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The 2020 State of Digital Transformation:

Benchmarking Digital Maturity in the COVID-19 Era

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Executive Summary

The first half of 2020 was filled with upheaval thanks to the onset of the COVID-19 crisis. Within weeks, organizations made drastic changes, like shifting employees to remote work and digitizing customer offerings. The digitization of organizations that was previously anticipated to take years happened in a matter of days.

With that as a backdrop, there is now more pressure for digital transformation to perform, in particular, to create digital capabilities that can be used to deliver on business transformations. Digital transformation and digital maturity must be understood through the lens of business focus, which in turn prioritizes investments and defines success.

In this report, we examine how organizations pursue digital transformation, viewing responses both holistically and through the lenses of digital maturity stage, industry, geography, and organization size — as these factors may affect initiative and investment priorities. The report makes a special effort to examine the impact of COVID-19 on digital transformation efforts. The digital maturity classification used in the report was created by benchmarking survey respondents across five areas that define customer-focused digital transformation: Leadership and culture, customer experience, marketing and sales, technology and innovation, and data and artificial intelligence.

This Overview section of our report has four major takeaways.

- Operations support, agility, and revenue are top priorities given COVID. The lead use cases are working from home (82%); digital marketing (78% investing to improve); digital selling (76% trying to close capability gaps); virtual product/service delivery (52%); and growth initiatives (37%).
- The more digitally mature the company, the more they are focused on responding to and taking advantage of the COVID crisis. The less digitally mature the company, the more they are working on implementing digital basics.
- Digitally mature companies are maintaining their strategic focus despite the pandemic; they focus on digitally-driven innovation, incorporating a new wave of technologies with an intensity that is outpacing the market.
- Leadership from CEOs and CIO/CTOs — supplemented by CDOs, Innovation Officers, and Boards — helps ensure firms chart and follow their digital transformation ambitions.

Accompanying this report is an online assessment of your digital maturity where you can benchmark yourself against organizations in your geography, size, and industry to gauge where you are on your digital transformation journey.

The Purpose of Digital Transformation

When organizations embark on a digital transformation journey, their ultimate goal is to increase the digital capabilities, skills, and processes of the organization against specific business objectives. We found that the transformation efforts companies engage in differ significantly depending on their digital maturity, as well as factors such as geography, industry, and organizational size. Therefore, for this report, we define digital transformation as:

The strategic adoption of digital technologies and practices that increases the digital maturity of the organization and improves its ability to execute business transformation for growth.

Organizations must make tough choices about where to focus their efforts and initiatives. Benchmarking where they are — their digital maturity — against where they need to be to achieve their business transformation goals is essential. To that end, Altimeter surveyed 628 global respondents in three regions to get a clear picture of the state of digital transformation: what's driving it; who's leading it; and what are organizations' top priorities and challenges.

Digital transformation has always been difficult, but 2020 brought the added disruption of COVID-19. In just a few short days and weeks, organizations had to pivot their operations, often with the help of digital technologies. We asked how COVID-19 had affected digital transformation when this research was fielded in April 2020. COVID-19 had already moved through China and was just peaking in EMEA and North America. The results represent a snapshot in time and reflect what to expect as COVID-19 continues to affect our world.

