THE 2021 STATE OF DIGITAL TRANSFORMATION

Key Learnings and Insights From 10 Years of Digital Transformation

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Executive Summary

In this year's State of Digital Transformation report, our goal is to identify the key differences between the businesses who are succeeding at digital transformation, and those who are still struggling. We surveyed 587 executives from the US, Europe and China, across a range of industries, to highlight not only their current digital capabilities, but the key investments and choices they made that got them to where they are today. By separating the responses of high performers and average performers, we identified the key characteristics of companies that successfully met their transformation goals.

This report serves as a benchmark for what digital maturity looks like in 2021 and charts a path forward for businesses who are looking to thrive in the next wave of digital transformation initiatives.

Key findings include:

- Growth and innovation were the top transformation goals for top performers, while average performers cited modernization and efficiency as their top goals.

- Majority of companies used a holistic, or coordinated simultaneous transformation approach to transform the organization, rather than transforming departments in isolation, or sequentially.

- COVID-19 reduced budgets and resources for transformation, but it did not slow transformation programs. In fact for high performers, it accelerated transformation efforts.

- Companies with successful transformations were much more likely to prioritize data management, innovation, customer experience and employee experience initiatives, compared to average companies.

- Transformations led by the CEO are more successful than those led by other positions.

- Digitally mature companies are looking to invest in leveraging data, optimizing customer and employee experiences, and building external partnerships and networks to prepare for the next phase of transformation.

Understanding the next phase of digital transformation

When Altimeter first started publishing the State of Digital Transformation back in 2014, our goal had been to benchmark the progress businesses were making in adapting to the new world of "everything digital." This meant tracking how companies were adopting the then new practices of using social media to drive business, creating a presence on emerging digital channels, and shifting the mindset from brand-focused messaging to customer-focused experiences. We tracked the evolution of new technologies, and new roles within the organization as businesses became more digitally mature.

In the past year, the COVID-19 pandemic did more to accelerate the digital transformation of companies than any single technology or digital disruption. Businesses had to scramble to meet customer expectations and build the digital-first presence demanded by the conditions of the pandemic. Companies that couldn't, fell by the wayside.

Today, the majority of businesses have met or surpassed the digital transformation benchmarks we created in the last few editions of our report. And those who haven't are making progress in the right direction. We're now at the point where we can look back at the last decade of digital transformation efforts and gain clear insights about what sets successful companies apart.

This report specifically looks at how top performers did things differently, including the way they created goals, prioritized investments and adopted new technologies and practices. For any company still charting its transformation roadmap, these results tell us what good looks like. Additionally, the practices of digitally mature companies provide clear indicators for what the next phase of transformation will look like, and we're finally able to provide early benchmarks for these new practices.

Goals & Metrics

Majority of respondents considered their digital transformation efforts to be successful

Survey respondents rated the success of their companies' digital transformation programs according to the definitions we provided. The vast majority of respondents positively assessed their efforts, with 34% rating their performance as "excellent" and 43% rating themselves as "good."

This high level of success means that most businesses have modernized their IT infrastructure, shifted their customer engagement to digital channels, adopted sophisticated tools for employee collaboration, and embraced principles of leveraging data and focusing on the customer journey.

By the standards of the last decade, most companies have successfully digitally transformed, and are now looking ahead to the next phase of transformation. We found that companies who rated themselves "Excellent" had key differences and identifiable traits that set them apart from average companies.

By separating the responses of top performers and average performers for each of our survey questions, we're able to identify key indicators for what that next phase of transformation might look like.

Figure 1:

How would you rate the success of your digital transformation program?
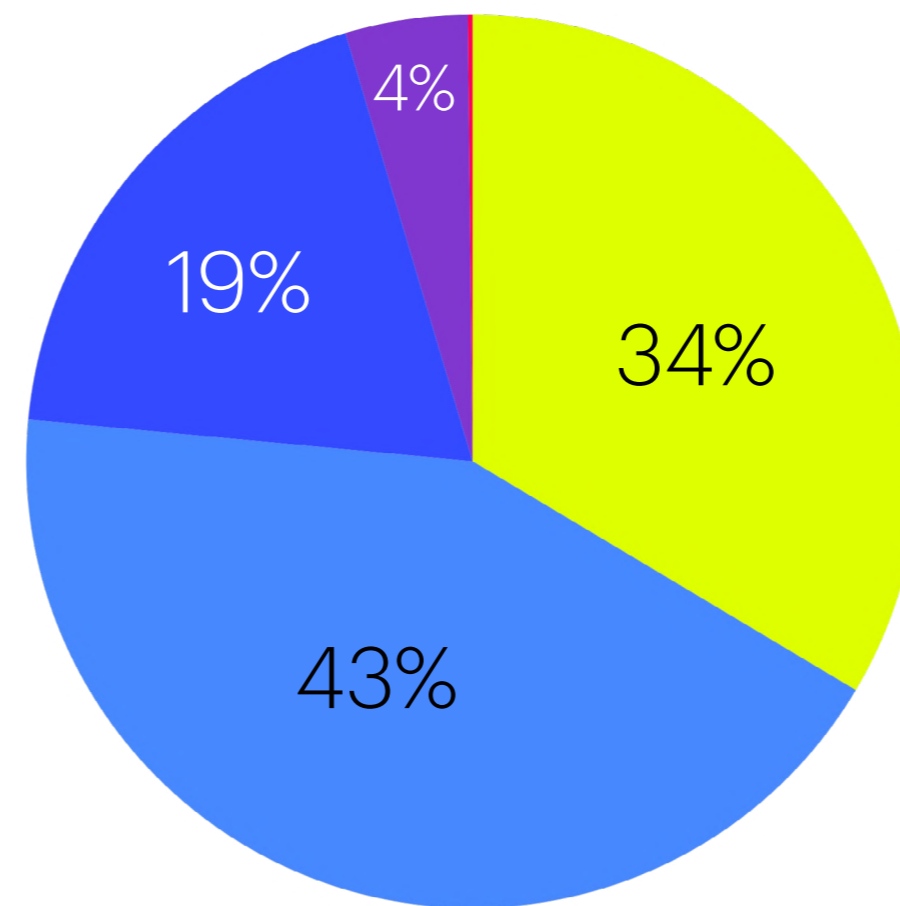
EXCELLENT:
We have met or exceeded almost all of our digital transformation goals within the timeframe we expected, **34%**

GOOD:
We have met the majority of our digital transformation goals within the timeframe we expected, **43%**

AVERAGE:
We have met a few goals and are making good progress on the other, and expect to meet most of them within the timeframe we expected, **19%**

FAIR:
We have met a few goals but are making slow progress against the others, and do not expect to meet them within the timeframe we expected, **4%**

POOR:
We have met little or no goals and are making slow progress towards the others, we do not expect to complete them within the timeframe we expected, **0.2%**

Successful digital transformations were in service of growth and innovation

Overall, innovation was the top reason for investing in digital transformation, showing that companies were increasingly looking to transform in service of creating new products and services, or reinventing business models.

Other top reasons were less forward looking, with 49% of companies citing efficiency, and 47% of companies choosing the modernization of their workforce as top goals.

High-performing companies were much more likely to cite "core business growth" as their top goal (57%), compared to average performers, who were far more focused on reducing operating costs and updating technology.

The clear difference here is that top performers use digital transformation to grow and innovate, while average companies limit their transformation goals to technological improvements. This puts them in a state of catching up, rather than driving forward.

Figure 2:

What were the top reasons for your company's investment in digital transformation?

Innovate new products, services or business models
- 49%
- 51%
- 43%

Reduce operating costs by using technology to become more efficient
- 49%
- 44%
- 59%

Modernize workforce and working methods to stay relevant with employees
- 47%
- 44%
- 47%

Increase core business growth
- 46%
- 57%
- 32%

Replace outdated or obsolete technology
- 39%
- 31%
- 53%

Survive or stay relevant after market disruption or change in customer behavior/demand
- 35%
- 33%
- 41%

Compete with newer businesses or products in the market
- 34%
- 39%
- 24%

- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)

High performers started digital transformation programs early

Figure 3:
At what stage is your digital transformation?

Legend:
- ■ (Green) We have been implementing our digital transformation strategy for at least 4 years
- ■ (Yellow-green) We are 2-4 years into our eduction
- ■ (Blue) We are 12-24 months into our execution
- ■ (Magenta) We are less than 12 months into our execution
- ■ (Purple) We are still planning and have not yet started

Total

Excellent:
We have met or exceeded almost all of our digital transformation goals within the timeframe we expected

Average:
We have met a few goals and are making good progress on the others, and expect to meet most of them within the timeframe we expected

Most digital transformation programs are still young, with 65% of companies less than two years into implementation.

It's worth noting that top performing companies had spent more time implementing their transformation programs, compared to average performers. 39% of top performing companies were four or more years into their transformation, compared to only 4% of average performers.

This makes the case for two points: first, it pays to recognize and act early on disruptive or innovative trends; and second, the results from taking decisive action don't come quickly.
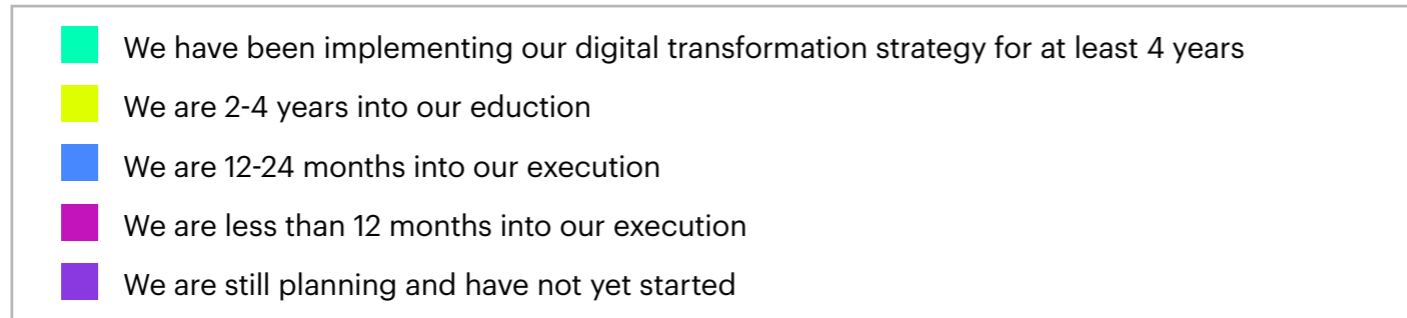
High performers measure success with growth, average performers measure efficiency

Across the board, companies measured the success of their digital transformation efforts by their impact on business performance.

However, high performers were more likely to measure success in terms of growth (39%) while average performers tended to focus more on achieving operational efficiencies (35%). This indicates a level of purpose for high performers, especially compared to average performers who are using digital transformation to improve existing processes or technology, which are less visionary in their scope.

Further down the list, we saw even more differences, with high performers more likely to prioritize customer and employee centric metrics, such as customer engagement and digital literacy. This shows how investing in experiences was a winning bet, ahead of merely focusing on technology.

Figure 4:
What metrics does your organization actually measure today related to digital transformation? Choose up to three.

