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Mastering Digital High Performance

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If you step into a pair of Nike sneakers or slip on one of the brand's shirts in the not too distant future, you will begin to appreciate what it means to be the customer of a truly digital company. Not only is the shoe and apparel maker applying data analytics in its labs, it is experimenting with 3D printing to manufacture products. And some of those digitalized products will themselves be embedded with sensors and other technology to deliver a differentiated consumer experience.

Nike is not a digitally native brand, but it is taking the right steps to become what Accenture terms a “Digital High Performer”—a company that is not just digital, but also delivers long-term financial gains as a result. To date, there are precious few companies that are turning their digital investments into sustained financial performance—just 6 percent, according to Accenture’s new research.

Accenture’s Digital Performance methodology gives leading companies the chance to benchmark the breadth and depth of their digital commitment against those of industry peers. But as Omar Abbosh, Chief Strategy Officer at Accenture, explains: “Being digital is not enough. Many companies are placing big bets on cloud, analytics, robotics and security technology, but most appear to be focusing on higher margins and efficiencies, not on new digital growth models.”

Accenture therefore also measures financial performance, and has discovered that only the aformentioned 6 percent of the 343 companies assessed to date are Digital High Performers. As a result of their focus on profitability and growth, investors are rewarding them more than so-called Digital Leaders—companies Accenture describes as committed to digital, but with little to show for it in terms of sustained financial outcomes.

What can the difference between these two groups of digital champions be put down to? On average, Digital High Performers have profitability scores 34 percent higher than

Digital Leaders on Accenture's Digital Performance Index. They also enjoy revenue growth scores that are 44 percent higher. Investors are rewarding them with strong confidence in their ability to deliver long-term value, giving them future value scores 48 percent higher than those of Digital Leaders.

Why is the difference so marked? "Digital High Performers are more likely to identify trapped value and unleash it in ways that drive growth," says Abbosh. Value may be trapped within a company's core business due to cultural barriers, he explains, or it may be trapped in the industry value chain as a result of high transaction costs and complexity of the networked business. In short, Digital High Performers focus on transforming their core businesses in order to pursue new growth opportunities.

Characteristics of Digital High Performers

Accenture found that the clear, disciplined focus on growth and transformation of Digital High Performers is most apparent in four areas:

Strategy Planning: They not only embed digital into their growth strategy, they also execute that strategy at speed, seeking opportunities in adjacent industries. For example, software-as-a-service company Salesforce launched a venture capital fund in 2014 devoted entirely to cloud-related activities. By mid-2015, it had made investments in nine companies that had grown into "unicorns," valued at more than $1 billion each.

Production and Delivery: As illustrated by Nike, Digital High Performers don't just use digital to transform the way they produce, but *what* they produce. Take industrial internet technology, for example, which can streamline manufacturing as well as generate new service-based revenues by exploiting data from products in the field.

Customer Experience: When a loyal customer of luxury retailer Burberry arrives at a store, they may be greeted by a sales assistant who knows their name and who can suggest relevant products, thanks to predictive analytics technology.

Organization and Culture: By creating more fluid and autonomous teams, Digital High Performers can reinvent their businesses. When Microsoft pivoted to mobile following its acquisition of Nokia in 2014, it set up its Windows and Devices unit, dedicated to integrating software and hardware offerings. This group also worked to build an ecosystem for "Windows as a Service" across devices; and Windows 10 was launched as a multi-device service in 2015.

The questions to ask

As CEOs consider their next steps, they would do well to assess the nature of their digital investments and the likelihood that these will lift not just the bottom line, but their top line. And they should be asking their leadership teams some hard questions about whether their structure, culture and operating models are positioned to take full advantage of digital strategies: Are we using technology to transform the nature of our products and services, or merely how we produce them? Are we seeking talent from disruptors and adjacent sectors or from traditional companies? Are we better off making smaller, more frequent investments and acquisitions or absorbing more significant entities? And are we doing so to become more experimental or to acquire market share?

As incumbents aim to emulate those who have pulled off both digital and financial success, Abbosh has a parting piece of advice: “Digital performance is not about being digital, but about being a high performer in the minds of customers, partners and, above all, shareholders.” And he suggests that in order to achieve superior financial outcomes, the largest investments should not necessarily be in new technologies themselves, but in the wholesale transformation of culture, operations and business models that will allow digital to bear fruit.