Companies have been employing digital technology for years, but they are only now committing themselves to pursuing durable digital transformations.

The shift signals a changed outlook from recent years, when digitization efforts tended to be more tactical than strategic. Companies invested in technological upgrades, remaking individual functions such as sales support and customer service. But a clear majority of companies now invest in digital transformation for long-term growth, not short-term improvements, according to a recent survey of finance executives.
In our online survey, *2018 CFO Insights on New Technologies*, conducted by CFO Research in collaboration with Grant Thornton, we drew 304 responses from senior members of the finance function ranging from CFOs to directors of finance. In terms of company size, all surveyed executives are employed at businesses with annual revenues in excess of $100 million, and 69% of executives work for firms with annual revenues in excess of $1 billion. Industries represented in the survey vary, ranging from Construction, to Auto/Industrial/Manufacturing to Financial Services/Insurance.

Among surveyed executives, more than two-thirds (69%) say their firm plans to increase its investment in digital transformation in the coming year. Four in ten executives (39%) say this investment will increase by at least 10%. The majority of executives (56%) report that senior leadership at their organizations views digital transformation as critical to long-term business success.

**Exploiting the Digital Difference**
Companies seeking to earn entry into the digital elite by implementing an ongoing transformation strategy measure the value of doing so at least in part by monitoring their competitors’ capabilities. They are keenly aware of the risk of losing opportunities—whether using data analytics to improve the customer experience or boosting operational performance—to their more digitally savvy peers.

Among finance executives who report that their companies are planning increases in digital investment, their reasoning reveals a desire to capitalize on new strengths. In fact, 41% of those executives say that they are seeking to differentiate

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**FIGURE 1**
Two years from now, which enterprise goals do you believe will most strongly influence your organization’s strategy on investing in (or continuing to invest in) digital transformation? *(multiple responses allowed)*

- **39%** Improved customer experience
- **38%** Improved operational performance
- **38%** Reduced costs
- **33%** Improved competitive differentiation
- **27%** Better performance management
- **24%** New product offerings/New capabilities
- **20%** Better innovation support
- **19%** Better risk management and/or stress testing
- **16%** Better KPI reporting
- **16%** Increased speed to market
themselves from the competition (by, in some cases, creating competitive disruption), while 52% report that they are striving to stay even with the competition (which frequently means playing catch-up). Clearly, they’ve seen enough to be convinced that digital initiatives can drive value, perhaps pondering the financial upside of using lower-cost digital channels to acquire and retain customers.

The executives are acutely aware of how dramatically digitization must direct—and grow to dominate—their customer engagement strategies. By mastering quickly evolving technologies, companies can create ever-richer customer experiences. When surveyed executives were asked the one problem that they most wish technology could solve, their answers reflected a focus on nurturing next-generation customer service capabilities. One executive wished for “simplifying the customer experience.” Another’s desire reflected the link between digital innovation and customer engagement: “We’d like a set of predictive analytics that guide us to anticipate our customers’ needs so that we can be even more proactive, particularly in marketing and sales.”

As customers have become increasingly digital-centric, satisfying their heightened demands has turned into a potent competitive weapon. By leveraging their data-intensive processes and platforms, companies can acquire the nimbleness they need to keep designing and delivering more responsive and personalized customer experiences. Exploiting the full force of digital technology, by applying advanced analytics to segment and serve customers, can build momentum and drive growth. By consistently revisiting their strategies for providing customers with a dynamic cross-channel experience, they can elevate customer satisfaction and forge long-term relationships.

**FIGURE 2**
What are the greatest challenges your IT organization currently faces as it seeks to support enterprise growth? (*multiple responses allowed*)

- **38%** System complexity
- **38%** Legacy systems maintenance
- **37%** Business integration
- **31%** Talent/Skills
- **27%** Investment budget/Strategy
- **26%** Cost management
- **23%** Understanding customer needs
- **22%** Data storage/Warehousing
- **16%** KPI reporting
- **10%** Executive ownership
The Future: A Never-Ending Investment Opportunity

In truth, digital transformation is more than an investment; it’s a commitment. And a two-pronged one at that. Not only is technology always advancing, but also the challenges of managing an organization through such a vital transformation are continually surfacing. Broadly, companies may have to reorganize by combining individual silos or by reversing an ingrained tendency toward decentralization.

No matter the organizational structure, the breadth of the need for digitization is bound to exceed available resources. Once opportunities are identified, companies need to prioritize them, balancing back-office functions with customer-facing activities. The goal is to keep both ends as aligned as possible, ensuring that the entire customer experience progresses at as even a pace as possible. Customers who confront wildly diverse levels of personalization or efficiency within a single transaction grow disenchanted.

In contrast to earlier waves of investment in digital technology, finance executives now understand the advantages that can accrue to a business that looks beyond improving operational performance and reducing costs. Asked to rank ten benefits of automating the finance function, “reduced cost” drew the seventh-highest proportion of surveyed executives (32%). Taking the transformation journey requires a company to re-examine every touchpoint it has with customers and suppliers.

