



# DIGITAL VALUE OR DIGITAL VANITY?

**Christian Campagna | Shobit Arora | Aneel Delawalla**

**It is hard to believe  
that any company  
would invest millions in  
a major transformation  
without a clear picture  
of the value delivered.**

Yet this is happening every day when it comes to digital. Not only is it the hottest investment around, it is the most difficult to quantify.

# THE MAD SCRAMBLE IS ON

**Companies across industries are investing wildly in digital. Global spending on digital transformation technologies is projected to reach nearly \$1.3 trillion this year, an increase of 17 percent over last year.<sup>1</sup> But are companies investing wisely?**

Without insight into the collective business impact, many companies are investing haphazardly in functional or business silos. Business cases are nonexistent or immature. Decisions are not based on hard data. Ties to the strategy are often tenuous. Some companies direct funds to the latest digital trend just because their competitors are doing it, or because they want something to publicize to employees and shareholders. These are desperate volleys for survival, not smart business choices.

It does not have to be this way. Getting maximum return on digital investments starts with measuring digital value. This is linking investments to intended and measurable outcomes tied to the overall strategy. To maximize digital value, companies can zero-base their digital investments. This means starting from a clean sheet to finally understand when, where and how to realize the net benefits from digital investments. Companies that do this well can become part of an elite few—digital high performers that consistently maximize digital value to drive growth and competitiveness over time.

## Digital value add

is Accenture's patent pending formula for quantifying the net impact of digital investments. It is based on a comprehensive economic database of digital interventions that are linked to operational KPIs and financial statement line items. The formula accounts for investments' digital value potential, digital value leakage and associated costs, all of which impact the net value.

# MILLION DOLLAR BLACK HOLE

Many companies are struggling to build the case to scale digital investments. Digital ROI is hard to quantify, and there are many reasons for this. The most fundamental: digital is still uncharted territory with limited proven use cases. Moreover, traditional processes are not suited for tracking the rapid pace of change in the underlying technologies.

While some digital technologies like mobile and social have been around for years, there is little precedent for valuing the impact of newer technologies such as artificial intelligence (AI), virtual reality or blockchain. Plus, the rapid advance of digital makes managing the uncharted a constant struggle. Companies end up making assumptions that are not fact-based or using random valuation methods. What results are apples-to-oranges comparisons at best and inaccurate digital valuations at worst.

A small group of companies is ahead of the pack when it comes to quantifying the value added by their digital investments. While 85 percent of companies recognize digital as a significant trend that will impact their business, 26 percent actually communicate specific KPIs aligned to internal digitization initiatives.<sup>2</sup> But focusing on easily identifiable direct financial benefits only goes so far. **Companies struggle to get a holistic view of the interconnected financial and operational impacts of their digital investments. It's like throwing a stone into a lake, focusing on the splash, but ignoring the ripple effect.**

**85%**

**OF COMPANIES RECOGNIZE**

digital as a significant trend that will impact their business

But only

**26%**

**ACTUALLY COMMUNICATE**

specific KPIs aligned to internal digitization initiatives

# ZEROING OUT THE SILOS

**This siloed view of digital investments is a significant barrier to capturing digital value. Only 13 percent of companies get both cost savings and new growth from digital because the rest invest in silos.<sup>3</sup>**

This is happening across industries. For example, a food manufacturer's functional departments are investing independently in digital. CRM is focusing on advanced customer and consumer analytics. The IT function is looking at in-memory ERPs to accelerate insights. And every group is exploring its own data lake. This patchwork approach leads to an incoherent digital strategy. It consumes extra time and resources while building multiple sources of truth, which jeopardize future data consistency.

What's missing is a cohesive strategy to harness the multiplier effect—or combinatorial impact—of digital investments. Think of it this way. A financial services firm investing in robo-advisory services needs customer analytics to maximize the impact of the bots. Even so, over half of companies investing in AI do not consider big data, IoT and analytics as key complementary technologies.<sup>4</sup> Digital value suffers as a result. Our research suggests that the combination of platform technologies informed by data from other digital technologies has the greatest potential to shift cost curves and open growth opportunities.<sup>5</sup>

**Don't settle for silos. Measure digital value from a zero base.**

Taking a zero-based approach provides an enterprise view of digital investments, links them to the overall digital strategy, and embeds ROI into a zero-based plan. It's about starting with a proverbial clean sheet to understand the full breadth of a company's digital investment without blind spots. What does the company want to achieve? Where should it invest? What investments are working? Which ones should be halted?

One global food company took this zero-based approach to its digital investments. Leadership identified the impact of digital across the organization by exploring what each business and function was already doing, where the opportunities were, their size, and the investments required to realize priority outcomes. This gave the executive leadership team a holistic, value-focused view to create a compelling case for digital transformation, which included identifying new business models to improve competitiveness.

