

Digital Strategy for Business



Since its inception in the latter part of the 20th century, digital transformation has become an increasingly disruptive force for both good and ill in the global economy.

Overcoming the disruptions while leveraging the opportunities digital transformation has created requires more than luck or even skill; companies invested in long-term success in the digital age need a proactive and data-driven digital strategy for business.

By understanding the demands that come with digital transformation, and taking a closer look at how best-in-class organizations craft their own digital strategies, you can develop and implement your own business strategies and digital initiatives to harness the power and potential of digital innovation.

The Challenges of Developing a Digital Strategy for Business

It would be unfair to pretend digital transformation is impossible for businesses interested in pursuing it.

Startups, after all, are often digital natives, operating on new business models

and offering new products that heavily leverage emerging technologies and digital platforms.

In the fashion industry, for example, digital natives are hitting the ground running, challenging existing paradigms and leaving the old guard scrambling to catch up.

Incumbent firms are rising to the challenge as well.

Companies such as Capital One—which eagerly adopted artificial intelligence and analytics as part of its digital transformation efforts—and pharmacy giant CVS—which ramped up its digital initiatives in response to the COVID-19 pandemic and embraced integration with multiple platforms to enhance customer experience in its interactive apps—have proven themselves business leaders in the race for digital innovation.

So, yes, while it would indeed be unfair to overlook these and other digital transformation success stories, it's equally important to remember that digital transformation remains a significant challenge for businesses around the world.

This is especially true for incumbents whose manual, paper-based and analog business models are in danger of being left behind in the digital age.

These incumbents have far more resources at their disposal than startups do, including longevity, well established supply chains, global reach and scale, etc.

But these resources must be accompanied by a roadmap for implementing not just new technologies, but a fundamental shift in corporate culture, mindset, and, if necessary, business models to ensure the benefits of digital transformation can be fully leveraged.

Digital transformation is often accompanied by what the *Harvard Business Review* calls “Big Bang Disruption.” New products rapidly eclipse established ones; new companies quickly rise to replace less agile veterans. But more importantly, entire industries and markets are being created, destroyed, and replaced seemingly overnight.

Consider the casualties: streaming media blindsided Blockbuster into a blundering decline and eventual bankruptcy while Netflix (which began life in the digital space) continues to thrive.

Mastery of the photography space had the potential to catapult Kodak to the forefront of the field in the digital age but the company famously turned a golden opportunity into a cautionary tale—not because it failed to invest in new technologies, but because it didn't develop a workable digital business strategy or adjust its business model to meet the radically different demands imposed by a changing market.

Companies need a firm understanding of not just existing technologies, but the new technologies that will replace them, and the best ways to integrate these emerging technologies into their operations and business strategies in order to preserve or enhance their competitive advantage—or, in some cases, protect their business continuity.

For other businesses, the primary challenge may lie in trying to recover from a stalled digital transformation or, perhaps more frustratingly, finding themselves behind the curve because they never started in the first place.

Fortunately, digital transformation can be as modular as one's budget and goals allow, and so playing catch up isn't as difficult or costly as one might imagine.

Whatever the case, all organizations competing in today's complex global economy need a clear, strategic, and versatile plan for digital transformation.

Businesses who achieve lasting success in the digital age will not simply have an isolated "digital marketing strategy," but incorporate digital channels, technologies, and platforms into the DNA of their organizations to ensure competitive performance today and the agility to incorporate and leverage the new technologies and tools that will be available in years to come.

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Common Types of Digital Business Strategies

Back in 2017, the *Harvard Business Review* conducted a survey of 2,000 incumbent companies across major industries in countries around the world to determine what kind of return on investment (ROI) they were seeing on their digital initiatives.

While the average ROI hovered disappointingly somewhere below the 10% mark, best-in-class firms reported exceptional returns—an estimated eight percent higher than the average and *ten times higher* than the worst performers.

They used a range of strategies to do so, each defined by HBR as either *offensive* (targeting new demand, new suppliers, or new business models) or *defensive* (focused on enhancing existing capabilities).

Let's take a closer look at each type and how companies are using them as part of their digital transformation efforts:

• Platform Integration (Offensive)

HBR found a full third of firms leveraged digital platforms to help harness network effects (i.e., increasing value by increasing the number of participants in a given process), clarify and strengthen their value chains, and increase interaction with both suppliers and customers. Platform integration can be as simple as providing logins through social media accounts such as Facebook or Twitter or as complex as opening an internal digital platform to customers and suppliers to enhance efficiency and develop new opportunities for profit and market share.

• New Marginal Supply (Offensive)

13% of those responding to HBR's survey used digital technology to draw on formerly unreachable supply sources at minimal cost—often alongside platform integration initiatives. Ikea, for example, created a platform where people can resell their old furniture to the company, who then offers it to other customers in their Bargain Section.

▪ **Digital Products and Services (Offensive)**

Just over half (55%) of survey respondents said they were adding digital features to existing products or developing new, digital-based products and services to meet demand. Nike's self-lacing shoes and Amazon's Amazon Web Services are just two examples of companies innovating with digital technology as part of their evolving business model.