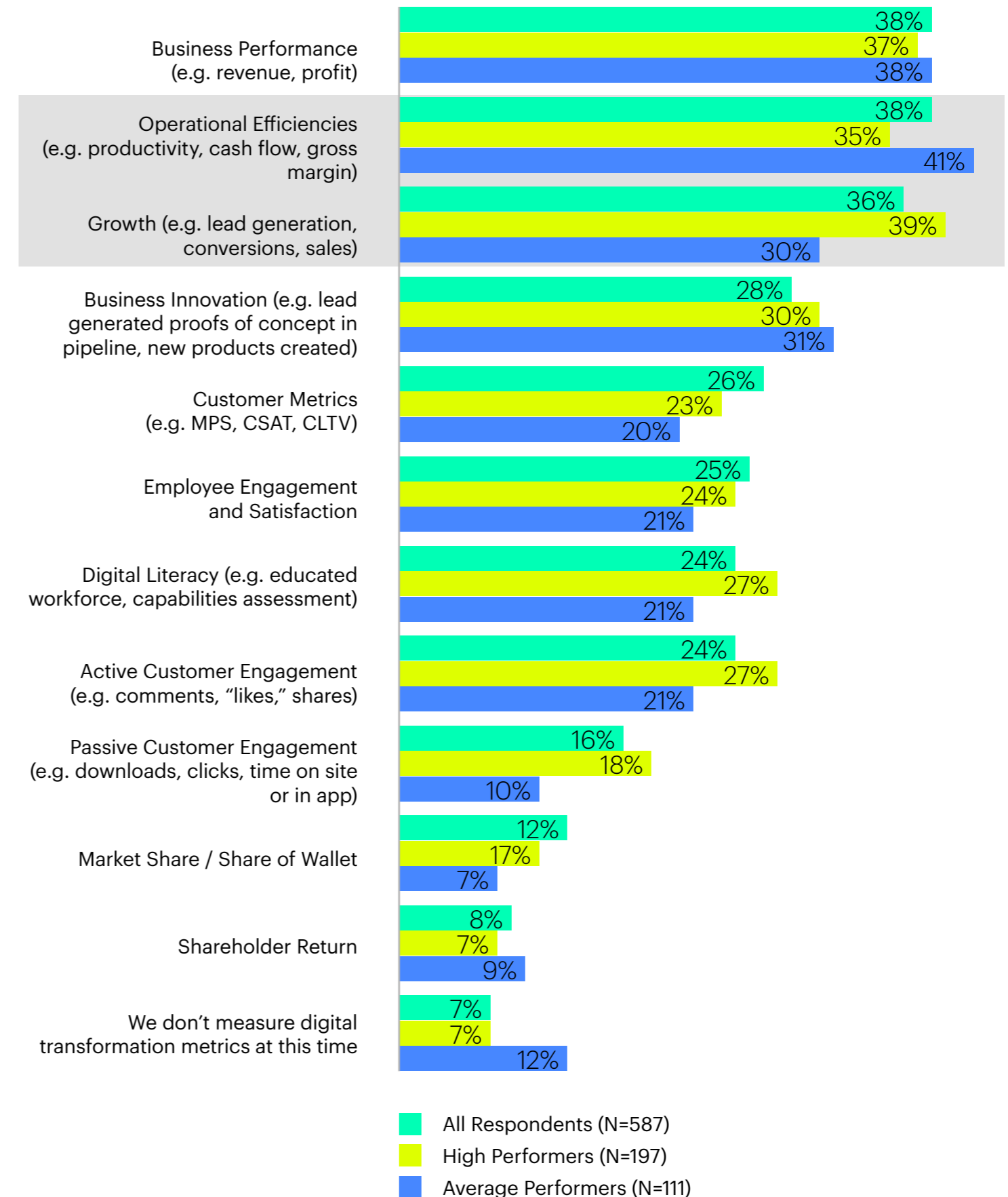| Metric	All Respondents (N=587)	High Performers (N=197)	Average Performers (N=111)
Business Performance (e.g. revenue, profit)	38%	37%	38%
Operational Efficiencies (e.g. productivity, cash flow, gross margin)	38%	35%	41%
Growth (e.g. lead generation, conversions, sales)	36%	39%	30%
Business Innovation (e.g. lead generated proofs of concept in pipeline, new products created)	28%	30%	31%
Customer Metrics (e.g. MPS, CSAT, CLTV)	26%	23%	20%
Employee Engagement and Satisfaction	25%	24%	21%
Digital Literacy (e.g. educated workforce, capabilities assessment)	24%	27%	21%
Active Customer Engagement (e.g. comments, "likes," shares)	24%	27%	21%
Passive Customer Engagement (e.g. downloads, clicks, time on site or in app)	16%	18%	10%
Market Share / Share of Wallet	12%	17%	7%
Shareholder Return	8%	7%	9%
We don't measure digital transformation metrics at this time	7%	7%	12%

- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)

9

Companies expect to see positive transformation results within 1 to 2 years

When did your company expect to see positive results from transformation efforts?

- **All Respondents (N=587)**
- **High Performers (N=197)**
- **Average Performers (N=111)**
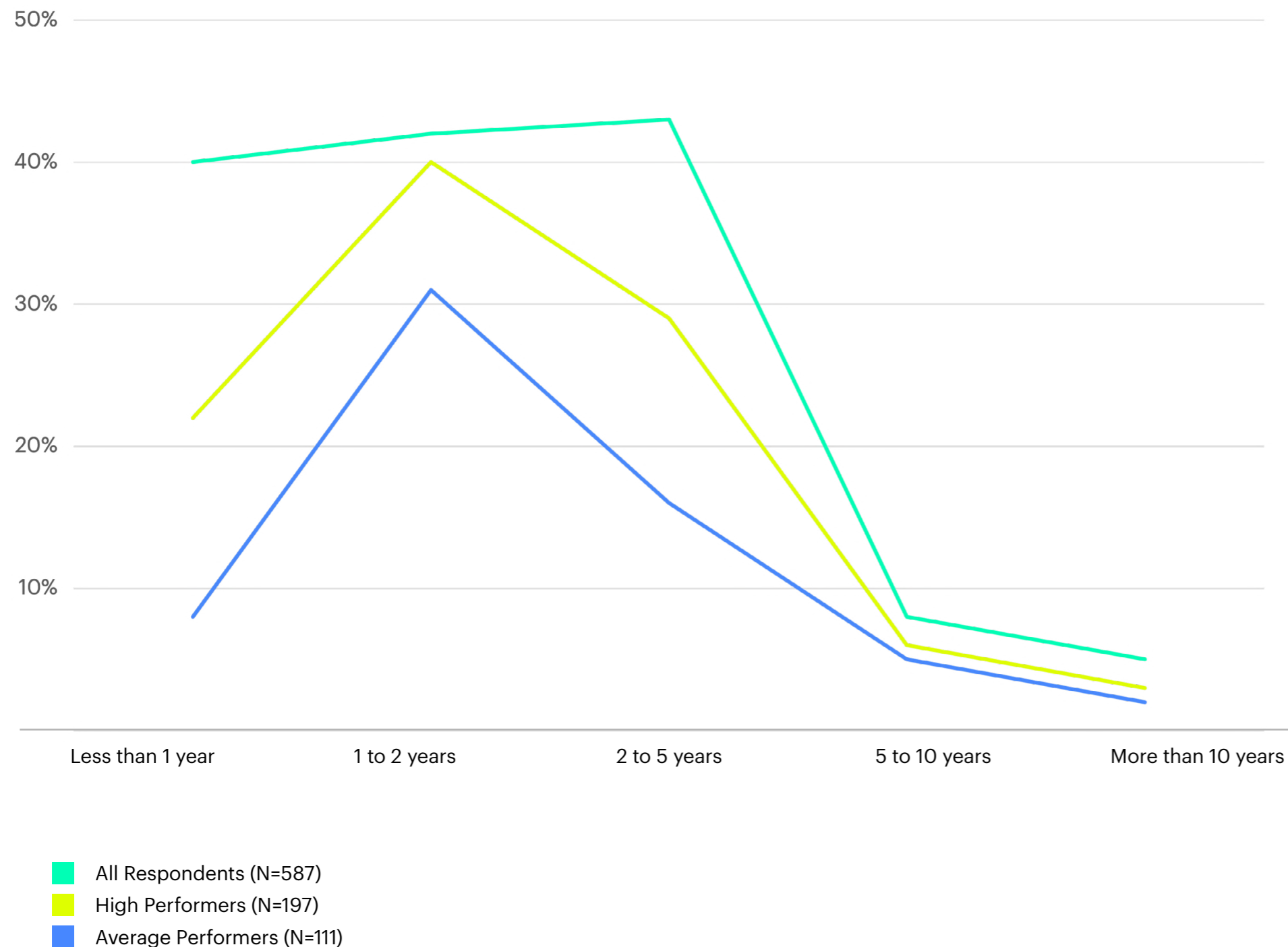
As the speed of digital innovation increases, so does the expected speed of return. The majority of companies (40%) expect to see positive results from their transformation effort as early as 1 to 2 years after they first begin.

That timeframe was even less for high performers where the majority (40%) expect to see positive results in less than a year. That's far less than the expected timeframe of 2 to 5 years for average performers.

This indicates that top performing companies have achieved a level of digital maturity and cultural readiness that allows them to quickly recognize and adapt to any new disruption or technology that impacts their industry. This means access to high quality data and technology that can readily integrate and adapt to new additions. Additionally, it indicates a workforce that is agile, and has high digital literacy.

Digital Transformation Approach

Majority of companies use a holistic or converged approach to implement digital transformation

Across the board, the great majority of companies (66%) implemented digital transformation programs as a single coordinated effort that simultaneously spanned many departments or functions.

In the past, businesses may have used the "incubated" approach, where transformation efforts were first piloted in a single department before sequentially scaling to others. This was done to limit disruption, as well as to test and learn before proceeding.

However, this approach has fallen out of favor because of the speed at which digital innovation is occurring and the increased rate of digital adoption. As a result, companies can't afford to delay their transformation efforts, and are embracing the converged and coordinated simultaneous transformation approach.

Furthermore, the increased convergence of functions and goals between different departments (such as sales, service and marketing) makes it harder to improve any single team in isolation from the other.

Interdependence between departments and teams has increased in the digital era, and we can expect to see this type of convergence with external parties as well, such as apps, data networks or complementary industries.

Which approach best describes how your company implemented (or is currently implementing) its digital transformation program?

	Total	Excellent: We have met or exceeded almost all of our digital transformation goals within the timeframe we expected	Average: We have met a few goals and are making good progress on the others, and expect to meet most of them within the timeframe we expected
Total (grey)	5%	9%	1%
Isolated	11%	8%	18%
Holistic	66%	61%	64%
Incubated	18%	23%	17%
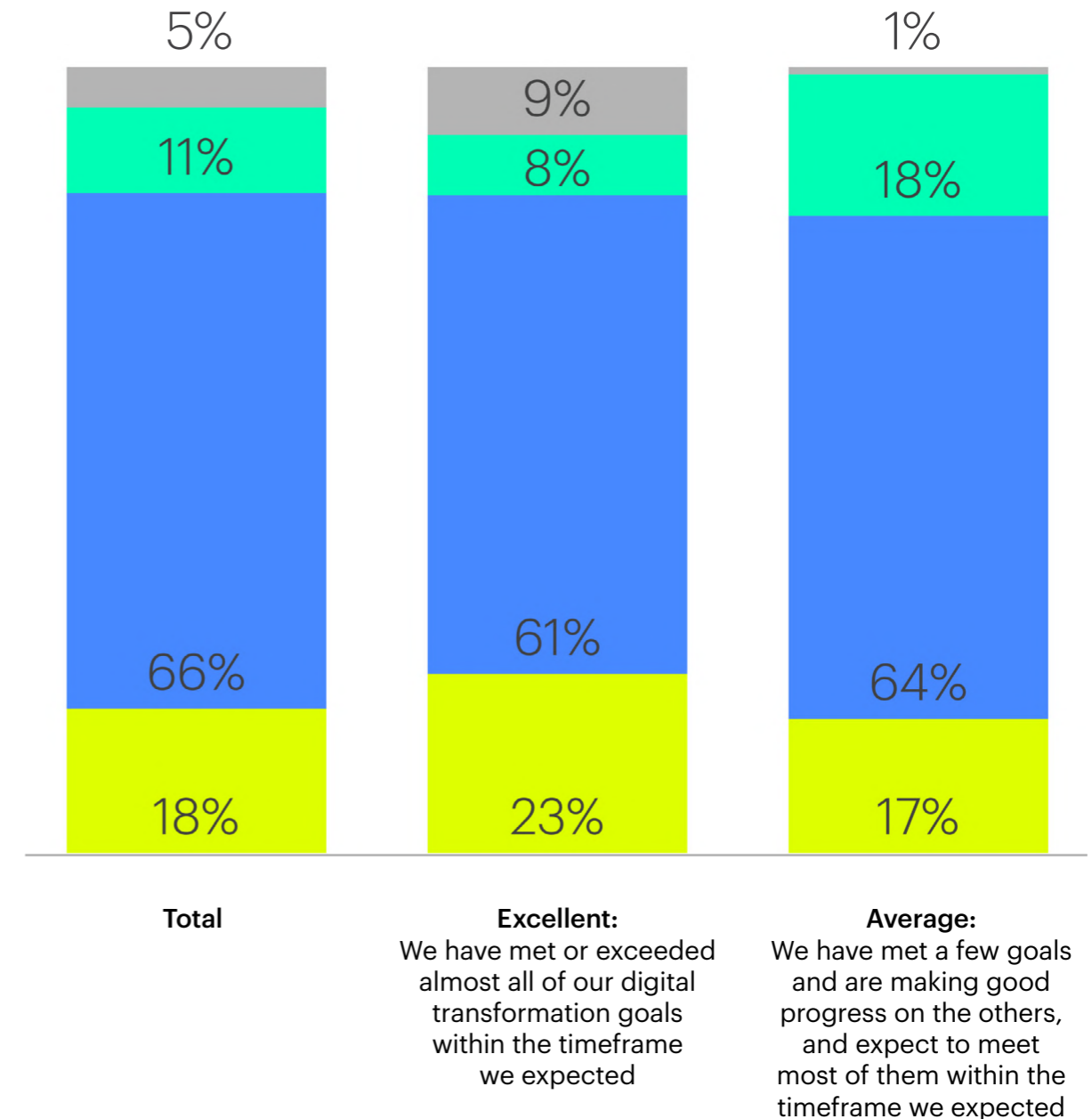
Isolated: Transformation efforts are taking place separately across many different departments or functions without any coordination between them

