analysis.

eliminating biases in AI models utilized for recruiting talent.

Additionally, using digital technologies to improve environmental sustainability and workforce diversity can provide direct financial benefits. Reducing carbon emissions or resource consumption can help organizations reduce or avoid costs. For instance, global shipping conglomerate Maersk reduced its fuel costs by

13 percent over a two-year period, partially by analyzing sensor data from its ships to optimize their speed and routes.<sup>27</sup> Drones could help construction companies cut down on the US\$160 billion per year they spend on wasted materials that wind up in landfills. Indirect financial benefits are possible as well: Prior Deloitte research has described how workforce diversity improves organizations' ability to innovate and identify risks by fostering greater creativity to solve problems.<sup>28</sup>

# Digital transformation investments are growing briskly, though more slowly than last year

THE ORGANIZATIONS IN our survey are planning to significantly boost their investments in pursuing digital maturity over the next 12 months, though not by as much as last year. On average, this year's respondents said that they planned to increase their investments in digital transformation initiatives by 15 percent over the next 12 months. This contrasts with the 25 percent planned increase that last year's respondents reported in answer to the same question (figure 8). Still, 15 percent growth is a large increase, showing that digital transformation is still a high priority.

Respondents of all levels of maturity reported that among next year's planned investments in digital transformation, the digital pivots of highest priority are infrastructure (both in the areas of cybersecurity and cloud) and data analytics. This speaks to the importance of infrastructure—even if its benefits can be hard to measure—and data analytics (which tends to produce more easily quantifiable benefits).

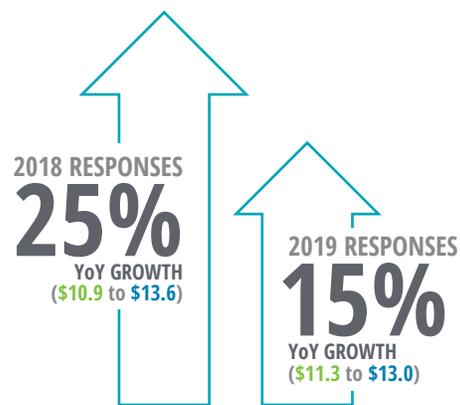
Cybersecurity was most likely to be cited as a very high investment priority across all levels of maturity. Lower-maturity organizations may see a need to harden their cybersecurity defenses before undertaking other digital transformation initiatives. As they build out more robust digital assets, capabilities, and ecosystems, they will inevitably enlarge the attack surface they must defend. This is likely why cybersecurity is also the top priority for

FIGURE 8

## Respondents expect to increase their digital transformation investments over the next 12 months—though not by as much as last year

Digital transformation investment (US\$ millions), 2018 vs. 2019

- Past 12 months' digital transformation investment
- Next 12 months' digital transformation investment



Source: Deloitte analysis.

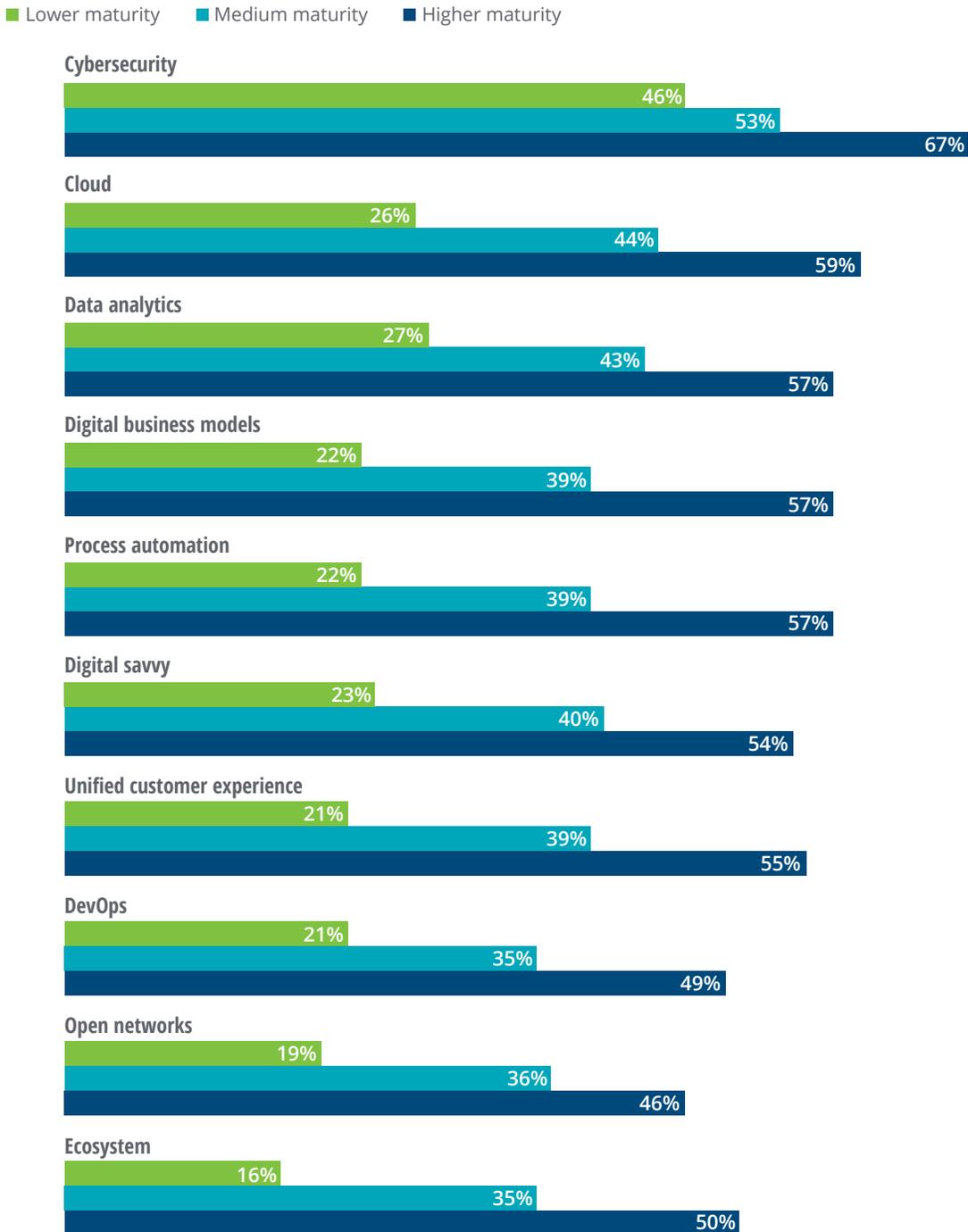
higher-maturity organizations: They have more potential attack vectors to monitor and secure.

