

Top Insights for the World's Leading Executives

2017-2018 Annual Edition

A white chess pawn is positioned on a dark chessboard. The image is overlaid with a purple geometric pattern consisting of white-outlined triangles and diamonds. The text 'Corporate Strategy' is written in white, bold, sans-serif font on the left side of the image.

Corporate Strategy

Navigating the Digital Transformation

Driving Ambitious
Digital Investments



◆ Challenge

The digital investments that companies do make are small and scattered.

◆ Typical Approach

Strategists help senior leaders find “best-fit” digital solutions to specific business challenges, opening their minds to new options.

◆ Best Practice Solution

The best strategists approach their job as “Digital Navigators,” focusing the company on the digital options that support its critical strategic objectives, among all the possible alternatives.

Small and Scattered Digital Investments

It's virtually impossible to check a business news site or journal without running into a story about how companies are digitalizing. Most of these investments are, however, small and scattered. A business unit will develop an app because all competitors are doing it; a CEO will assign a “tiger team” to pilot a slightly faster service delivery; or several functions will, separately, invest in big data analytics. About 7 in 10 heads of Strategy report having too few large digital investments (67%) and too few transformational digital investments (71%). This is a mistake.

Thinking Big with Digital Pays Off

Companies that ensure enough resources flow to large and transformational digital investments are seven times more likely to extract value from those investments, and their digital investments are 6.7 times more likely to help them hit five-year revenue goals.

Don't be a Digital Enabler

Strategy should step in to help companies make the right digital investments. One specific (and rare) form of support—the Digital Navigator—is far more effective than the typical “Digital Enabler” approach. Business leaders who aren't getting the Navigator form of support should seek it from their strategy teams.

Strategists that behave as Digital Navigators are four times more likely to get their company to make large and transformational digital investments.

How Navigators Are Different

Digital Navigators are identified by senior leaders through three activities:

- Understanding what is happening in the external environment.
- Identifying the organization's options.
- Determining where the organization should focus its actions.

Where Digital Enablers expose senior leaders to new and emerging technologies, Digital Navigators expose them to digital market shifts.

Where Digital Enablers identify new digital investment opportunities, Digital Navigators test and validate new business models.

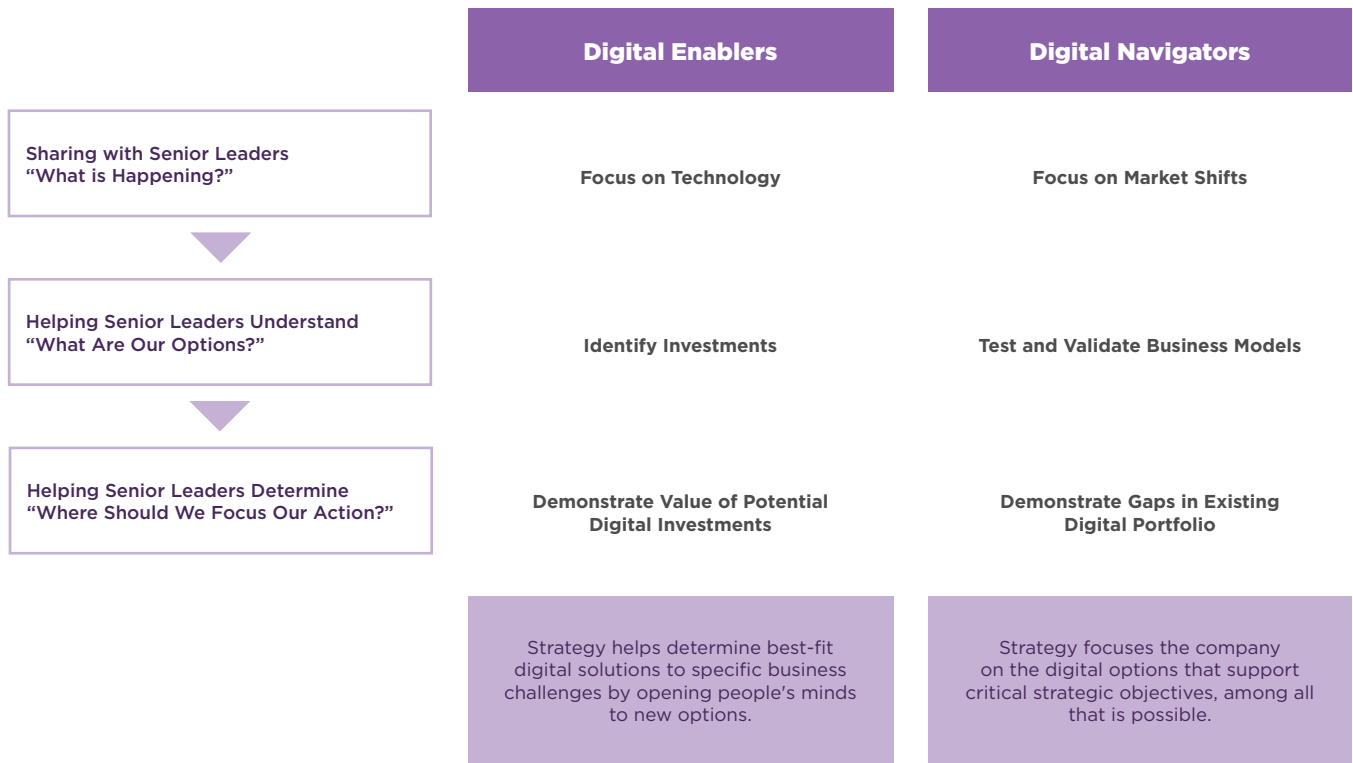
Where Digital Enablers show the value (e.g., ROI) of potential digital investments, Digital Navigators demonstrate the shortfall of the existing digital portfolio.