Holistic: Transformational efforts are taking place across many different departments or functions at the same time, coordinated by a central digital transformation team or leader

Incubated: Transformation efforts are limited to one department or function at a time, with the intent to scale it to other departments sequentially

Total

High performers first prioritized customer and employee experiences earlier than average performers
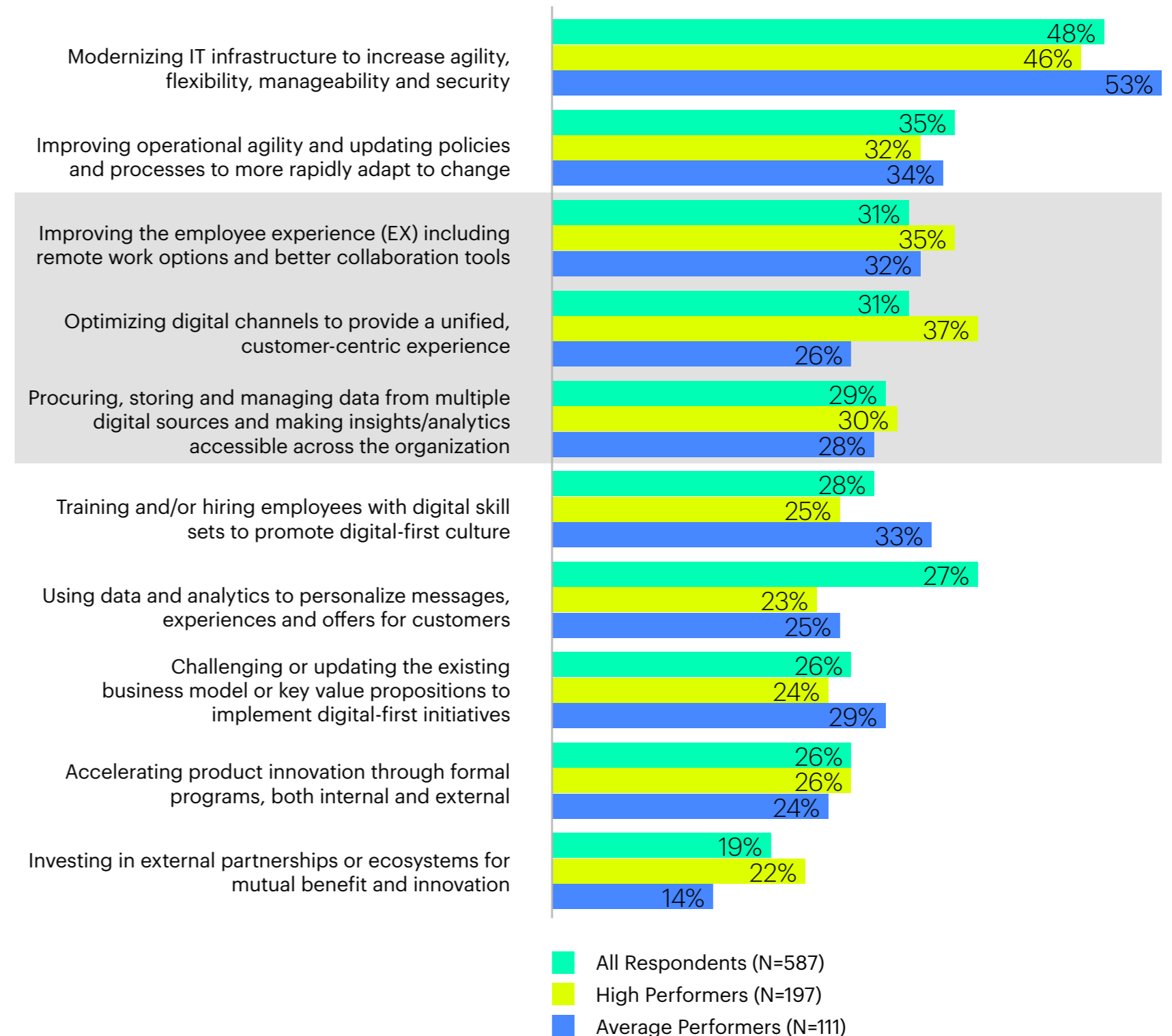
It makes sense that most companies started their digital transformation journeys by investing in updating technology infrastructures (48%) and operational processes (35%). These areas are table stakes for any company looking to modernize and compete in the digital age.

Beyond the top areas, high performers were more likely than average performers to have invested in optimizing digital channels and customer experiences (37%), and in generating insights on data (30%).

This early focus on digital experiences for both customers and employees has consistently been a hallmark of successful companies in this study. It highlights how top performers are using transformation to serve their most important people, rather than simply modernizing for the sake of keeping up.

Figure 7:
Which of the following initiatives did you prioritize first for your digital transformation program?

Modernizing IT infrastructure to increase agility, flexibility, manageability and security
- All Respondents: 48%
- High Performers: 46%
- Average Performers: 53%

Improving operational agility and updating policies and processes to more rapidly adapt to change
- All Respondents: 35%
- High Performers: 32%
- Average Performers: 34%

Improving the employee experience (EX) including remote work options and better collaboration tools
- All Respondents: 31%
- High Performers: 35%
- Average Performers: 32%

Optimizing digital channels to provide a unified, customer-centric experience
- All Respondents: 31%
- High Performers: 37%
- Average Performers: 26%

Procuring, storing and managing data from multiple digital sources and making insights/analytics accessible across the organization
- All Respondents: 29%
- High Performers: 30%
- Average Performers: 28%

Training and/or hiring employees with digital skill sets to promote digital-first culture
- All Respondents: 28%
- High Performers: 25%
- Average Performers: 33%

Using data and analytics to personalize messages, experiences and offers for customers
- All Respondents: 27%
- High Performers: 23%
- Average Performers: 25%

Challenging or updating the existing business model or key value propositions to implement digital-first initiatives
- All Respondents: 26%
- High Performers: 24%
- Average Performers: 29%

Accelerating product innovation through formal programs, both internal and external
- All Respondents: 26%
- High Performers: 26%
- Average Performers: 24%

Investing in external partnerships or ecosystems for mutual benefit and innovation
- All Respondents: 19%
- High Performers: 22%
- Average Performers: 14%

All Respondents (N=587)
High Performers (N=197)
Average Performers (N=111)

COVID-19, budgets and resistant culture continue to be the biggest obstacles for transformation

With employees continuing to work from home, and supply chains and markets disrupted around the world, it's no surprise that the global pandemic continued to disrupt all business efforts, including transformation.

Other major constraints were budgets and a culture that was resistant to change. In many companies digital transformation was viewed as a cost center, especially since its benefits aren't always immediately apparent. For these companies, transformation can also cause anxiety among employees as it forces technology upgrades, hiring of new skills and the reorganization of hierarchies, all of which can create a resistant culture.

It was encouraging to see, however, that the lack of clear vision and risk averse leadership were at the bottom of the list of challenges. This indicates that executives are increasingly up to the task of leading transformations. It's worth noting that average performers were slightly more likely to cite a lack of leadership as a top challenge, further underscoring how crucial good leadership is in successful transformations.

Figure 8:
Please indicate the most difficult challenges you or your organization came up against in digital transformation efforts. You may select up to three.

Legend:
- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)
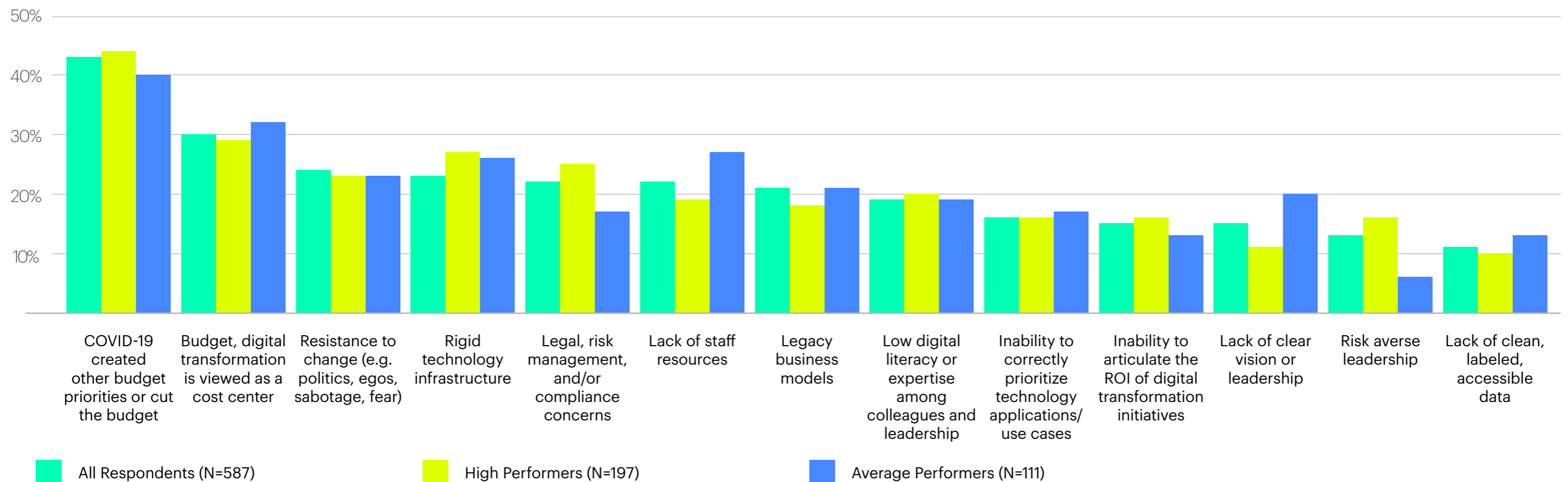
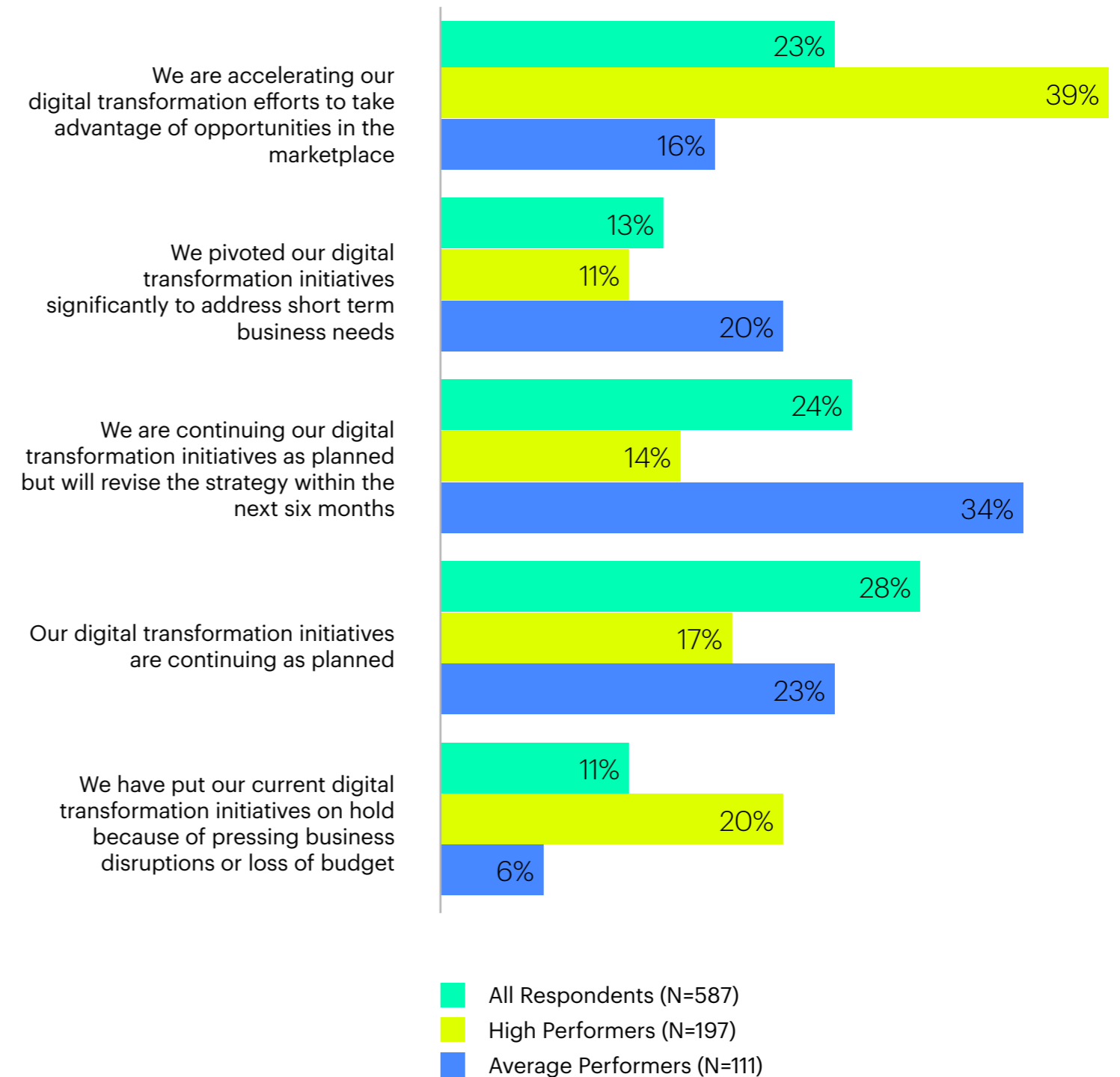# High performers accelerated digital transformation efforts in COVID-19

