

Gartner Research Board
Executive Summary

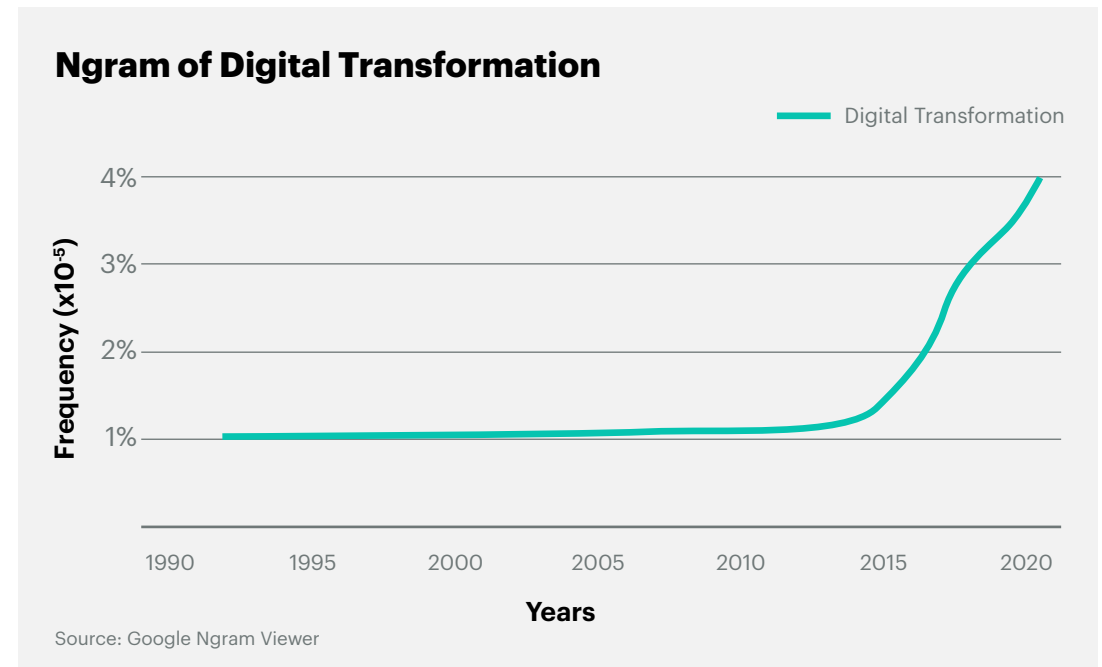
After Digital: From Financial Frenzy to Productivity

Introduction

Digital transformation has been the buzz topic of the past decade.

Has the digital wave crested? And what will be the next major trend in business and enterprise technology?

Here, we reflect briefly on the key promises of digital transformation and assess how they've delivered. And we raise the critical questions large enterprises must consider as we outline predictions for the postdigital era.

