

Hey! What's New? 2024-112

Bridging the Strategic Divide Between Technology Investment and Corporate Objectives

New research from BDO Canada reveals that leaders across all major Canadian industries are putting investment in digital priorities high on their agendas. In the firm's *Tectonic States* report, says an article on the firm's webpage, "81% of business leaders identified technology as the critical enabler of organizational strategy, and 84% asserted their survival hinged on accelerating technological innovation. For every dollar invested in technology, organizations could increase revenue by over \$18."

On the flip side, it adds, "we see that firms who aren't adequately prioritizing technology modernization find themselves at a competitive disadvantage relative to their peers. But how much is the right amount to invest?"

As the global push for digital transformation accelerates, budgets allocated to these digital initiatives are understandably increasing to accommodate the needs and requirements of these transformational efforts. BDO notes, however, that despite what may feel like enormous investments devoted to digital technology and modernization, businesses may be underestimating how high the competitive bar for digital investment has become."

According to the research, globally, 89% of large companies are undergoing a digital and AI transformation – and yet, they have only captured 31% of the expected revenue lift and 25% of expected cost savings from the effort. "Until business leaders align their budget allocations more closely with their overarching business goals and strategic objectives, they risk underutilizing the potential of digital and AI initiatives to drive meaningful outcomes."

The spend on digital transformation is expected to increase as technologies continue to redefine competitiveness across the market. BDO forecasts that, by 2026, global digital transformation spending will reach US\$3.4 trillion, up from US\$1.59 trillion in 2021. "This shows just how critical digital transformation is becoming. Individual organizations' success will come to depend more than ever on having the right strategic plans in place to recognize and capitalize on potential technological advantages, and ultimately to keep up with high-investment competitors."

As companies move along the digital maturity journey, they are better equipped to mitigate risk, create value and stimulate innovation, BDO points out. "Those that continue to rely on a legacy approach to digital strategy face, at best, an uncoordinated digital portfolio with unrealized synergies. At worst, your business could be hampered by competing investments with project teams working against each other to claim responsibility for any measurable improvements."

As many as 67% of the mid-sized firms BDO surveyed say they have been able to extract the expected return on investment (ROI) from the technology and automation investments they have made to date. On the other hand, a 2020 study from BCG found that only 30% of digital transformation initiatives actually meet their objectives.

“This contradiction underscores one of the most profound challenges facing leaders in managing their digital investment responsibly and productively: The lack of measurable, transparent, and appropriate program KPIs, aligned with longer-term strategic objectives of the business. This is just one of many pitfalls of impulsive investment.”

Like any compelling business strategy, advises BDO, digital investments must be linked to clear and ambitious targets, aligned to system-wide outcomes and planned according to their contribution to business performance. “Despite a company's determined efforts to entrench technology throughout its operations, our research shows that even a thoughtful digital portfolio isn't enough to guarantee success against the savviest competitors. Leaders need to also think critically about how they're measuring the success of those digital investments to ensure they're rewarding the right behaviours.”

For example, it says, “if your intention is to invest in technology to support the growth of your business, it's worth spending the time up front to ensure your project metrics are tied to real improvement in your company's leading growth indicators, which are likely not the revenue itself.”

Failure to carefully map your digital investments to strategic leading indicators, the report advises, “may result in auspicious initiatives that ultimately fail to move the needle or, maybe worse, discarding promising early-stage ideas before they've had a chance to translate into overt performance metrics.”

For more, see [Align technology strategy with business goals | BDO Canada](#).