Most companies were understandably cautious when it came to evaluating their transformation plans in a global pandemic. Many (24%) continued their transformation efforts at the same speed, with a pledge to reevaluate as time progressed.

However, top performers were much more likely to accelerate their transformation efforts (39%), which illustrates how they viewed the pandemic as a catalyst for urgent change, rather than a time to be circumspect.

It's also possible that top performers were more digitally mature to start with, and hence in a better position to accelerate transformation efforts compared to everyone else.

Figure 9:

How have your digital transformation initiatives shifted because of the spread of COVID-19?

We are accelerating our digital transformation efforts to take advantage of opportunities in the marketplace
- 23%
- 39%
- 16%

We pivoted our digital transformation initiatives significantly to address short term business needs
- 13%
- 11%
- 20%

We are continuing our digital transformation initiatives as planned but will revise the strategy within the next six months
- 24%
- 14%
- 34%

Our digital transformation initiatives are continuing as planned
- 28%
- 17%
- 23%

We have put our current digital transformation initiatives on hold because of pressing business disruptions or loss of budget
- 11%
- 20%
- 6%

- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)

In COVID-19, high performers prioritized data management, innovation and CX initiatives
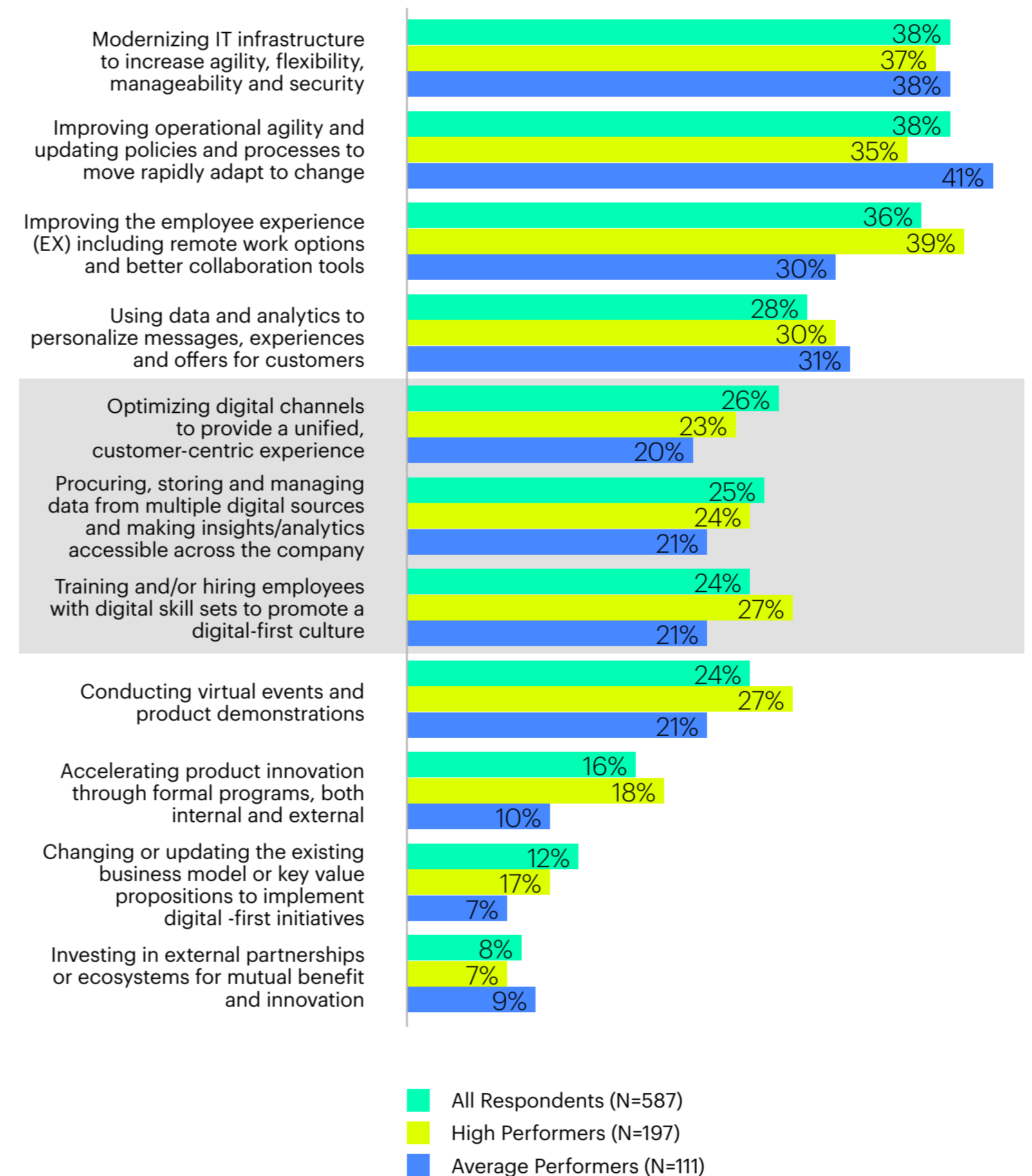
While modernizing IT, improving operations and the employee experience (especially for remote work) were top pandemic goals for all companies, high performers were more likely to focus on customer experiences than other companies. It underscores the fact that customer-focused transformation, rather than tech- or process-focused transformation was more likely to drive success.

As the pandemic pushes more companies to create digital experiences alongside physical ones, more data than ever is being generated. Top performers invested more in leveraging data and making it accessible to multiple functions across the organization.

Effective data usage is now a core capability for the next phase of digital transformation, as it will continue to drive customer engagement, product innovation, and external partnerships.

Which digital transformation initiatives have you accelerated the most because of COVID-19?

Modernizing IT infrastructure to increase agility, flexibility, manageability and security — 38% / 37% / 38%

Improving operational agility and updating policies and processes to move rapidly adapt to change — 38% / 35% / 41%

Improving the employee experience (EX) including remote work options and better collaboration tools — 36% / 39% / 30%

Using data and analytics to personalize messages, experiences and offers for customers — 28% / 30% / 31%

Optimizing digital channels to provide a unified, customer-centric experience — 26% / 23% / 20%

Procuring, storing and managing data from multiple digital sources and making insights/analytics accessible across the company — 25% / 24% / 21%

Training and/or hiring employees with digital skill sets to promote a digital-first culture — 24% / 27% / 21%

Conducting virtual events and product demonstrations — 24% / 27% / 21%

Accelerating product innovation through formal programs, both internal and external — 16% / 18% / 10%

Changing or updating the existing business model or key value propositions to implement digital -first initiatives — 12% / 17% / 7%

Investing in external partnerships or ecosystems for mutual benefit and innovation — 8% / 7% / 9%

■ All Respondents (N=587)
■ High Performers (N=197)
■ Average Performers (N=111)

Digital Capability Benchmarks

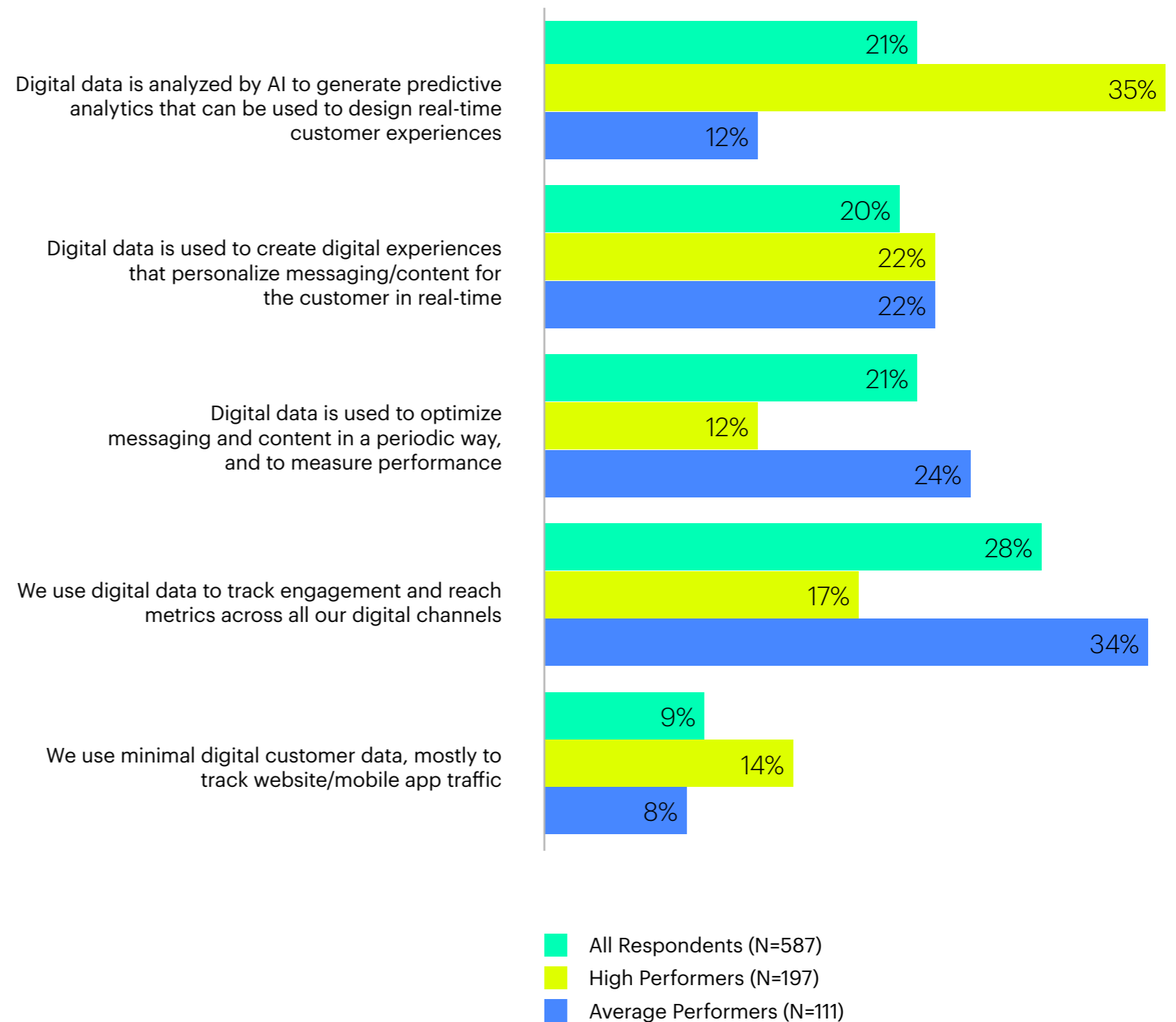# Top performers are more likely to leverage AI for data and analytics

Perhaps the biggest capability gap between top performers and average performers is in their use of data. Most companies (28%) can use digital data to track performance metrics such as reach and engagement across digital channels. However, they struggle to master more sophisticated data practices such as using it to optimize content and personalize messaging/experiences in real-time.