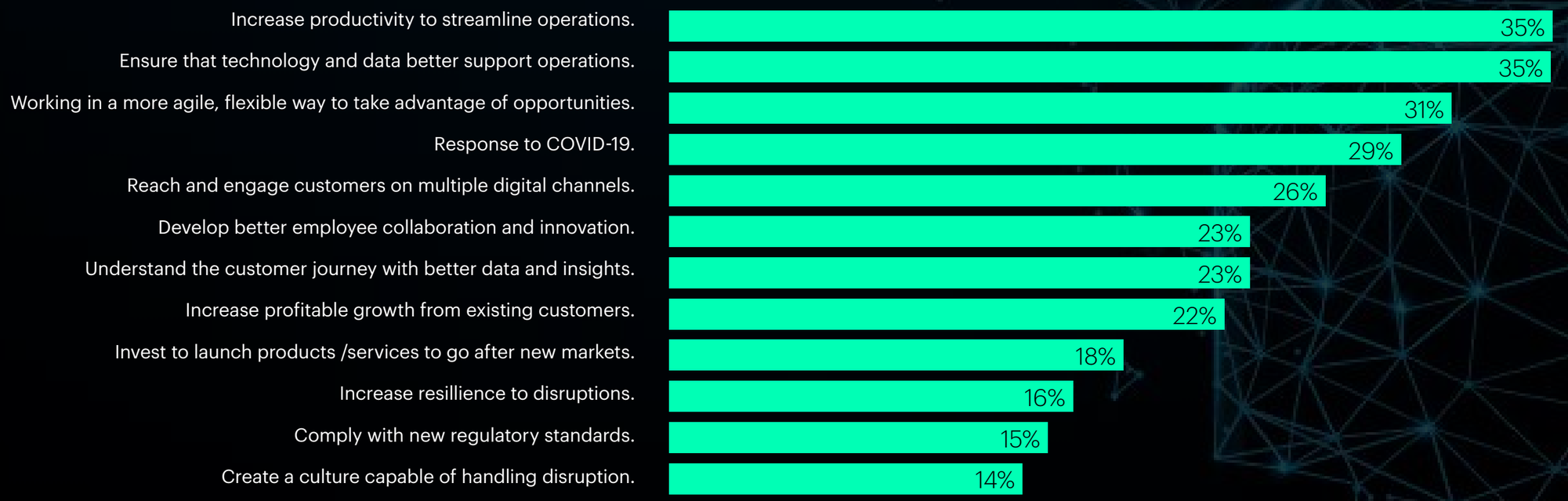
Top Drivers of Digital Transformation: Operations Support, Agility, and Revenue

One of the best ways to understand digital transformation is to look at the top drivers spurring it, as underlying business needs typically drive digitization. In 2019, the top driver for digital transformation was growth opportunities in new markets, with 51% of respondents sharing that it was one of the top three drivers. In 2020, the realities of operating in the midst of a pandemic and economic uncertainty meant that the top drivers shifted significantly to be operations-focused — 29% of respondents even said that responding to COVID-19 was a top driver (see Figure 1). These operations can be mission-critical: one leading use case was employee collaboration and innovation (23%).

Despite the pandemic, the use of digital to achieve externally focused business goals was on display, particularly with the current customer base. For 31% of respondents, a key driver is creating greater agility to take advantage of opportunities, in part because of the fleeting nature of growth opportunities in a volatile environment. At the next tier of responses, reaching and engaging customers, understanding the customer journey, and achieving profitable growth from existing customers all received mentions. So, the use of digital for revenue did not disappear, even if growth from new markets was diminished.

Figure 1: The Top Drivers of Digital Transformation

"What are the key drivers of digital transformation within your organization? Select up to three."