Be a Digital Navigator

Digital Navigators are four times more likely than Digital Enablers to gain sufficient support for large and transformational digital investments. As more parts of the organization increase digital spending, it's imperative strategists manage the proliferation of small and scattershot initiatives by guiding the organization toward digital investments that support critical strategic objectives.

A Fundamentally Different Approach

Strategist Approaches to Driving More Ambitious Digital Investments



Source: CEB analysis.

Move from Insight to Action

Enable your strategists to become Digital Navigators.

- Accelerate Your Digital Transformation

Contact us to get started.
topinsights@gartner.com

Finance

The image features a large, multi-story building with a grid of windows, viewed from a low angle. The building is set against a green background with geometric shapes, including a large diamond shape and several triangles in various shades of green. The word "Finance" is written in white, bold, sans-serif font on the left side of the image.

A New Playbook for Growth Investment

Shift Your Focus to Create
an Environment Where
Investments Will Succeed



◆ Challenge

To achieve "Efficient Growth," CFOs need to produce outsized returns from their major growth investments, but investments are twice as likely to miss expectations than to exceed them.

◆ Typical Approach

Many companies focus on minimizing misses.

◆ Best Practice Solution

Progressive companies create an environment in which investments will succeed. These "Efficient Growers" exceed expectations by making risk identification a bigger part of evaluating business cases and by making funding for "likely to exceed" growth investments more flexible.