▪ **Customization and Repackaging (Defensive)**

Build-a-bundle digital services from entertainment providers and customizable reading or listening lists were part of a successful digital strategy for 60% of HBR's respondents.

▪ **Distribution via Digital Channels (Defensive)**

Adding digital distribution channels to increase market penetration, enhance user experience, and capture new customers was part of the digital plan for nearly 60% of survey respondents.

▪ **Improved Cost Efficiency (Defensive)**

Harnessing the power of digital technologies such as artificial intelligence, analytics, and automation was a major priority for nearly half the companies surveyed. Researching and integrating a centralized procurement platform such as PLANERGY, for example, would help companies achieve immediate cost savings and gains to efficiency, accuracy, and transparency while incorporating long-term strategic value through more actionable insights and better financial planning.

Hallmarks of a Successful Digital Strategy

Given the wide array of discrete challenges faced by companies in different industries, no one digital strategy will prove to be successful for every organization.

But a 2019 survey conducted by research firm McKinsey and Company found

companies who've crafted a successful digital strategy share certain commonalities, including:

- Strong ambition and a focus on agility in both digital initiatives and overall business processes in order to capture competitive gains associated with being first movers and create a culture of adaptivity and resilience.
- Heavy investment in cultivating and deploying digital talent.
- Openness to, and understanding of, digital platforms that can be used to expand their reach, develop new products, and leverage new business models.
- Targeted use of digital M&A to add or enhance operational and strategic capabilities.
- Adapt their business models, metrics, and organizational footing to more effectively meet challenges and measure their success at doing so.

Prioritizing Business Agility

In the digital age, agility is about more than just choosing the right tools or techniques; it's a mindset and, for successful businesses, a way of life.

Businesses dedicated to agility dedicate the resources required to get their entire team on board with digital transformation, trained in the tools and software that enable it, and collaborating proactively to support their companies' goals for not just digital transformation, but long-term growth and success regardless of what the future holds.

Investing in Digital Talent

From organizing and managing remote teams to recruiting digital natives well-versed in emerging technologies, finding digital-savvy talent is a key component of any effective digital strategy.

McKinsey found that business leaders in the digital space not only dedicated more resources to recruiting and retaining digital talent, but were twice as likely to reallocate these team members as needed in order to support organizational goals most effectively.

Digital talent also enhances efforts to shift corporate culture, secure stakeholder

buy-in, and flatten organizational structure to improve both responsiveness and resilience.

Integrating Existing Digital Platforms

Investing in a comprehensive digital procurement platform such as PLANERGY both eliminates the need to develop a solution internally *and* provides a digital foundation for integrating all of your software applications, from customer resource management (CRM) systems to accounting software to your existing enterprise resource planning (ERP) solution.

A fully integrated digital procurement platform is a powerful first step in achieving digital transformation success.

Companies as varied as Domino's Pizza and Armstrong World Industries have become leaders in the digital transformation game because they prioritized development and implementation of digital platforms internal and customer-facing processes.

Facing stagnating same-store sales, Starbucks developed and deployed its own mobile payment app, coupled with a digital loyalty program, and swiftly saw mobile sales climb to record heights.

Making Strategic Use of Digital M&A

Just like their more traditional counterparts, digital mergers and acquisitions bring new assets and benefits to the purchasing entity.

A strategic purchase or merger can give you access to technology, assets, and talent you need to shore up any inadequacies in your existing digital toolkit.

Research conducted by *The Harvard Business Review* in 2019 (and based on a global survey conducted by McKinsey & Company) found that more than a quarter of businesses surveyed have leveraged digital M&A since 2016, and up to 45% have done so in order to enhance their digital ecosystems by building proprietary platforms or connecting with those already available.

A full 55% said they rely on digital M&A to acquire business critical digital capabilities.

Acquiring additional or improved capabilities in this way can be a game changer, particularly for companies who need to catch up quickly or need a plug-and-play approach to digital change that can help them realize a significant ROI while simultaneously implementing the cultural and organizational changes needed to support long-term digital transformation and a shift to an agile business model.

Adapting, Innovating, and Pivoting

As they move to embrace agility and become nimble navigators of the digital age's shifting commercial seas, companies must understand that while they cannot direct the wind, they can (as Thomas S. Monson once said) adjust their sails.

Measuring the performance of digital initiatives—including moving to new business models—requires new metrics and a new perspective.

Leaving behind old benchmarks such as market share while focusing on value-centric metrics such as operational efficiency, total cost of ownership, and the impact of first-mover innovations is essential to establishing, measuring, and perpetuating success in the digital marketplace.

Build a Successful Digital Business Strategy Today to Thrive Tomorrow

The best digital strategy doesn't come out of a box. Nor is it one-size fits all.

Capturing the full value of digital transformation requires a carefully crafted digital strategy, investment in and dedication to mastering digital channels, tools, and platforms, and making digital change an intrinsic part of your overall business strategy for long-term success.

By exploring all your options, leveraging new technologies, and building a value chain that connects your digital transformation efforts to demonstrable improvements, you can ensure your business is ready for today's challenges and build a successful digital strategy that'll help you tackle whatever lies on the horizon.

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