



How possible is it to generate more value for your company and what is needed to achieve it?

Throughout your business management experience, you have probably hired consultants, gurus, and analysts to get the correct information, ideas, and recommendations about obtaining more value for your organization. Even though all that is valid, it does not reflect all the knowledge and data available in your organization for the decision-making process. Then, how do we achieve it?

Out of all the solution packages offered in the market, recent years have witnessed the appearance of the renowned digital transformation – a crucial topic for present-day organizations. However, the concept of digital transformation is so worn out that it would appear that anything that adds technology is a digital transformation.

Although digital transformation is still a top priority in corporate agendas, the debate over the value it contributes is not closed. Does it promote specific benefits leveraged by the new technologies? Does it truly revolutionize how the business operates? Does it deliver products and services? Does it generate unique experiences for clients and partners? An interesting piece of information shows us the way: according to IDC, investment in the area of digital transformation will be USD 6.8 trillion between 2020 and 2023. 65% of the world's GDP is expected to be digitalized by the end of this year.

What digital transformation does for companies is linked to each company's strategic vision for its digital initiatives. The first conceptual problem is that all technology upgrades are synonymous with digital transformation. On the one hand, more conservative organizations only use digital tools to improve specific aspects of the business: increasing profitability, lowering costs, improving cash flow, and increasing efficiencies. On the other hand, some companies consider digital transformation a fundamental business model change. Somewhere in between, there are many alternatives: from traditional businesses that feel threatened by digital disruptions and need to go out and do battle in the field to companies seduced by the siren song of the latest technology trends that are being implemented with no rhyme or reason.

Gartner notes that the transformation journey takes twice as long and costs twice as much compared to the original estimation. Additionally, Gartner points out that 53% of organizations are not precisely ready to undertake the journey toward a digital future. Maybe the lack of a shared understanding of digital transformation and its value to the business represents a substantial cultural obstacle that must be bridged.

True transformations

Let us consider the facts instead of trying to anticipate the future. In what cases can digital transformation be regarded as such?... broadly speaking, when digital transformation combines a strategic view in terms of the company's digital future, a substantial change in the business model, and significant, measurable benefits. The firm support of an adequate technology partner can make the difference between "implementing software" or "reaching a true transformation." At Making Sense, we have witnessed such a change in our clients and noticed that the difference between adding technology and transforming technology is striking.

As opposed to what happened in the past with new technology-enabled initiatives, today, we are more mature regarding data-analysis tools, artificial intelligence, automation, and blockchain. These technologies offer a great potential to create digital initiatives that present a clear view of the future. Any form of transformation generates anxiety, uncertainty, and resistance. That is why, when you undertake a digital transformation plan, you must not only consider the benefits it will bring to the business but also to all the parties concerned: to clients –who will indeed have access to better products and services or friction-free transactions–, to partners –who will have a better overall experience, new roles, new skills and more options to align their purposes with those of the organization–, and to investors –who will have a more predictable and profitable business.

When the time comes to invest in a middle-segment company, the investor should analyze the value of digital transformation initiatives based on the following traditional variables: income growth, the potential for future increase, profitability, and cash flow. That is why, when an organization announces a digital program, it must bear in mind that it might awaken the interest of investors in the short run to gain momentum and implement their idea –mainly if the concept is truly innovative. However, to sustain the project over time, the company will require convincing metrics in terms of financial results.

Measuring success in transformation

What are the sources of value for digital transformation? On the one hand, it takes a massive amount of data. It generates the challenge of analyzing and interpreting patterns to make actionable decisions: from customizing products and services to developing specific business models according to the client's needs and preferences or entering new markets. On the other hand, digital transformation makes it possible to create new experiences and benefits for clients that are more comfortable and come at more accessible costs in a context of absolute transparency. Additionally, it paves the way to reaching unprecedented productivity and efficiency levels.

However, all this is mere theory unless the right metrics are applied to find out if a digital transformation initiative is being effective: to what extent technologies are being adopted –both by internal users and clients–, what is the degree of commitment and participation by consumers as regards the new proposals (if they do not commit themselves, that might mean that the proposal is not sufficiently powerful or convenient to get clients to change their consumption patterns), what changes have taken place in the productivity of the labor force or to what extent have automated tasks released resources that are used to improve the bottom line.

The value resulting from digital transformation initiatives is within reach –and within the available data scope. It is just a question of moving forward with the adequate strategy, the right partner, and a clear vision of how we imagine our organization in the digital future.

If the project is truly disruptive, you will find it easy to respond to how you did things in the past and how you do them now, what results you obtained in the past and what the results are now. You will probably be so satisfied with the change that the past will be merely a memory that you will not look back on with nostalgia... just because you are in love with your present.

Data are the key to achieving all this. But we will analyze that in our follow-up article.