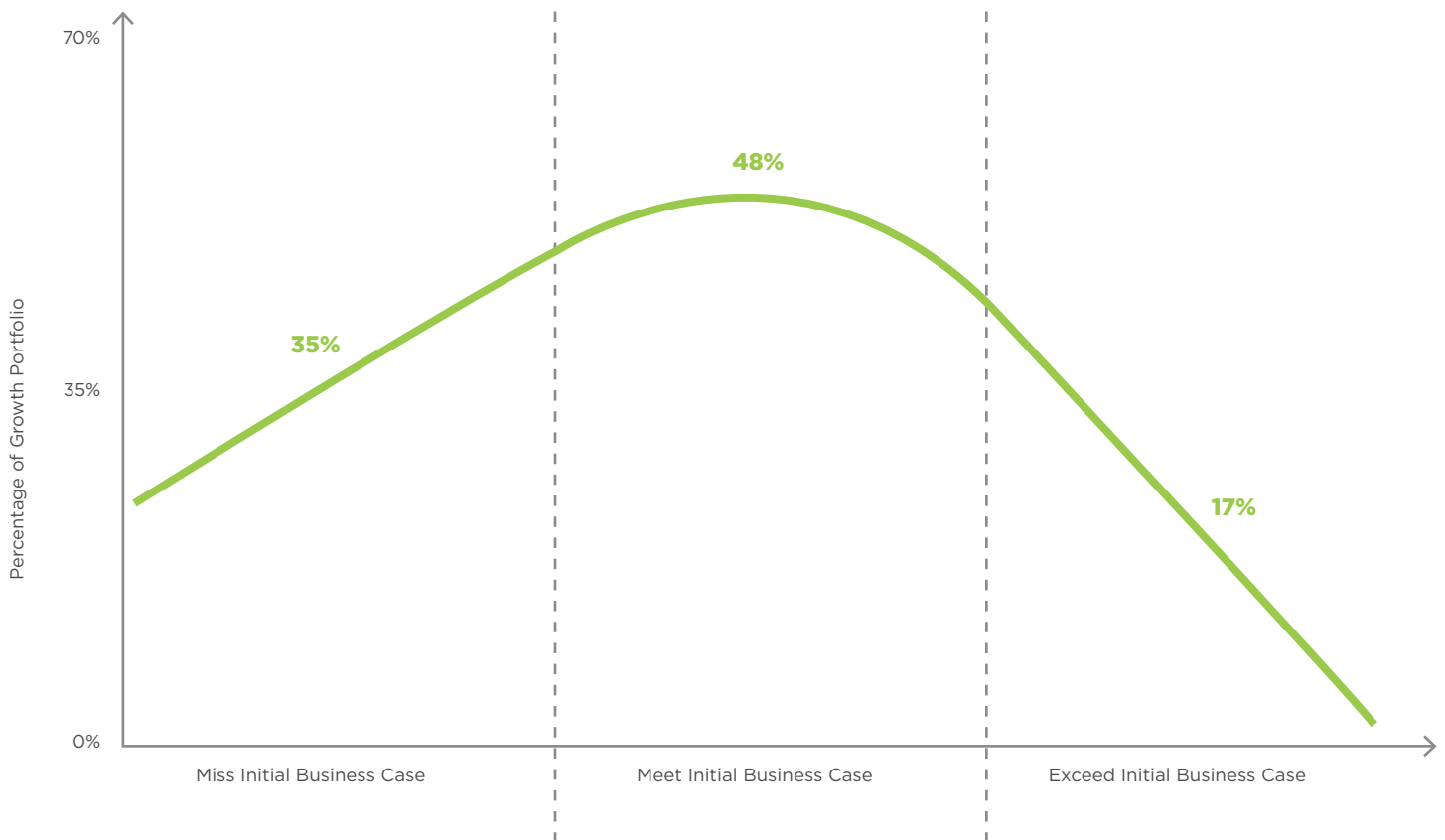
Falling Short of Expectations

Weak emerging markets, a strong dollar, regulatory uncertainty, and investor activism have combined to make three in every four management teams more risk averse. Yet the CFO's number one mandate remains Efficient Growth.

In response, CFOs are focused on driving outsized returns from their major growth investments—for example, launching a new brand or technology, or expanding production or customer service capacity. But selecting which bets to pursue and creating an environment where they can succeed is extremely difficult. Most investments miss on internal rate of return (IRR), leading the average company to sacrifice 200 basis points of growth each year. In fact, investments are approximately twice as likely to miss initial expectations as they are to exceed them.

