



iconyl

Return on investment:
the digital
transformation's
challenge

Digging deeper

July 2020



Objective of this document

In the previous issue we painted a broad picture of whole societies around the world accelerating their adoption of digital era practices because of Covid-19. We also noted that all available studies on the matter show that the vast majority of companies signal that they're just not seeing the return on investment they're were expecting on digital transformation projects.

This situation is alarming in a context where the economic downturn that came with the pandemic means companies have now less resources and thus even less margin for error on their path the digital transformation of their organisation.

The work we do with our clients and our dedicated monitoring of all developments in the field indicate that this important problem is too easily blamed on a lack of « digital skills » within companies. There are in fact two main causes to this lack of return on digital investments: The difficulty in identifying *the true scope of a digital investment* and the difficulty to systematically apply *digital age rules* within that scope.

In this document, we deal with the first cause: identifying the true scope of a digital investment. A few real life examples clearly demonstrate what is happening.

Investment without return – example n°1

A brand new, up-to-date website for a company active in the professional print market

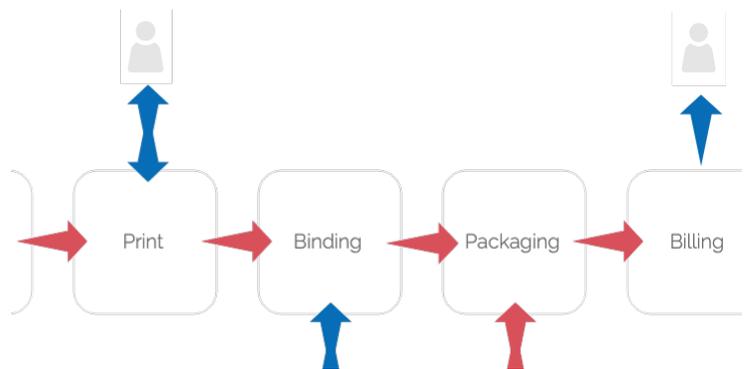
The initial ambition and the outcome

The company, a long established player in that industry, decides to invest in a brand new website that includes all features allowing for an optimal customer experience when ordering a print job. The investment has to improve client satisfaction and improve market share in an industry where competition is increasingly fierce.

Outcome: No sign of increased market share or improved customer satisfaction whatsoever following the implementation of the new website.

Cause of failure: Somewhere else in the organisation...

The progress of various production steps at each of the company's facilities are documented on paper for each order. Not a problem from a production management standpoint, but a big issue for clients ordering on the web: they are not being given any feedback on the status of their order unless they call. The overall client experience is not ok.



The investment seemed rational, BUT...

- If the company had had access to a comprehensive view of the digital transformation's impact on its organisation, it would only have invested in an updated website once its production monitoring system had been fully digitalized.
- Doing things in that order would have prevented the new website making a flop with customers as well as the associated financial impact. Investing first in digitalizing the follow-up of orders at production site was a required foundation for a fully functioning customer interface and would also have allowed to automate the billing process, a source of significant savings in this industry

Investment without return – example n°2

A shipowner invests in a new application that gathers data from all equipment and structures of its ships so as to optimize energy consumption

The initial ambition and the outcome

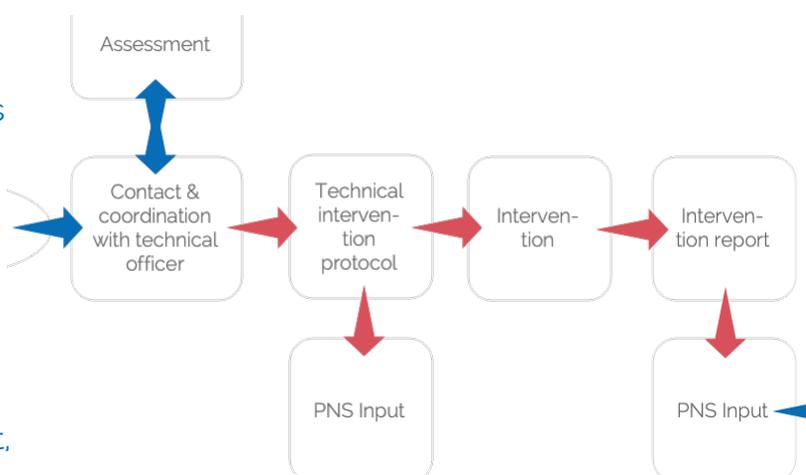
Gathering data on the ships themselves, their equipment as well their environment, the application's algorithms can provide insight into what actions should be taken to improve the overall efficiency of said ships.

Outcome: The substantial energy savings that were expected following the investment failed to materialize.

Cause of failure: Somewhere else in the organisation...

The regulatory framework requires that every intervention on a ship or its equipment be documented, and actions have to be signed-off by a technical expert who isn't on board

The resulting process is cumbersome, documented on paper first, and prevents frequent and timely interventions.



The investment seemed rational, BUT...

- The idea of getting real time information from all parts of a ship and transforming it into actionable insight to optimize the overall performance is enticing. Unfortunately, the operational reality aboard ship prevents the required interventions to take place with the required responsiveness.
- Having an overall view of the impact of digital transformation on a ship's operations would have highlighted the scope of a project that targets this kind of outcome.
- Digitalizing the process that enables interventions on ships first, and adding « smart modules » (IOT) on existing equipment would have brought direct benefits and created the required foundation for the application of algorithmic tools to the performance of the ships.