Knowing where to start means pinpointing which realm of needness will yield the most visible impact. Asked about which strategic opportunities will influence their plans for future investment in digital transformation, 39% of executives chose the desire to improve the customer experience. In addition, a third of executives say they want to boost competitive differentiation, which may also result from re-imagining customer service. The ability to collect and analyze huge volumes of customer and supplier data may also lead companies to unserved or underserved opportunities. Roughly a quarter of executives (24%) say their future investments will be targeted toward supporting new products/innovation. (See Figure 1.) Their hope that innovation will grow to form an ongoing competitive edge may also explain why nearly seven in ten executives report that their firms are already establishing (49%) or have planned (19%) an innovation-management process for the future.

Not that finance executives are naïve about the challenges associated with managing a multitude of data. The hurdles they foresee, as shared in an open-response question, include “Aggregating and making sense of Big Data,” “Better data integration among systems,” and “Easier access to, and manipulation of, data.” Beyond such relatively fundamental concerns, however, there are also more sophisticated and nuanced data-related tribulations. One executive alluded to the scope of the transformational technology by elaborating on the challenge of “Improving the overall data quality and consistency of the data across the business segments around the globe.”

“No matter the organizational structure, the breadth of the need for digitization is bound to exceed available resources.”
tial impact across the business is not yet understood,” added the same executive.

**Building a Culture of Digital Receptivity**

Indeed, what that executive is pointing out is that tools and technology alone can’t transform the business. Successfully integrating digital know-how into the organization means making sure that employees fully grasp the vision and possess the necessary capabilities to bring it to fruition.

For some companies, achieving that end may mean recruiting employees who already possess the requisite skills, or hiring executives who can coach current workers in the desired direction. Of the finance executives who responded to the survey, a slim majority (52%) say they intend to re-train existing finance staff to fill any finance function gaps that surface as a result of implementing automation—representing a major training investment. To successfully mold a new business model, companies will need to make sure they have the right materials, including employees who are skilled data scientists, familiar with machine-learning, and adept at data-handling. One executive says that the one problem he wishes technology could solve is management’s willingness to “retain skilled employees rather than seeing them as costs.”

Management may have to discard limiting preconceptions that could weigh them down as they strive to heighten the need for transformation. In some cases, that means accepting that digital transformation requires company-wide participation, not just input from the IT function. While the department may house forward-looking technologists, its members are also likely to need help confronting the same obstacle that can thwart other functions: the impulse to keep doing their jobs the way they’ve always been done.

The pressure to continually adapt, as opposed to adhering to a static plan, must also be reflected in the company’s strategy for succeeding in a turbulent marketplace. To keep innovating, companies need to develop an inquisitive mentality, regularly re-examining their existing route to growth by comparing that strategic map against the real-time data that defines the terrain. Dispensing with the thick binder that formerly housed the strategy plan of yore, companies need to create systems for keeping their strategic vision in view, while also retaining their options in terms of the tools and initiatives that will get them there. The speed and quality of a company’s data-drenched insights—not to mention how efficiently the organization can incorporate them into their strategy and related operational plans—may be what sustainably sets them apart from their competitors. Advanced analytics can serve as the raw material of innovation, critical to building new features or products. Companies may also find effective sources of differentiation by appropriating services
and processes from other industries, using them to serve customers more effectively.

Avoiding such dark holes requires organizations that are less constrained by hierarchy and rigidity—pitting one department against another—and more imbued with a collaborative culture of continuous improvement. A digital transformation, after all, is the outcome of many smaller mini-transformations, carefully coordinated and strategically aligned. To enable digitalization on a transformative scale, organizations must keep internal communication lines open, as cross-functional groups create shared criteria for success and agree on achievable milestones. The absence of such unity can extract a calculable toll. Among surveyed executives, more than three-quarters (78%) say it is a substantial challenge for their IT function to connect and integrate solutions purchased at the function and business-unit level. A slightly smaller proportion of executives (74%) know what they need to do: improve the effectiveness of their partnership with IT leadership to ensure that the best technology decisions for the enterprise are made. Such lapses in efficiency, mimicked throughout the business, lead to expensive redundancies that serve as reminders that digital transformation isn’t as much about amassing new technology as it is about swapping out an existing mindset.

To prepare their businesses to thrive in a next-generation economy, finance executives will have to direct investments toward digital technologies with capabilities that align with overall strategy and produce the most value. They also face the challenge of integrating digital technology to streamline business processes and enhance the quality of the customer journey. Keeping pace with the growth—of their companies, and of emerging digital capabilities—will require CFOs to manage their own transformations, growing increasingly sophisticated in their use of analytics and in other aspects of digital management. The human component, after all, is what collectively pushes digital transformation beyond the realm of digitizing existing services, and into establishing and sustaining lasting competitive advantage.
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