Not only are top performers far more capable in their use of data (35%) compared to average performers, they are also more likely to deploy the use of AI to generate predictive analytics that power real-time interactions. It highlights the increasing adoption of AI as a tool to enhance analytics and inform decisions.

This advanced capability in AI can only be achieved by early investments in AI-powered tools or features. It also requires a culture that doesn't fear AI, and recognizes it as an enhancement, rather than a replacement for existing insights processes.

Figure 11:

Which of the following statements best describes how your company creates value from digital customer data?

Digital data is analyzed by AI to generate predictive analytics that can be used to design real-time customer experiences
- 21%
- 35%
- 12%

Digital data is used to create digital experiences that personalize messaging/content for the customer in real-time
- 20%
- 22%
- 22%

Digital data is used to optimize messaging and content in a periodic way, and to measure performance
- 21%
- 12%
- 24%

We use digital data to track engagement and reach metrics across all our digital channels
- 28%
- 17%
- 34%

We use minimal digital customer data, mostly to track website/mobile app traffic
- 9%
- 14%
- 8%

- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)

For successful companies, the employee experience is a top strategic objective
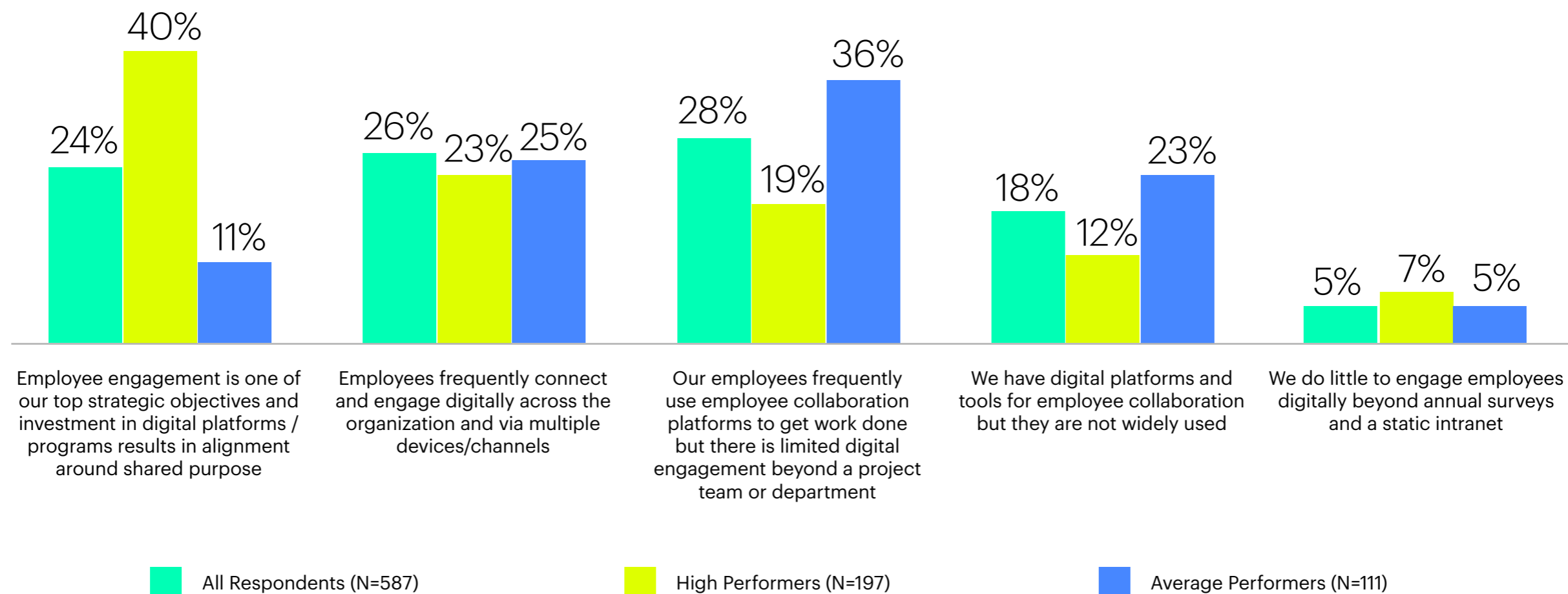
The key difference here is between average performers who merely provided good tools for employees to collaborate with each other (36%), and successful companies who strategically invested in employee engagement in order to build alignment around a shared purpose (40%).

The key insight is that transformations are successful when they are centered around a common, clear purpose, rather than transformation for the sake of change or updating platforms. Transforming the way employees work and collaborate is likely to be more successful if everyone understands the benefits, and the expected outcomes.

This formal approach to transformation also applies to customer-facing transformations, which is why it's no surprise that top performers have prioritized both employee and customer experiences in similar fashion.

Figure 12:

Which of these statements best describes how your organization is transforming employee collaboration and engagement?

	Employee engagement is one of our top strategic objectives and investment in digital platforms / programs results in alignment around shared purpose	Employees frequently connect and engage digitally across the organization and via multiple devices/channels	Our employees frequently use employee collaboration platforms to get work done but there is limited digital engagement beyond a project team or department	We have digital platforms and tools for employee collaboration but they are not widely used	We do little to engage employees digitally beyond annual surveys and a static intranet
All Respondents (N=587)	24%	26%	28%	18%	5%
High Performers (N=197)	40%	23%	19%	12%	7%
Average Performers (N=111)	11%	25%	36%	23%	5%

19

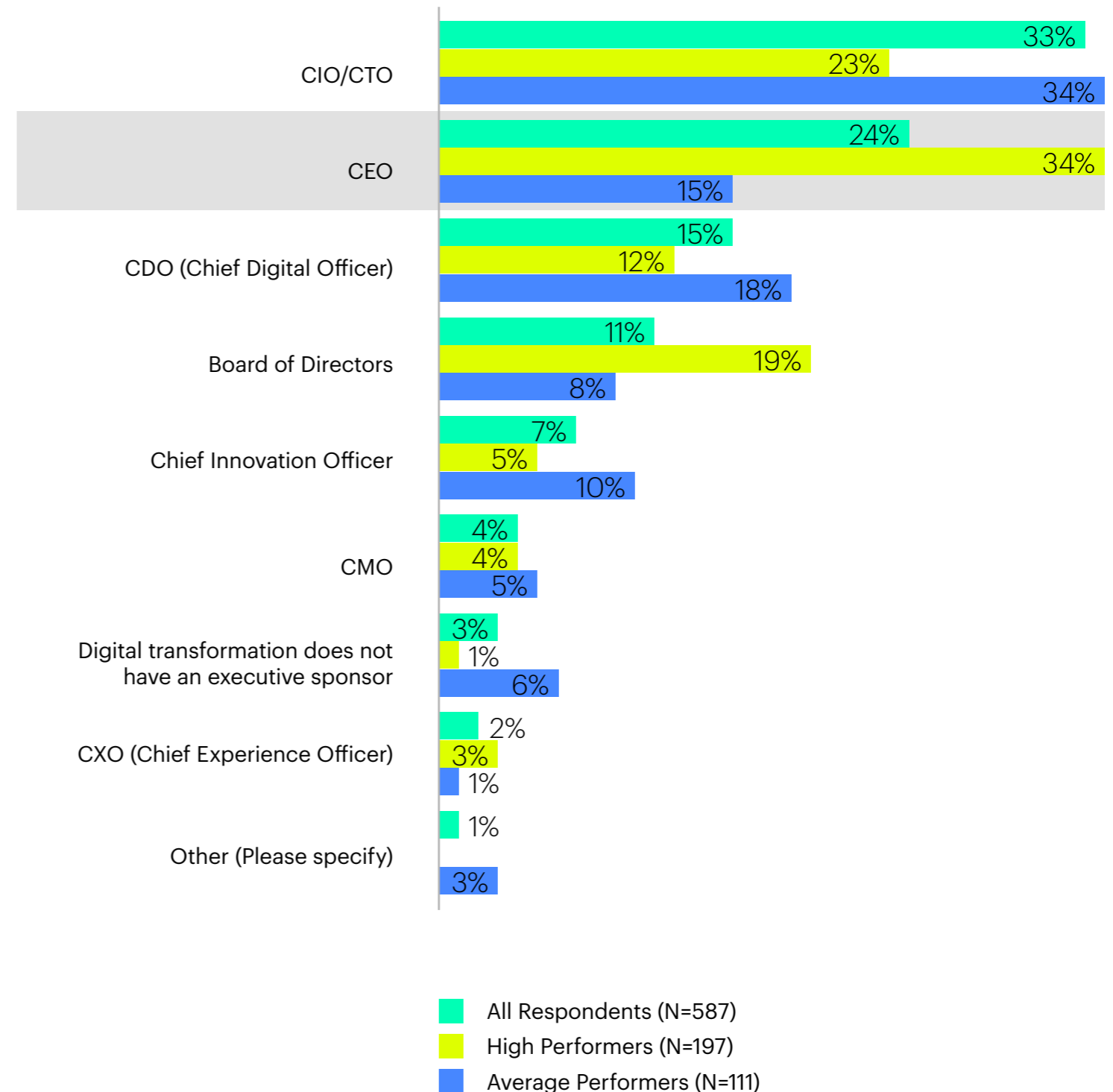# Transformations led by the CEO are more successful than those led by other positions

Companies with successful digital transformations were much more likely to have their transformation led by the CEO (34%). This is in stark contrast to average performers, where the CIO or CTO is most likely to be in charge (34%).

This would indicate a clear difference between a transformation program that's in service of technology (most likely the CIO/CTO agenda) and one that is driven by a top-down vision and purpose for the company. The CEO is the single best person to deliver the latter.

Additionally, the CEO (supported by a forward-thinking board of directors) can devote resources and oversee a holistic transformation, rather than leave it to be driven by functional roles such as a CIO, CXO or a CMO. These executives, while individually empowered, will always be limited to the transformation of their own departments, and not as well equipped to deal with the converged transformations between departments and functions that are increasingly the norm.

Figure 13:
Which executive officially owns or sponsors the digital transformation initiative?