Investment without return – example n°3

A « suit* » that allows customers of a big player in clothing to take their own measurements very accurately from their homes and sent them back.

The initial ambition and the outcome

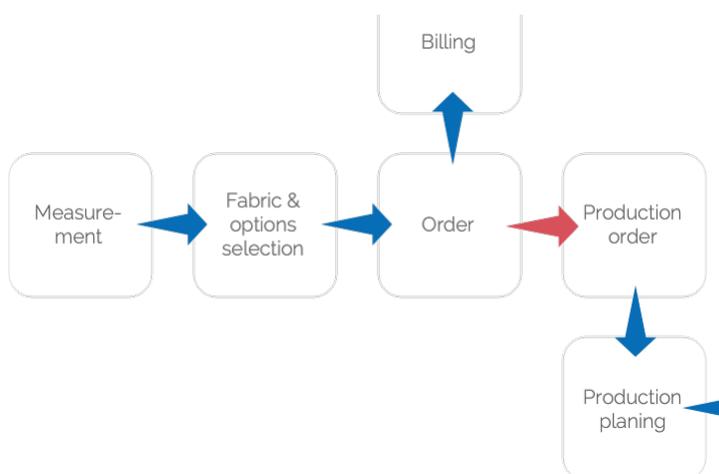
That « suit » was considered as a major step forward in that industry. Launching the suit and the corresponding mobile app, the company that already provides millions of customers with made-to-measure garments was possibly on the verge of revolutionizing the structure of its industry.

Outcome: Two years after its launch, the initiative was shelved. Reasons cited included slow adoption of the new measuring system and, most importantly, low customer satisfaction.

Cause of failure: Somewhere else in the organisation...

Enabling the capture of numerous and very accurate measurement points, the « suit » generates with its users the expectation of receiving full-blown bespoke garments.

However today, the production lines of industrial « made-to-measure » players can only operate on the basis of a limited number of data points. A portion of the data available cannot be made use of.



The investment seemed rational, BUT...

- It is probably the Marketing & Sales department that pushed for this investment to be made. By not taking into account the full scope of a project that aimed at providing the true bespoke experience to the masses, the people in charge caused not only significant financial losses but also big reputational damage to the company.
- This « suit* » and the app that goes with it would be a very useful tool for the companies that operate in the true bespoke market because their production set-up is organized so as to be able to integrate a large amount of data for each piece of garment to be produced.

*black full body suit carrying measuring spots that can be identified by smartphone

Investment without return – example n°4

An events organisation company invests in a planning tool to be used by all its departments

The initial ambition and the outcome

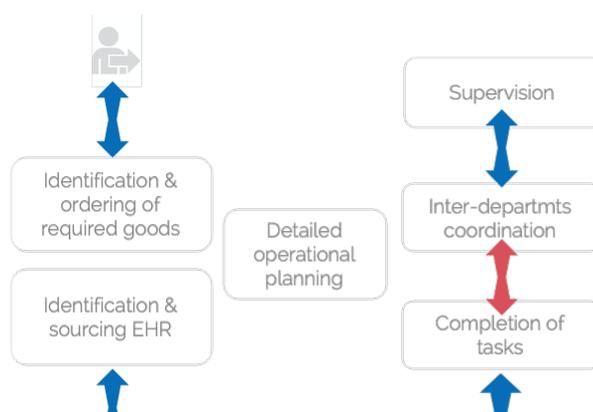
Each of the departments involved in complex and multidisciplinary activities of the company had its own planning tool. Making it impossible to have an overview. Investing in a shared planning tool that captures the data from every department opens the door to the search for increased productivity across the whole of the organisation.

Outcome: The investment and the implementation of the shared planning tool did not generate any productivity gain.

Cause of failure: Somewhere else in the organisation...

No information is captured during the set-up of events and while they happen. Coordination between the departments and within them happens « on the go ».

The link between the planning exercise and the reality of resources allocation on the ground can neither be measured nor established, let alone challenged.



The investment seemed rational, BUT...

- Having at one's disposal a planning tool that is used by all departments within the company can only be considered a plus. But for that tool to generate insights into where productivity can be improved across the board, information on the actual use of resources is a must.
- Investing first in solutions that allow data to be gathered on the ground during events preparation and as they take place (presence on the various locations linked to the event, type of task performed, etc.) would have generated immediate returns through better on the ground coordination, and that investment would have served as the basis for a more insightful planning process.

What these examples demonstrate

Four examples, four industries and four different types of investment. We could have added many more but the message seems to be clear enough already.

The main cause of these ill-timed investments is the difficulty to identify what exactly has to change within an organisation for it to actually deliver on the expected benefits from a digital investment: in other words, the trouble is the scope. Why?

1. Investing in a « solution » or a « system » is never the whole story.

Whatever the quality of the system being invested in, and even if it is well implemented, that system is only the most visible part of the changes that must be operated to ensure that the expected benefits actually materialize.

2. Digital transformation is not about progressive change, it's about adapting to a new paradigm.

Before the phenomenon called digital transformation happened, investing in one information system or another was about progressively improving the productivity of an organisation. Adapting to digital transformation is about something else altogether: aiming at another way of operating.

How, in that context, to ensure that investments are made in the right order and within the right scope, so as to ensure that expected benefits do not fail to materialize? The iconyl method was developed precisely to enable informed decision making at that level. Go to www.iconyl.ch to learn more.



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of your company.

www.iconyl.ch