Average Distribution of Growth Investment Performance

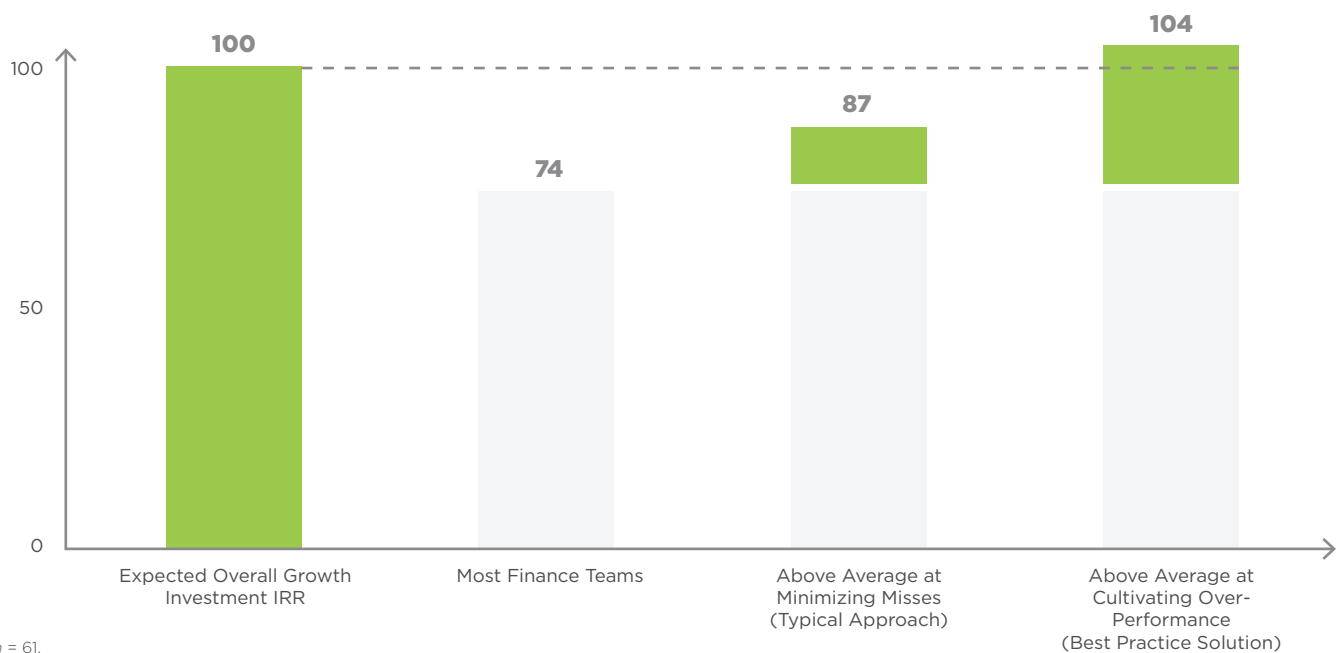
Percentage of Investments Missing, Meeting, and Exceeding Initial Business Case Expectation



n = 61.
Source: CEB analysis.

Overall Growth Investment Performance Relative to IRR Expectations

Indexed to 100



n = 61.

Source: CEB analysis.

A Broken Playbook

Most Finance teams try to minimize the number of investments that miss their initial expectations. In other words, they spend most of their time evaluating the upfront business case to make sure the organization bets on “the right horse(s)”.

However, even the companies that are above average at minimizing misses still sacrifice 100 basis points of growth each year.

What We Found: The Best Finance Teams Focus on Overperformance

Efficient Growers do not have a materially lower percent of failed investments: to realize the full potential of growth investments, they focus on creating an environment in which investments exceed expectations. They do this by:

- Identifying when funding should be adjusted,
- Reserving funds to boost attractive, in-progress investments, and
- Minimizing resource interdependencies between projects in the portfolio.

Achieve desired returns on growth investments by upgrading your approach:

- Make risk identification a bigger part of evaluating business cases; and
- Make funding for “likely to exceed” growth investments more flexible.



Move from Insight to Action

Close the growth investment return gap with these resources

- Identify How the Best Finance Teams Drive Efficient Growth
- Assess Readiness for an Economic Slowdown with This Checklist
- Seven Tactics for Better Capital Allocation



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