Plans can change, however. Respondents to this year's survey reported that on average they spent US\$11.3 million on digital transformation in the past year—far less than the US\$13.6 million that last year's respondents said that they had budgeted for the following 12 months.

FIGURE 9

### Cybersecurity tops investment priorities for the next 12 months across all maturity levels

Share of respondents citing each area as a “very high priority” for investment over next 12 months, by digital maturity level



Source: Deloitte analysis.

A slowdown in the growth rate of digital transformation investment is not surprising, given recent analyst and media reports that concerns over the global economy are causing business IT investments to decelerate. For instance, Forrester forecasts that global tech spending by government and business organizations will grow by

3.8 percent in 2020, down from 4.5 percent in 2019 and 5 percent in 2018;<sup>29</sup> the analyst firm attributes this diminishing growth to concerns over slowing global economic growth. Enterprise technology vendors are also reporting slowing demand for their products.<sup>30</sup>

# In uncertain times, digital transformation becomes more, not less, important

**D**IGITAL TRANSFORMATION MAY be an overused buzzword, but it is no fad. On the contrary, real companies are reaping real business benefits from their investments in digital transformation. The evidence tells us that a broad-based effort to implement the digital pivots can deliver a host of concrete business benefits, ranging from better product quality and higher customer satisfaction to greater efficiency and increased revenue.

Investments in digital transformation are continuing to rise—at more than three times the rate of IT spending overall.<sup>31</sup> And the beauty of

digital transformation is that it has the potential to be self-funding: In its early stages, digital transformation efforts can deliver cost savings and efficiency gains that can fund investments in innovation, new business models, and accelerated growth.

Mixed macroeconomic signals and uncertainty about the future only increase the need for digital transformation. In an ever-changing market shaped by evolving customer and stakeholder demands, digital transformation can help organizations build the resilience they need to thrive well into the future.

# Appendix

## Respondent demographics

**T**HIS REPORT DRAWS upon responses to a survey conducted in November 2019 that asked US-based executives to assess their organization’s approach to digital transformation. Qualifying organizations were those that had global headcount of 500 or more and that earned at least US\$250 million in annual revenue. Figure 10 gives a breakdown of the 1,200 surveyed organizations’ annual revenue.

Our analysis considered responses from executives who said that they were “very” or “highly” knowledgeable about their organization’s digital transformation efforts. Just over half (51 percent)

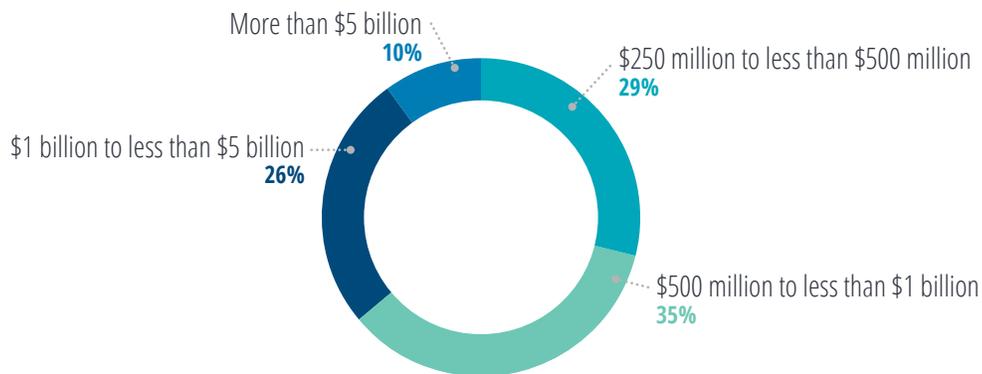
of the respondents had C-suite titles; 22 percent were at the vice-president level or equivalent, and 27 percent were at the director level or equivalent. An equal number (200) of respondents were surveyed from each of six industries:

- Consumer products and services
- Energy, resources, and industrials
- Financial services and insurance
- Government and public services
- Life sciences and health care
- Technology, media and entertainment, and telecommunications

FIGURE 10

### Respondent annual revenue (US\$)

Percentage of respondents



Source: Deloitte analysis.

## Endnotes

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