	All Respondents (N=587)	High Performers (N=197)	Average Performers (N=111)
CIO/CTO	33%	23%	34%
CEO	24%	34%	15%
CDO (Chief Digital Officer)	15%	12%	18%
Board of Directors	11%	19%	8%
Chief Innovation Officer	7%	5%	10%
CMO	4%	4%	5%
Digital transformation does not have an executive sponsor	3%	1%	6%
CXO (Chief Experience Officer)	2%	3%	1%
Other (Please specify)	1%		3%

- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)

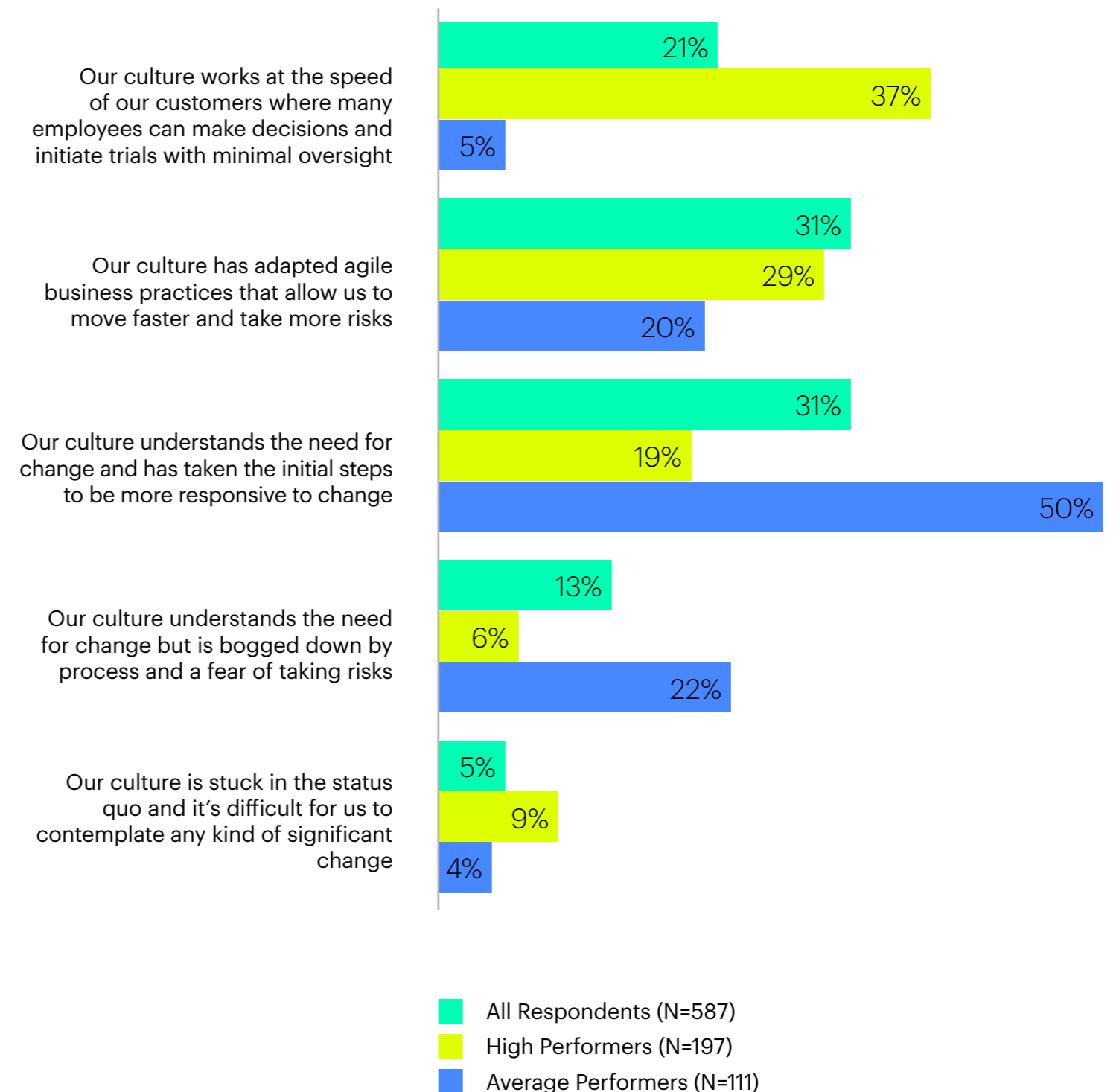# A culture of agility and autonomy is a key enabler of transformation success

Most companies (31%) recognize the need to change their culture to adapt to digital disruption. While this means increasing digital literacy and adoption of new tools and technologies, it also means giving employees the freedom to test and learn, and respond with agility.

Compared to average performers (5%), high performers were much more likely (37%) to have a culture where employees could make quick decisions to respond to customer interactions, and initiate trials with minimal oversight.

By fostering this level of autonomy and risk-taking, companies can not only encourage innovation in their products, business models or processes, they can also make it easier to implement broader changes to the business or organization. The test-and-learn mentality allows for a little bit of change at a time, which is better for building trust and overcoming resistance from skeptical employees.

Figure 14:
Which of these best describes the culture of your organization?

Our culture works at the speed of our customers where many employees can make decisions and initiate trials with minimal oversight
- 21%
- 37%
- 5%

Our culture has adapted agile business practices that allow us to move faster and take more risks
- 31%
- 29%
- 20%

Our culture understands the need for change and has taken the initial steps to be more responsive to change
- 31%
- 19%
- 50%

Our culture understands the need for change but is bogged down by process and a fear of taking risks
- 13%
- 6%
- 22%

Our culture is stuck in the status quo and it's difficult for us to contemplate any kind of significant change
- 5%
- 9%
- 4%

■ All Respondents (N=587)
■ High Performers (N=197)
■ Average Performers (N=111)

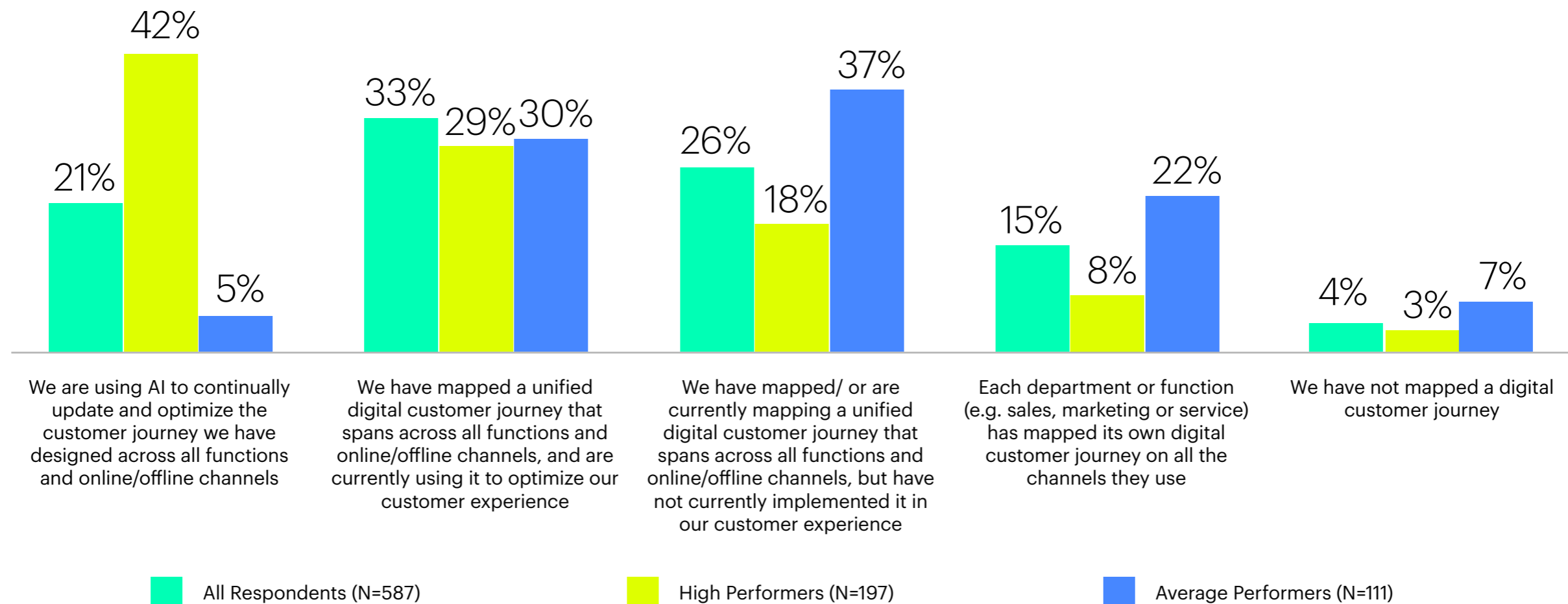# Majority of companies use a converged customer journey map, spanning several functions

The convergence and interdependence of multiple customer-facing functions (such as sales, service and marketing) is a key trend that most companies have recognized and are currently in the process of preparing for.

The first step in preparing for convergence is to map a unified digital customer journey, which is plotted across all the digital touchpoints managed by the different functions. The majority of companies (26%) have done this exercise and are using it to continually optimize their unified digital customer experience.

Top performing companies are even more advanced, with 42 percent leveraging AI to gain insights from the unified customer journey and continually optimize it.

Figure 15:

To what extent has your company mapped and used a digital customer journey to design or improve your customer experience?

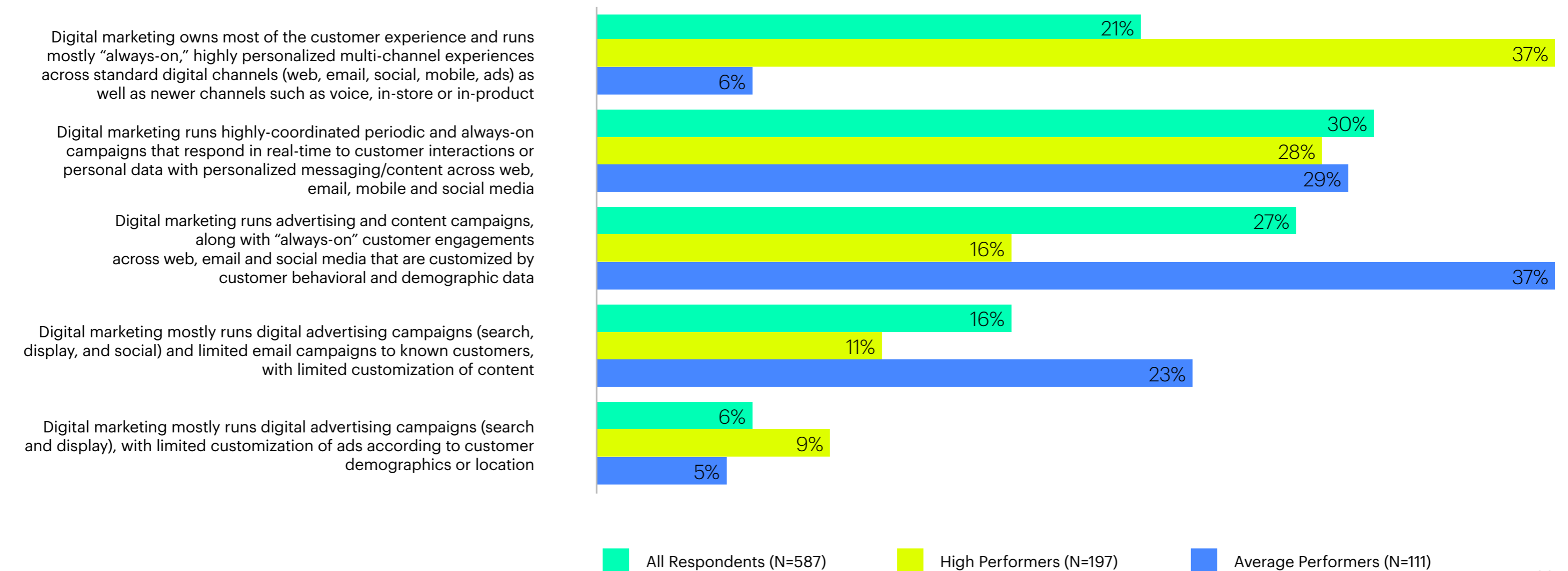|	We are using AI to continually update and optimize the customer journey we have designed across all functions and online/offline channels	We have mapped a unified digital customer journey that spans across all functions and online/offline channels, and are currently using it to optimize our customer experience	We have mapped/ or are currently mapping a unified digital customer journey that spans across all functions and online/offline channels, but have not currently implemented it in our customer experience	Each department or function (e.g. sales, marketing or service) has mapped its own digital customer journey on all the channels they use	We have not mapped a digital customer journey
All Respondents (N=587)	21%	33%	26%	15%	4%
High Performers (N=197)	42%	29%	18%	8%	3%
Average Performers (N=111)	5%	30%	37%	22%	7%

Digital marketing is a mature practice, with increasing real-time engagement and personalized messaging

Of all the practices that have evolved in the digital landscape, companies have made the most progress with digital marketing. The majority (30%) can run "always-on" campaigns that respond in real-time to customer interactions using data-based, personalized messaging or experiences. Furthermore, they can run these campaigns in a coordinated way across multiple digital channels.