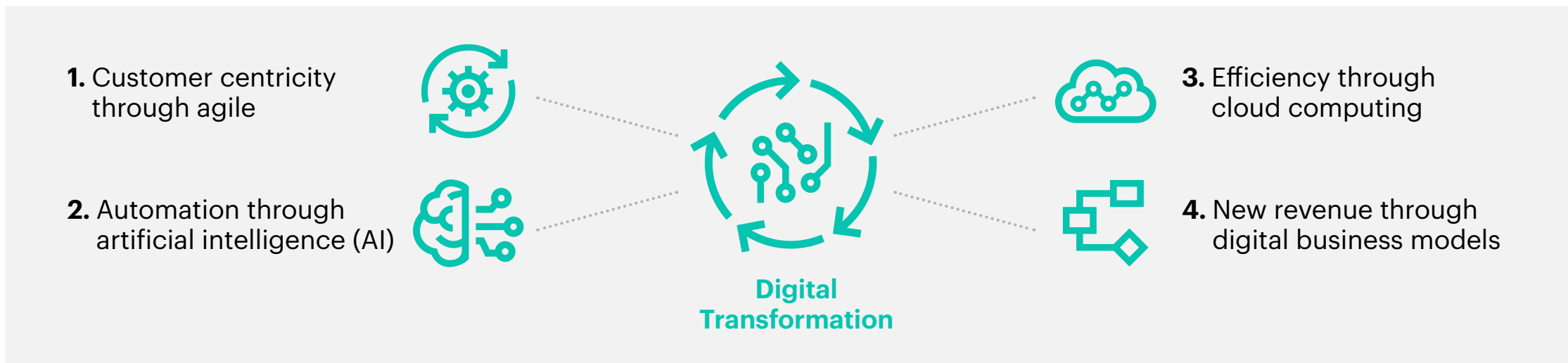


Digital promised to transform four key business areas





**What was digital transformation? What did it promise?
And what did companies accomplish?**

Before the term “digital” started trending, Gartner Research Board was reporting on the growing number of member firms adopting digital business models.

As we consider the accomplishments of these member firms over the past decade, four areas stand out as the big promises of digital transformation:



Some promises have delivered, others have evolved

	Where it started	Where it landed	Where it's going
 Customer centricity through agile	Large enterprises began to adopt agile software development in earnest in 2010, hoping to lower software development costs and make the product development process more sensitive to customer desires.	<p>In 2021, 40% of Gartner Research Board members used agile — a higher percentage than some industry surveys indicate — and members expect that percentage to grow.</p> <p>Academic studies suggest agile improves operating expense ratios and return on assets. Customer satisfaction improvement has been harder to substantiate.</p>	<p>The same academic studies suggest that the benefits of agile adoption recede over time. After Year 3, diminishing returns begin to set in. Determining whether agile leads to long-term transformation requires further empirical research.</p> <p>Agile may have applications anywhere that minimum viable products are possible. More broadly, the three principles of agile — iteration, transparency, and autonomy — are widely applicable.</p>
 Automation through AI	Developments in AI and machine learning (ML) are the most notable technological innovations of the last decade. But AI enthusiasts' history of overpromising has also led to cynicism.	Recent ML model development has led to a wide range of practical use cases, offsetting some pessimism. Many of these use cases focus on consumer-facing applications, which are easier to understand and improve with the vast amount of consumer data available to train and refine algorithms.	Many of the general-purpose ML models developed over the past decade are 1) in the public domain and 2) still underused in nonconsumer-facing domains. For these reasons, the promised efficiency gains of ML are still ahead and likely to disrupt many verticals over the coming decade.
 Efficiency through cloud computing	“Moving to the cloud” meant being on the digital cutting edge for large enterprises. The hope was to leverage the cloud giants to create economies of scale and efficiency with cloud-on-demand.	<p>Public cloud is more expensive than private cloud. As we predicted a decade ago, the advantages of public cloud are not in cost savings.</p> <p>A hybrid strategy offers advantages today — building in the cloud and running locally, for example.</p>	<p>To achieve a true “agnostic cloud” paradigm is the holy grail for member firms.</p> <p>Now, the question is: Can large enterprises come together to create or agree on a cloud operating model that will facilitate the creation of a commodity or industry cloud?</p>
 New revenue through digital business models	<p>In the last decade, it became popular to say that every company must “become a tech company.”</p> <p>The desire to “become a tech company” inspired many digital transformation efforts.</p>	<p>Technology companies are best understood as companies that deploy software as their main source of competitive advantage (or sell IT hardware). Very few traditional companies can or should want to be “tech companies” in this sense.</p> <p>Traditional companies should have more modest goals: to integrate software into their products or their delivery.</p>	<p>Many companies that are thought of as “tech companies” today will not be so understood in the future, as traditional sources of competitive advantage reassert their importance.</p> <p>Traditional companies that have integrated software into their products or delivery are well positioned to benefit over the next decade.</p>

As hype dies down, productivity will take off

The four promises of digital transformation can be summarized as the increasing prominence of digital technologies in traditional industries.