Zero-based approaches also allow for continuous control and monitoring of digital value captured and identification of potential interventions where the digital value is not achieving its potential. Companies work with a value-based mindset, flexing constantly to keep pace with changes in markets, technologies, customers and competitors. This is not a one-and-done exercise. It is digital value targeting that compares where companies are today to their maximum digital potential—the “should-be value” of digital investments. Companies make course corrections to meet or exceed these targets and to avoid depleting digital value.

# SETTING A HIGH BAR

**Investing wisely in digital from strategic, portfolio and ROI perspectives can increase digital value. Yet to sustain it over time, companies must become digital high performers.**

Digital high performers combine digital acumen and financial performance. This sets them apart from business leaders that perform well but do not prioritize digital. In fact, digital high performers outpace business leaders on key financial performance indicators such as future appeal, which measures how investors expect a company to grow.<sup>6</sup>

**6%**

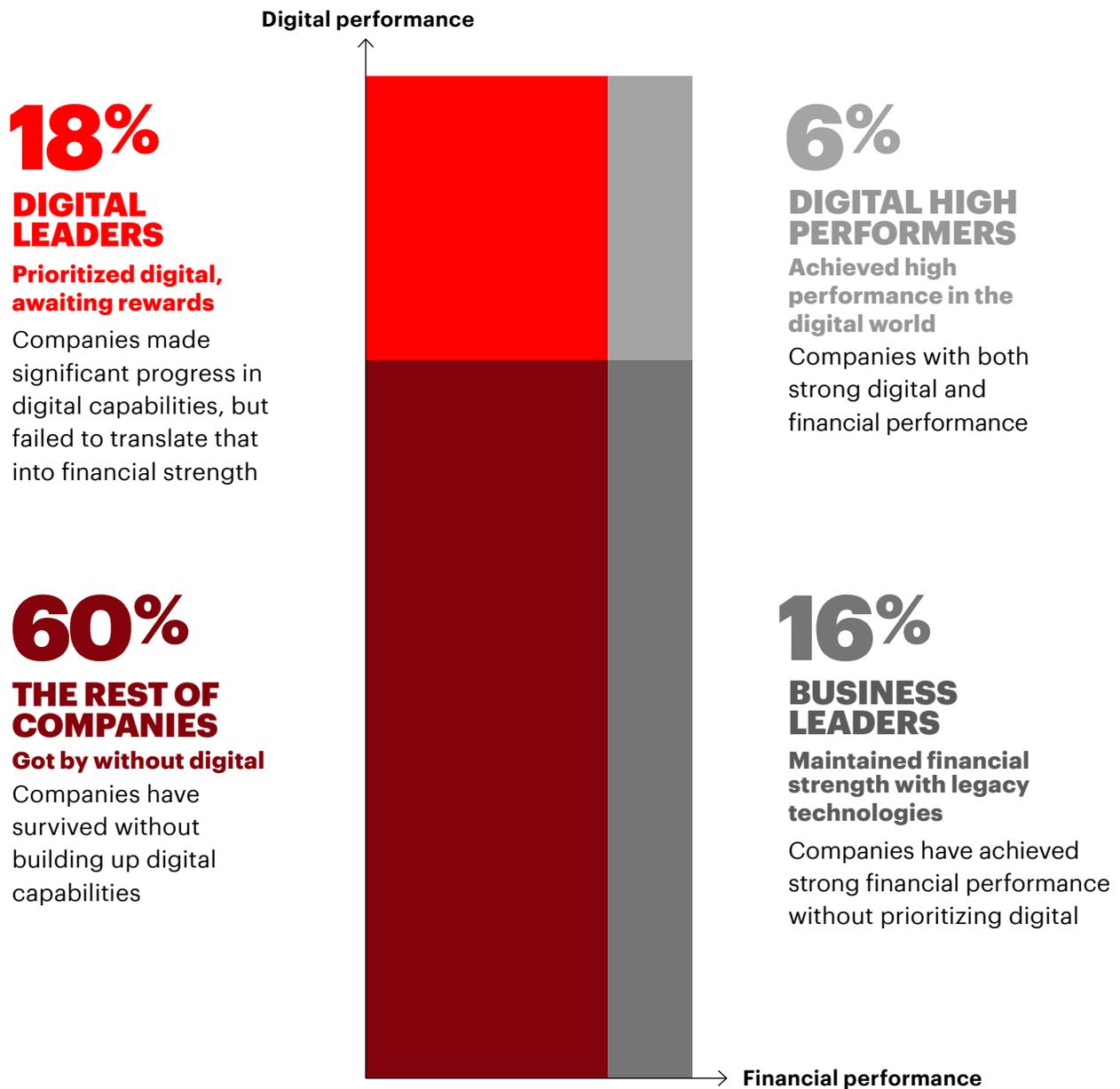
of the companies that Accenture studied as part of our Digital Performance Index are

**DIGITAL HIGH PERFORMERS**

Digital high performers are a rare breed. Just 6 percent of the companies that Accenture studied as part of our Digital Performance Index are digital high performers. Not only do they lead with a digital-first mindset in how they plan, make, sell and manage, these companies back it up with action. They invest in balanced digital strategies and outperform their peers in improving digital processes and skills that fuel future growth.<sup>7</sup>

# Four types of performers: Digital vs. financial performance

Companies segment into four types of performers. Sixty percent of companies have achieved neither digital nor financial success.