Top performing companies are even more evolved, delivering personalized, real-time messaging and experiences to customers on both digital channels (web, email, social, ads), as well as newer channels such as in-store or in-product. These companies have an edge in accessing and analyzing data from more sources, as well as creating content in new, innovative formats.

Figure 16:

Which of the following statements best describes the current state of your digital marketing operations?

Statement	All Respondents	High Performers	Average Performers
Digital marketing owns most of the customer experience and runs mostly "always-on," highly personalized multi-channel experiences across standard digital channels (web, email, social, mobile, ads) as well as newer channels such as voice, in-store or in-product	21%	37%	6%
Digital marketing runs highly-coordinated periodic and always-on campaigns that respond in real-time to customer interactions or personal data with personalized messaging/content across web, email, mobile and social media	30%	28%	29%
Digital marketing runs advertising and content campaigns, along with "always-on" customer engagements across web, email and social media that are customized by customer behavioral and demographic data	27%	16%	37%
Digital marketing mostly runs digital advertising campaigns (search, display, and social) and limited email campaigns to known customers, with limited customization of content	16%	11%	23%
Digital marketing mostly runs digital advertising campaigns (search and display), with limited customization of ads according to customer demographics or location	6%	9%	5%

All Respondents (N=587) High Performers (N=197) Average Performers (N=111)

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Companies are investing more in data leadership and prescriptive analytic capabilities
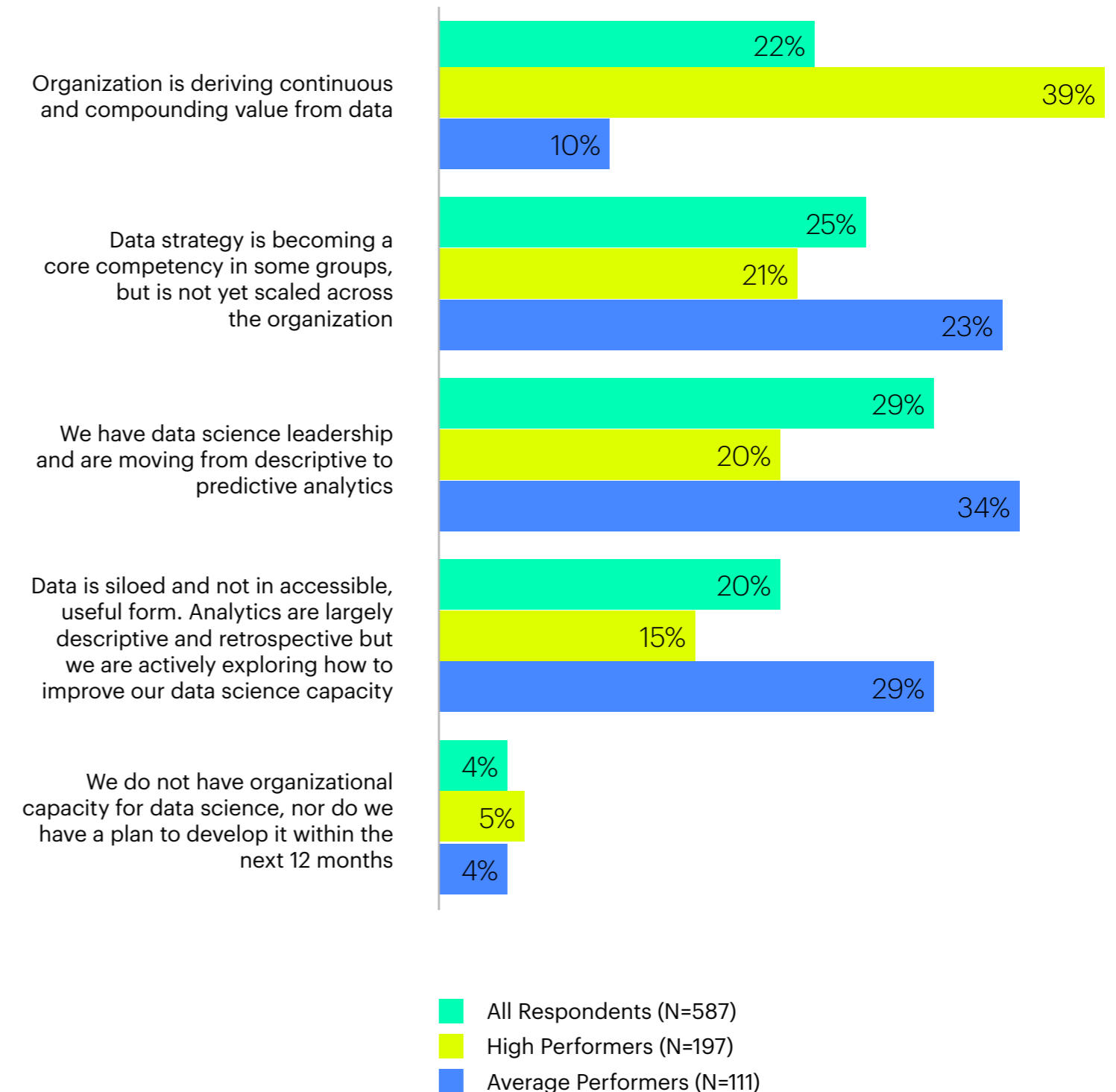
The key difference between top performing companies and average performers is the ability to use data in prescriptive ways. This means harnessing analytics to make or automate decisions that improve processes like delivering a great customer experience, creating a new product, or defining a new strategy. Most average performing companies (34%) are only just starting to make this shift.

In comparison, 39% of top performing companies are at the highest level of maturity, where they have implemented processes and platforms so that the whole organization can continuously derive value from data.

Reaching this level requires a few key elements, including having data science leadership, a clear strategy for how to use data, and platforms that can store multi-source data, conduct analysis, and make recommendations that are accessible to the whole organization.

To what extent do you have clean and accessible data, clear processes, and organizational support for and discipline around data science in your organization?

Organization is deriving continuous and compounding value from data
- 22%
- 39%
- 10%

Data strategy is becoming a core competency in some groups, but is not yet scaled across the organization
- 25%
- 21%
- 23%

We have data science leadership and are moving from descriptive to predictive analytics
- 29%
- 20%
- 34%

Data is siloed and not in accessible, useful form. Analytics are largely descriptive and retrospective but we are actively exploring how to improve our data science capacity
- 20%
- 15%
- 29%

We do not have organizational capacity for data science, nor do we have a plan to develop it within the next 12 months
- 4%
- 5%
- 4%

- All Respondents (N=587)
- High Performers (N=197)
- Average Performers (N=111)

There is increasing convergence between marketing, sales and service goals and operations

Top performers have fully embraced the convergence of sales, service and marketing teams, enabling them to share revenue goals, and operate off unified plans to engage the customer and create opportunities for cross-selling and upselling (40%).

This convergence is the natural outcome of the increasing digital sophistication of all customer-facing functions. Each one engages the customer across a variety of digital channels, and must deliver personalized, relevant messages or experiences in order to evoke a positive response or forward movement. With so many shared goals, target audiences and content strategies, it makes sense for marketing, sales and service to combine efforts and operate in a much more integrated way than before.

Although companies overall have made progress towards this high level of convergence, the majority (28%) are still only sharing goals such as customer satisfaction and revenue, rather than unified operational plans.

How do you currently measure success across marketing, sales and service teams?

Sales, Marketing and Service equally share revenue, customer satisfaction and upsell/cross sell targets as part of compensation
- 26%
- 40%
- 15%

Sales, Marketing and Service share customer satisfaction and revenue targets
- 28%
- 21%
- 23%

Revenue targets are shared across Sales, Marketing and Service
- 20%
- 13%
- 31%

Beyond leads, revenue is one of Marketing's key metrics
- 11%
- 8%
- 11%

Marketing, Sales and Service each have their own separate success metrics
- 15%
- 19%
- 20%

All Respondents (N=587)
High Performers (N=197)
Average Performers (N=111)

Future Investments

Cybersecurity, cloud and real-time analytics are the top technology investments for the next year

In the wake of multiple hacks and data breaches, businesses can't afford to be lax in protecting their data and systems. It's no surprise that cybersecurity has emerged as the top priority of IT teams as companies start to use and store more customer data.

Cloud applications also continue to be a top investment, as more software moves to SaaS platforms and companies continue to shift their data storage to large cloud providers such as Amazon, Microsoft and Google.

Across the board, companies are also signaling their continued focus on using data to drive to insights, with high investments in real-time analytics, machine learning and data science.

Figure 19:
What are your top priorities for technology investments in 2021-2022? You may select up to five.

Category	%
Cybersecurity	43%
Cloud	36%
Real-time analytics and reporting	31%
5G	31%
Machine Learning (ML)/ Artificial Intelligence (AI)	28%
Data science	24%
Social media	22%
Internet of Things (IoT) [e.g. Geo-fencing, beacons or other]	22%
eCommerce platforms	22%
Mobile solutions	20%
Cross-functional collaboration platforms	19%
DevOps	17%
Conversational technologies [e.g. Digital assistants, chatbots]	17%
Augmented Reality (AR) / Virtual Reality (VR)	16%
Blockchain	15%
Edge computing	12%
Quantum computing	10%
3D printing/ additive manufacturing	9%
Wearables	8%
Autonomous vehicles / robotics	8%
Drones	5%

Top performers are prioritizing investments in data, employee experience and innovation

Modernizing IT continues to be a top priority for all companies (40%), even for the next phase of digital transformation. This shows that businesses still view technology upgrades as continuous and necessary for responding to any type of industry or digital disruption.

This chart also illustrates the gulf between top performers and average performers in the initiatives they are prioritizing for the future. Average performers are more likely to prioritize the use of AI (33%), personalization and optimizing the digital customer experience. These are endeavors that the top performers had prioritized much earlier, and are now operating at a high level of maturity.

When we look at what top performers are prioritizing, it gives us a glimpse at what the next phase of digital transformation might look like. Prioritized initiatives include improving the employee experience, better data storage and access, and product innovation. And while it's not quite a top priority yet, top performers are more likely to invest in external partnerships or ecosystems for mutual value exchange than average companies.

This indicates the next phase of transformation will be characterized by even greater use of data in the service of experience and innovation, but also more outward facing efforts such as partnerships and platform ecosystems to create even newer value and innovative practices.

Which of the below initiatives will be the top priorities for your next phase of digital transformation?

Modernizing IT infrastructure to increase agility, flexibility, manageability and security: 40%, 36%, 41%

Using artificial intelligence/machine learning technologies for predictive analytics, marketing automation and product innovation: 31%, 26%, 33%

Improving operational agility and updating policies and processes to more rapidly adapt to change: 30%, 31%, 23%

Improving the employee experience (EX) including remote work options and better collaboration tools: 30%, 34%, 23%

Procuring, storing and managing data from multiple digital sources and making insights/analytics accessible across the company: 29%, 30%, 26%

Training and/or hiring employees with digital skill sets to promote a digital-first culture: 26%, 24%, 28%

Optimizing digital channels to provide a unified, customer-centric experience: 25%, 25%, 30%

Accelerating product innovation through formal programs, both internal and external: 24%, 30%, 25%

Using data and analytics to personalize messages, experiences and offers for customers: 22%, 21%, 28%

Changing or updating the existing business model or key value propositions to implement digital-first initiatives: 21%, 18%, 26%

Investing in external partnerships or ecosystems for mutual benefit and innovation: 20%, 24%, 16%

- Average Performers (N=111)
- All Respondents (N=587)
- High Performers (N=197)

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Key Insights

Based on our findings, we can recommend that companies should invest in the following areas, regardless of their levels of maturity in order to thrive in the next phase of digital transformation.