So, what comes after digital transformation? The *decreasing* prominence of digital technologies as they become more ubiquitous.

The decreasing prominence of digital isn't a sign of decline but rather a prerequisite for digital technologies to become a sustainable engine of economic prosperity.

As talk of digitalization fades into the background and strategies driven by fear of digital disruption subside, we will begin to see:



**Real investment in
productive assets**



**Real productivity
gains**



**Real growth
in GDP**

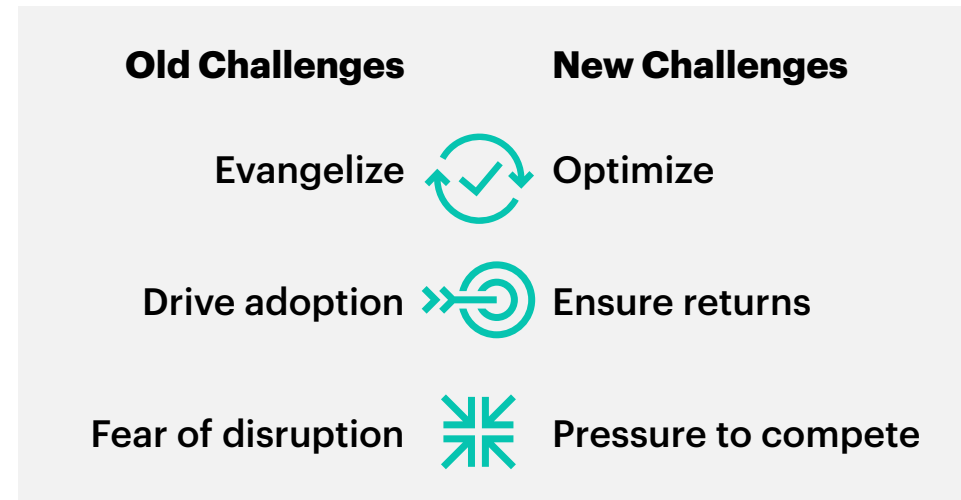


**Real improvements
in standards of living
across the globe**

Businesses are now moving beyond digital

We believe the next decade or two could be dubbed the “Era of Production Capital.” During this new era, hype dies down, speculation recedes and financial capital is recoupled to “production capital” — i.e., the real assets that create products and services — which begins the task of putting the new digital technology to work. This is critical because productivity has stagnated for the past 15 years despite all the hype around the impact of digital technologies.

This is not to say that technological progress will suddenly grind to a halt. Technology will improve, and new technologies will still displace old technologies. But the word “digital” will lose the talismanic significance it held for much of the last two decades, and IT projects of all kinds will be much harder to get approved. Consequently, expectations will change, and new challenges will arise for technology leaders.



The focus is shifting from financial to production capital

Financial Capital

Short-term speculation

Paper wealth

Market valuations

Novelty

Invention

Laissez faire

Horizontal foundations

Monopoly power



Production Capital

Long-term ROI

Real wealth

Productivity

Ubiquity

Institutionalization

Regulated

Vertical applications

Fragmented and verticalized

Four major signs herald this new era

Here, we explore the four signs of the Era of Production Capital and their implications.



Digital technologies become ubiquitous ...
but fade into the background.



Digital skills and digital business become widespread ...
but also become unremarkable.



Digital giants are regulated ...
but end up being outcompeted.



Technology risk increases ...
but organizations refocus on resilience.

Digital technologies become ubiquitous ... but fade into the background

The rise of ambient computing will in many ways be like the build-out of the electrical infrastructure after World War II. Electrical networks were constructed, buildings were wired for electricity, formerly mechanical devices like irons and typewriters were electrified, and new electrical devices like televisions and vacuum cleaners were invented.

As digital networks, “always-on” connectivity and smart devices become the norm, society will adapt to digital the way it adapted to electricity.

