Brand Publishing / PWC

# Beyond IT: Technology investing for the bottom line

Shutterstock

DECEMBER 23, 2015

If you want to be competitive in today's global marketplace, your business should have a high "Digital IQ." That's the finding of PwC's 2015 Global Digital IQ survey of nearly 2,000 top executives.

You might be wondering what Digital IQ means. Well, it might not be what you think.

PwC's survey found that savvy technology investing goes far beyond upgrading servers or using cloud services. Instead, it means setting a companywide strategy to focus on competitive advantage as well as targeting technology spending toward specific results-oriented objectives.

Companies that get the digital equation right are twice as likely to achieve rapid revenue and profit growth as the "laggards" that don't, the study finds.

"The folks doing it well are not just making an investment — they're seeing it pay off in the bottom line," says Andrea Fishman, a principal in PwC's advisory practice.

The survey identified 10 critical capabilities that correlate with stronger financial performance. Here are three key findings.

1. CEO commitment

Success with digital technology needs to start with leadership. According to the survey, the CEOs of top-performing companies are fully committed to advancing their companies through technology and make it a part of their business strategy. They say technology is not the sole province of the IT department, but a tool that can improve business operations.

The CEO mandate is influencing significant investment in digital: Nearly one-third of respondents say their companies are investing more than 15 percent of revenue into technology investments that span all areas of the business, not just IT.

Additionally, the CEOs report they are open-minded about innovations, use social data to understand what their customers want, and even adopt the technologies their customers and vendors use. They are skilled at turning data into insights. And they are proactive about protecting digital assets with better security.

2. Strategic clarity and cohesiveness

Successful companies operate as a cohesive unit, Fishman says. "The strategy is well-known throughout the enterprise, and investments are made for competitive advantage. They have one roadmap."

In contrast, digital laggards tend to have separate roadmaps for IT, operations, marketing, and supply chain. "It's a lack of alignment that can restrict profit and revenue growth," Fishman says.

Increasingly, companies are realizing the importance of technology in all areas of their business. Sixty-eight percent of technology spending is now coming from budgets outside of IT, compared with 47 percent in the previous year.

"Companies are spending to improve the customer experience through better connectivity and personalization. They're leveraging digital investments in marketing and sales," Fishman says.

3. Don't fear disruption

Executives see technology investments as a way to grow revenue within their existing business models. Just 1 percent say they expect to use it as a disruptive force for change. Instead, they are seeking more immediate returns: 45 percent say the top priority is growing revenue; 25 percent expect digital to create better customer experiences; and 12 percent see it increasing profits. In short, digital is a way to grow today's business, not necessarily tomorrow's.

"We (PwC) think that's short-sighted," Fishman says. "Most companies are not making the investments they will need in the future to maintain a competitive position in the global marketplace."

Disruptive technology changes the business model, using data to create systems like dynamic pricing. Airlines, for example, use dynamic pricing to offer the same product to consumers at different prices based on their preferences and history. As these companies crunch reams of data about their customers, they learn what's important to them — and who might be willing to pay more for certain features.

"If you and I bought an airline ticket for the same trip, we would be unlikely to get the same price," says Fishman.

Sales friction is another feature of disruptive technology. Friction is reduced, as are costs, when customers can buy with a click instead of going through a vendor.

Businesses making money with their current model often resist new, disruptive technologies. Although that choice might not affect them now, they are slipping behind competitors, and it will likely hurt their bottom line in the future.

*"Not* being disruptive creates a risk," Fishman says.

To view PwC's 2015 Global Digital IQ survey and summary in its entirety, click here.

*—Teresa Meek, Tribune Content Solutions*

Copyright © 2016, Chicago Tribune