Transforming with a purpose

One of the key learnings from the study is that transformation for the sake of transformation doesn't work. Or at least, it delivers mediocre results. It means that as long as companies change simply to keep up with the times, they'll always be in a state of catching up. In fact, the speed at which innovation is taking place today means they'll perpetually be one step behind.

What we found instead, was that transformation with a clear, forward-thinking goal, such as growth, innovation or reinvention, is much more likely to succeed. Having this type of shared purpose makes it easier to coordinate efforts across multiple teams and functions, and it's also more compelling for employees who may be resistant to change. This is why it's so important for the CEO to lead transformation efforts, since they are the ones who must own the vision and purpose for the company's transformation. No other executive has the same credibility and access to resources that are key to creating and socializing a shared purpose for the company.

Prioritizing both customer and employee experiences

Average companies focused their transformation efforts mainly on technology infrastructure and processes. Successful companies harnessed that focus on technology in service of creating great experiences for their customers and employees. For customers, this meant better content, personalized messaging and efficient digital processes that helped them save time and effort.

Much of this also applied to employees, who now have better tools to collaborate and be productive. And in the wake of the COVID-19 pandemic, the return on these investments has been exponential, leaving these companies far better prepared to take on the next phase of transformation.

Developing data as strategic asset

The survey highlighted a major gap in how successful companies use data, compared to everybody else. These companies made proactive moves to create a leadership role for managing data and had a clear strategy for how they would access, store and leverage the data they needed. They've also created processes by which data from multiple sources can be integrated in a single platform,
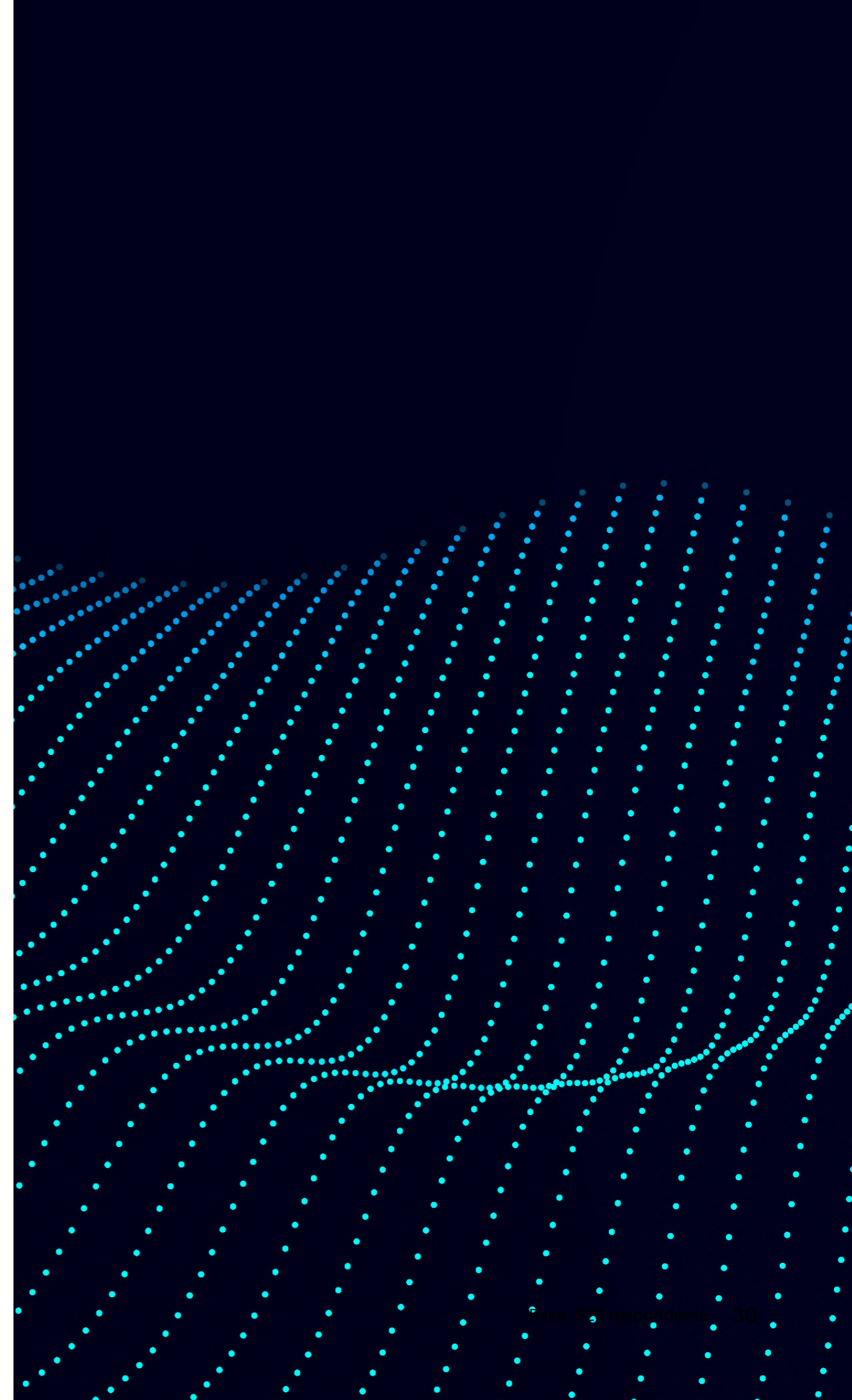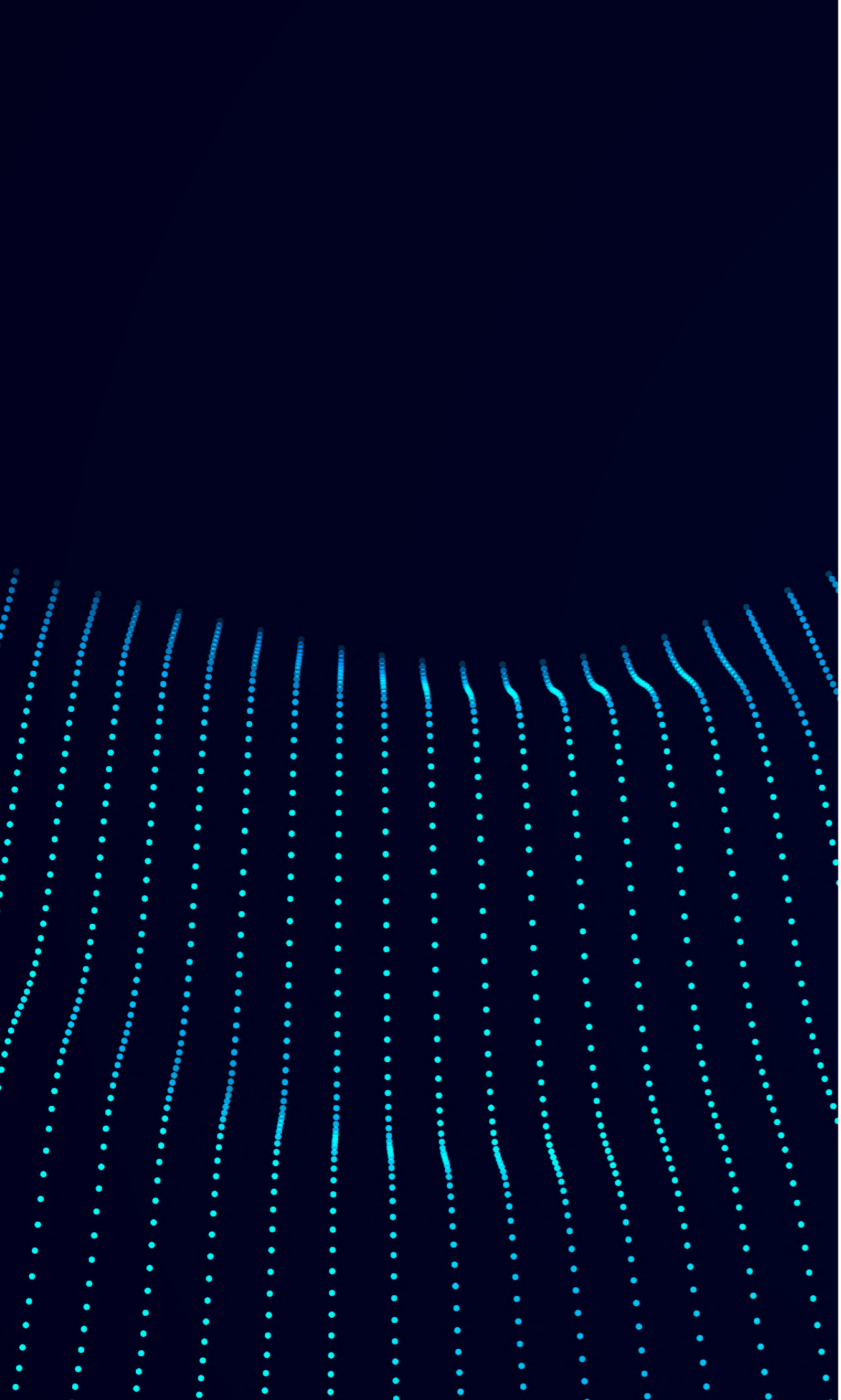
with insights made accessible to multiple parts of the organization. Finally, by deploying AI and machine learning technologies, these companies can drive to insights quicker, and more efficiently than ever before.

This allows them to use digital data in many sophisticated ways, ranging from personalizing experiences to innovating products and business models. It's safe to say that no matter what the next phase of transformation brings, the winners will be defined by the strength of their data capabilities.

Identifying and adapting to convergence

We've seen the increasing convergence of certain functions within the business, especially customer-facing ones such as sales, service and marketing. Mature companies are now looking to prepare for external convergence. The proliferation of digital communications and ease of sharing data has enabled companies to go beyond their existing business models and value propositions, and embrace a converging ecosystem of apps, partners and platforms to create mutual value for all parties.

Imagine credit card companies partnering with hotels to share loyalty program data for common customers. It can also mean plugging into second- and third-party data networks to gain access to new data sources. The best way to prepare for convergence is to have a solid foundation for managing data, and a deep knowledge of the customer base, in order to meet them wherever they are, rather than be limited to owned channels.

Investing in innovation as a practice

For top performers, innovation wasn't a byproduct of transformation, it was a key goal. Many of these top performing companies measured the success of their transformation with innovation-focused metrics such as the number of pilot programs, number of proof of concepts and number of new ideas generated. This formalized, continuous focus on innovation is a key differentiator for successful companies. For them, it wasn't enough to have business results, they had to continually show an appetite for moving forward and embracing the new and creative. As the next wave of transformation brings shifts in industry strengths, new technologies and disruptive ideas, it is the companies who innovated in their products, business models and value propositions that will be best positioned to thrive.

Methodology

We surveyed 587 professionals from brands, consulting firms, and other organizations with at least 1,000 employees, across three geographies: The United States, Europe (U.K., France, and Germany) and The People's Republic of China. The respondents from these organizations included in-house and agency digital strategists and C-suite or other executive-stage leaders. Our sample includes a fixed quota of respondents from five industry verticals: Banking/Finance, Consumer Products, Healthcare, Retail, and Technology. We asked each respondent multiple choice answer questions about digital transformation at their respective organizations or organizations they serve.

Acknowledgments

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About the Author

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As an analyst and the research director for Altimeter, Omar publishes research that helps companies thrive on digital disruption. His areas of focus include digital transformation, digital marketing excellence, content and data strategy.

These research reports include industry benchmarks, maturity models, guides for developing strategies, and frameworks for evaluating people, processes and tools. As a consultant, Omar has advised leading brands on how to choose marketing technology, build digital systems for marketing, and create digital content strategies. He has also worked with MarTech companies on product evaluation and competitive analysis.

Omar holds a masters degree in journalism from Columbia University and was formerly the editor-in-chief of the digital marketing blog The Hub Comms. He was also a writer for Direct Marketing News, PRWeek, Fortune and The Brooklyn Ink.

About Altimeter, a Prophet company

Altimeter is a research and consulting firm owned by Prophet that helps companies understand and act on technology disruption. We give business leaders the insight and confidence to help their companies thrive in the face of disruption. In addition to publishing research, Altimeter analysts speak and provide strategy consulting on trends in leadership, digital transformation, social business, data disruption, and content marketing strategy.

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