Source: Accenture analysis, 2017

What else makes digital high performers different? C-suite champions. Our research shows a strong correlation between sustained management engagement and financial results. However, getting this support can be challenging. Take AI initiatives as an example. About one-third of companies are not getting the C-level support they need to deploy AI successfully.<sup>8</sup> In addition to clarity around how digital value will be measured, alignment between the digital strategy and the corporate culture is another characteristic of digital high performers. Driving digital value must be an organization-wide effort.

# STOP INVESTING IN VAIN

**There is no doubt that leading companies will set themselves apart in how they invest in digital. But they cannot do this well without first getting a handle on measuring digital value. Here's how to get started:**

## Experiment with purpose

By their very nature, digital technologies invite experimentation in a test-learn-tweak development environment. This experimentation allows companies to funnel resources and time to the most promising technologies. But any experimentation must be done with purpose. It should fit the overall digital strategy and serve the purpose of learning enough to continuously enhance a living roadmap of digital interventions that amplify each other—and the added digital value—in support of a business case and the broader corporate strategy.

## Keep your eyes on the prize

Rather than go down the rabbit hole of what's hot now in digital, companies should buckle down on the specific ROI they want to achieve from their combined digital investments. This outcomes-led mindset should be expansive, accounting for value beyond short-term financial wins to include measures of growth, profitability, sustainability and trust, all of which fuel competitiveness. Strong governance is critical here. Governance committees are a good tactic as they require program owners to commit to outcomes, which should be built into zero-based targets to ensure accountability.

## **Never just set it and forget it**

Change is the only constant in the digital world. Companies must stay alert to keep up with it. To do this when measuring the value of digital interventions, companies must commit to thinking and acting with a continuous improvement ethos. This means expecting—even inviting—change. The key is to constantly measure digital value captured against targeted outcomes and adjust to ensure the company is reducing leakage and maximizing returns. Revisiting targets on an annual basis is not sufficient. Companies should also work to make this vigilance and flexibility part of the company culture.

# **THE COMPETITIVE EDGE**

**Investor Warren Buffet once said that the key to investing is understanding a company's competitive advantage—and its durability.<sup>9</sup> In today's dynamic markets, companies can build this all-important durable competitive advantage by valuing and monitoring digital investments. And doing it well.**

## Join the Conversation



@AccentureStrat



[www.linkedin.com/company/  
accenture-strategy](http://www.linkedin.com/company/accenture-strategy)

## Contact the authors

### **CHRISTIAN CAMPAGNA**

Frankfurt, Germany

[christian.campagna@accenture.com](mailto:christian.campagna@accenture.com)

### **SHOBIT ARORA**

Houston, TX, United States

[shobit.arora@accenture.com](mailto:shobit.arora@accenture.com)

### **ANEEL DELAWALLA**

Atlanta, GA, United States

[aneel.a.delawalla@accenture.com](mailto:aneel.a.delawalla@accenture.com)

Copyright © 2018 Accenture  
All rights reserved.

Accenture, its logo, and High Performance  
Delivered are trademarks of Accenture.

This document makes descriptive reference to  
trademarks that may be owned by others.

The use of such trademarks herein is not an assertion  
of ownership of such trademarks by Accenture and is  
not intended to represent or imply the existence of an  
association between Accenture and the lawful owners  
of such trademarks.

## About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 442,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

## About Accenture Strategy

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise-wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership helps drive both efficiencies and growth. For more information, follow [@AccentureStrat](https://twitter.com/AccentureStrat) or visit [www.accenture.com/strategy](http://www.accenture.com/strategy).

## Notes

- <sup>1</sup> IDC, “IDS Forecasts Worldwide Spending on Digital Transformation Technologies to Reach \$1.3 Trillion in 2018, December 15, 2017, retrieved on March 19, 2018
- <sup>2</sup> Accenture Digital Performance Index, 2017
- <sup>3</sup> Accenture Strategy, “Industry X.O: Combine and Conquer: Unlocking the Power of Digital,” 2017
- <sup>4</sup> Accenture Strategy, “The New, New Normal: Exponential Growth Powered by AI,” 2017
- <sup>5</sup> Accenture Strategy, Beyond the ZBB Buzz, 2018
- <sup>6</sup> Accenture Digital Performance Index, 2017
- <sup>7</sup> Ibid
- <sup>8</sup> Accenture Digital Performance Index, 2017
- <sup>9</sup> Forbes: Warren Buffett’s Investing Formula Revealed, Oct. 11, 2011