Base: 628 respondents

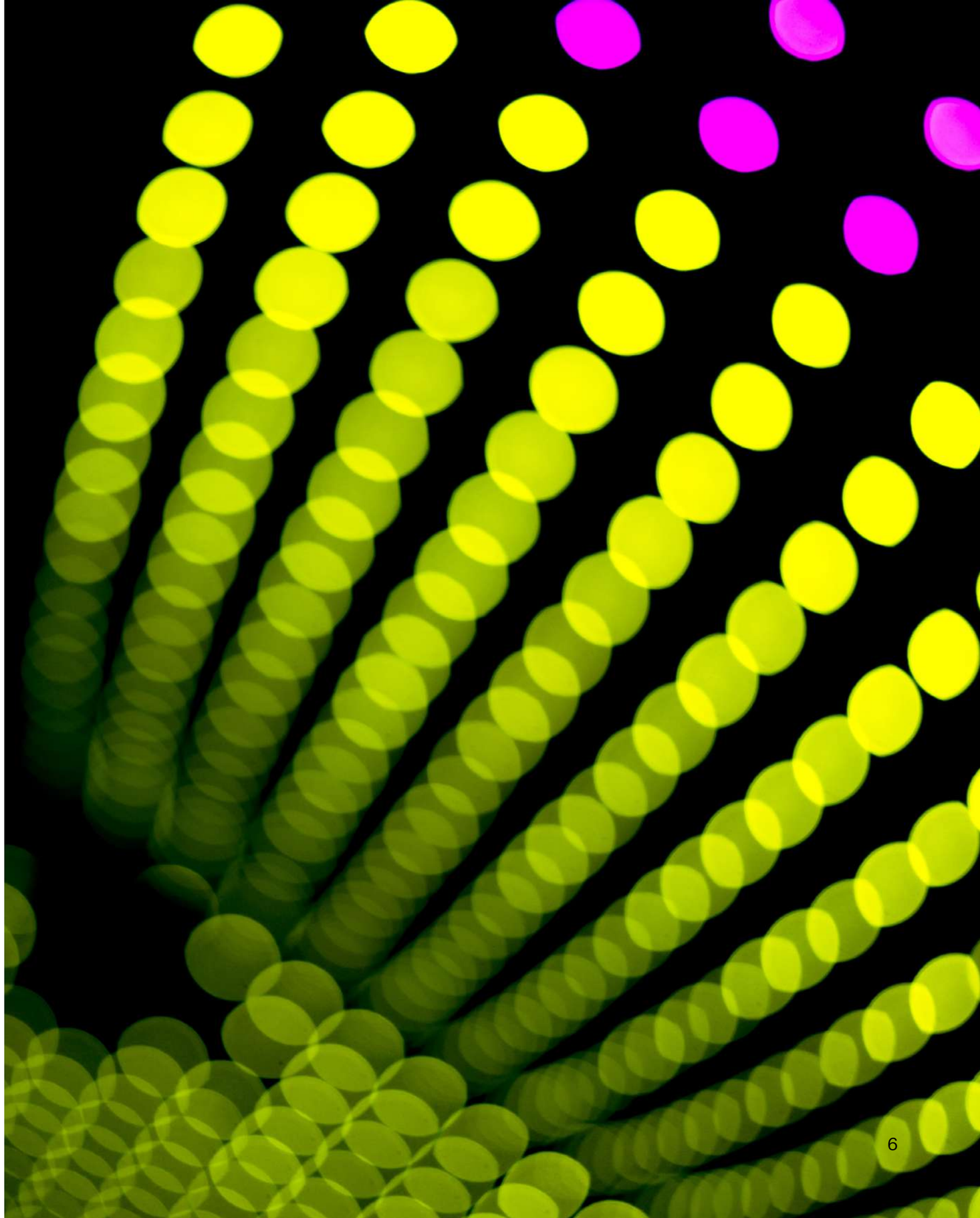
A more in-depth analysis shows that these drivers varied depending on digital maturity, geography, and industry:

- Retailers were much more likely to be focused on increasing profitable growth from existing customers (36%) and better understanding the customer journey (33%), which makes sense given shifts away from in-store shopping. These were not in the top five drivers of banking/finance, healthcare, and technology companies.

- Top drivers of digital transformation vary by region. North America's top transformation driver is increasing productivity and streamlining operations (41%), while working in a more agile way is most likely to drive European respondents' efforts (35%).

- Responding to COVID-19 is a top driver of digital transformation in every country except China, where it was the second-to-last driver with only 19% of respondents naming it as a top driver. In contrast, COVID-19 was the most frequently cited driver of digital transformation in Germany (40%), where business interruption was swift and widespread from the start of the crisis.

