

The secrets to a successful digital transformation

What are the common factors found in companies whose digital strategies end up exceeding expectations? A 2020 study by Javier Zamora and Joan Enric Ricart uncovers eight answers that could help companies compete in the post-COVID-19 world.



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- **The application of artificial intelligence to advanced data analytics was an important differential for the companies that reported the most success in**

their digital transformations.

- **In companies with successful digital strategies, top management drove the transformation process.**
- **The methodology used by 85% of companies whose digital initiatives ended up exceeding their expectations was "value co-creation," which brings clients, employees and other stakeholders into the process.**

Wherever your company may have been on the journey toward digitalization earlier this year, chances are that COVID-19 has given it an unexpected push forward.

Professors [Javier Zamora](#) and [Joan Enric Ricart](#) have studied hundreds of companies with successful digital transformations in the Spanish market. The result is a [study](#), jointly produced with the Spanish IT Consultancy [Penteo](#), which identifies what those success stories have in common.

For successful companies, digital transformation is not narrowly focused on cutting costs, though that may be one of its outcomes. "Digital transformation should not be understood as a single project, but rather as a process of change," Zamora says. Goals should include achieving greater business agility and workplace productivity by increasing innovation and generating value through new business models.

Here are eight of the practices companies that are most satisfied with their digital transformation strategy have in common:

- **Initiatives lasting 1 to 3 years.** Most companies successfully complete their digital initiatives in the first and second year, although some take two to three years. There is a clear focus on quick-win initiatives, with a time horizon of a maximum of two years, which, for some companies may end up taking a bit longer.
- **Use of artificial intelligence.** The technologies that differentiate successful companies from the rest are the adoption of platforms, engaging with clients through social networks, and applying artificial intelligence to advanced information analytics.
- **Change in cost structures.** Companies with the most successful digital strategies are also those who report the largest changes in their cost structures, with technology helping to lower costs of serving clients.
- **Specific KPIs.** The most digitally savvy companies establish different and specific indicators for their emerging businesses. And the new KPIs need not always center around finances.

- **Leadership from above.** In all successful companies, top management drives and leads the transformation process. Only 7% of these companies acknowledge having hybrid structures, that is, they promote digital transformation separately from their day-to-day business operations.
- **New capabilities.** Virtually all companies need to incorporate new capabilities to support digital transformation. Among the three sources to do this -- internal training programs, strategic alliances and recruiting new talent -- the option of upskilling existing employees is preferred.
- **Cultural change.** Cultural change within a company is even more crucial than structural change. Companies must identify which practices will be most impacted by digitalization and work on those. "Most companies were not born digital. This is a reality, and in order to survive they must continue executing their current operations," says Zamora. "But at the same time they have to explore new business models."
- **Experimentation.** One of the methodologies most used by companies whose digital initiatives have exceeded their expectations is the search for value creation among customers, employees and suppliers, aka value co-creation. These companies also use twice as many experimentation practices such as A / B testing and hackathons.

After COVID-19

The report notes that the coronavirus crisis has highlighted the need for companies to prioritize digital transformation. Fuencisla Clemares, Google's country manager for Spain and Portugal, agrees. In a recent [online session](#) (in Spanish), she said that the crisis has driven home the need for strong digital components in all companies, so that they can pivot most quickly and easily in changing situations.

"I think the benefits (of digitalization) have been understood and without doubt it has gained importance on the agenda of boards of directors," she said. "I think we'll see even greater digital adoption going forward."

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This article is about the 2020 IESE-Pentecost study. For more about the 2022 IESE-Pentecost study, read "[Data, a critical asset for 94% of managers.](#)"

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