The ubiquitous future of technology raises critical questions for large enterprises. For example, when digital technology is at once “everywhere” and less prominent, will the importance of the IT estate diminish? How can member firms best serve customers who will no longer tolerate technology malfunction or latency? And what will be the impact on monetization models when “eyeballs” are no longer relevant?



Digital skills and digital business become widespread ... but also become unremarkable

As digital technology becomes embedded into the way all parts of the business operate, “digital” will cease to be a useful modifier. While traditional industries will increasingly deploy software as a component in their products, or in the delivery of the same, digital technology will become, in the fullness of time, just one more dimension on which companies compete.

For large enterprises, this raises questions about ownership and accountability. Will there be an apex technology leader whose purview extends across all technology in the enterprise? And if so, will this technology leader be more akin to all-powerful CFOs? Or a more modest functional head? Or something new altogether?



Digital giants are regulated ... but end up being outcompeted

The digital era has been dominated by a handful of companies. As of January 2022, five tech companies were collectively worth almost \$10 trillion. That's nearly a quarter of the combined \$41.8 trillion market cap of the entire S&P 500.

Regulatory sanctions, we note, have already occurred. Antitrust action appears likely. And competition is imminent: As the technology market becomes more fragmented and verticalized, smaller companies will gain advantage.

The inevitable restructuring of the technology industry, and the possible rise of decentralized platforms, raise the questions: How might a more regulated technology industry function? Which companies might become critical technology partners and suppliers — and the most threatening competitors? And what might decentralized platforms mean for the platform strategies that have become so commonplace?



Technology risk increases ... but organizations refocus on resilience

As digital technologies become more ingrained in business and government operations, infrastructure, and our daily lives, risks increase — and enterprise risk management becomes more complex than ever before.

The focus on optimization and efficiency, both inside companies and between them, has led to extreme global economic interdependence — which, despite its merits, means that a single adverse event can cause profound shocks elsewhere. “Technology risk” and “business risk” are now nearly synonymous.

Building a resilient enterprise won't simply be a matter of updating business continuity plans. Leaders of large enterprises must ask: What portfolio of businesses should they be in? How should they organize, interact, and collaborate? How do they manage their resources and capabilities? What targets do they set, and which metrics do they optimize for?

What does this mean for 2022 and beyond?

For leaders of large enterprises, questions about risk, resilience, and market differentiation after digitalization loom large. For example:

What will “**technology leadership**” mean in the future?

How will companies **balance core business technologies with digital projects** across business units?

What should technology’s contribution be to the **overall sustainability of organizations and businesses**?

What role does the technology organization play in **building and maintaining trust** with internal and external stakeholders?

These and other questions will remain in discussion as Gartner Research Board members navigate the period after digital.



About Gartner Research Board

When your decisions have impact on a global scale, you need to connect quickly with the individuals and ideas that can further your momentum and equip you for what lies ahead. Gartner Research Board enables the most influential global business leaders to turn today's biggest challenges into tomorrow's best outcomes.

For nearly 50 years, Gartner Research Board has provided a trusted community in which members can test their thinking, get a comprehensive view of the future, and accelerate their impact through:

- Deep collaboration with a vetted ecosystem of qualified peers and experts
- Strategic foresight and comprehensive insights delivered via a proven next-practice methodology
- Focused interaction with an experienced team highly attuned to their role and business

Discover how a Gartner Research Board membership can help you and your organization achieve your goals and exceed your vision.

Connect With Us

Get actionable, objective insight to deliver on your mission-critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance. Contact us to become a client:

U.S.: 1 855 811 7593

International: +44 (0) 3330 607 044

[Become a Client](#)

How will firms like yours navigate the postdigital era?

Interested in seeing if you are eligible to become a member of Gartner Research Board?

1 800 213 4848

Follow us on LinkedIn to learn more.

#GartnerResearchBoard