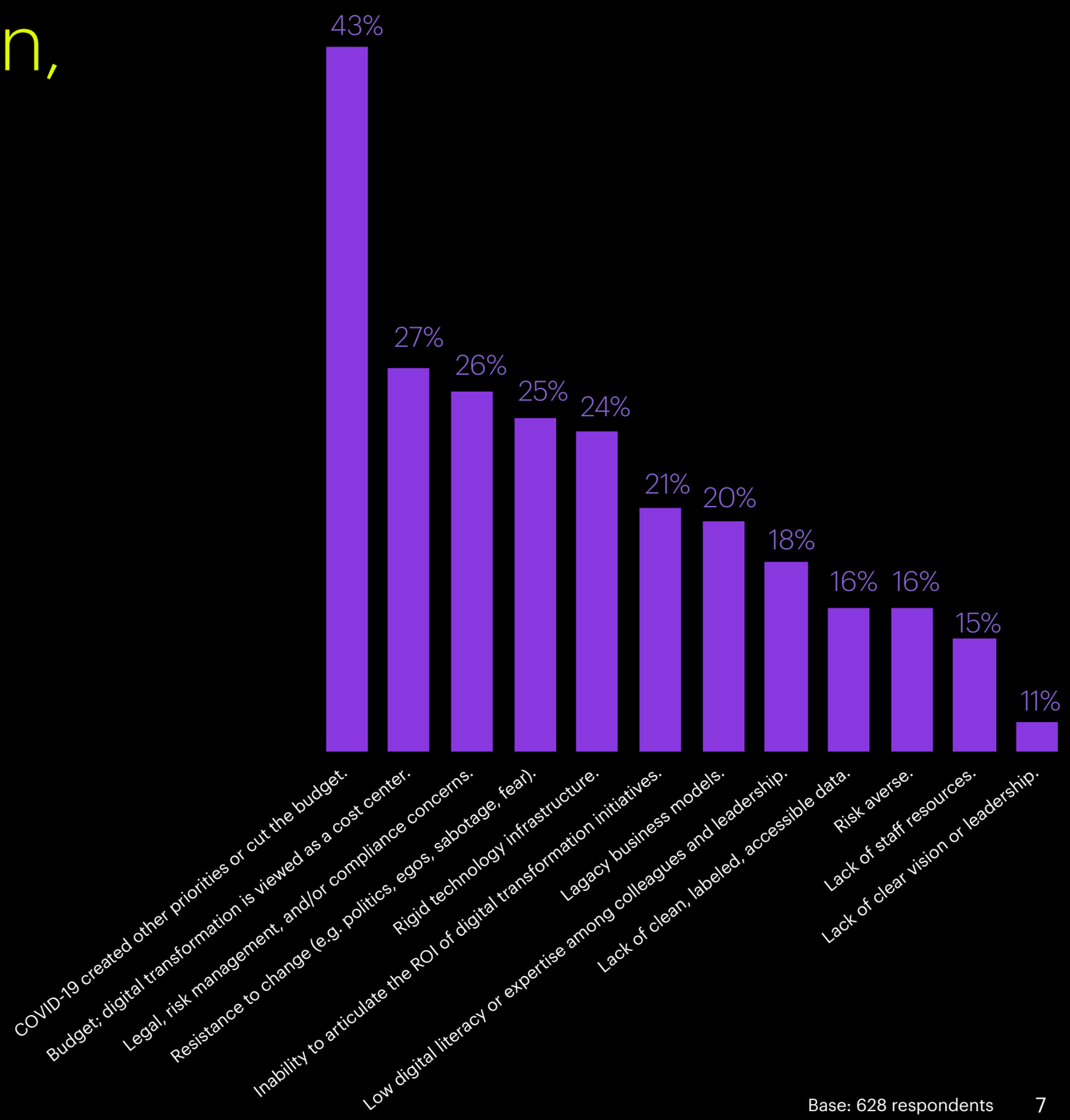
- In healthcare and retail organizations, digital transformation is much more likely to be driven by a desire to increase productivity or streamline operations, at 43% and 39%, respectively. In contrast, banking/finance and technology companies cited ensuring that technology and data better support operations as their top driver at — 40% and 37%, respectively — while only 23% of retailers cited this as a top driver.



COVID-19 Also Created the Biggest Challenges to Digital Transformation, Given Budget Cuts

Ironically, while the response to COVID-19 was a prime motivator and accelerator of digital transformation, the economic turmoil created by the pandemic was also the leading obstacle to progress. Forty-three percent of respondents say that the biggest challenge they face in their digital transformation efforts has been COVID-19 — the pandemic created other priorities for their organizations and often precipitated cuts to their digital transformation budgets (see Figure 2). But the global pandemic is not the only reason digital transformation efforts are hampered by low funding. A lack of budget, associated with the belief that digital transformation is a cost center, was cited by 27% of respondents, making it the second-highest obstacle organizations must overcome. The next four top challenges are all related to addressing and overcoming existing processes, legacy infrastructure, or status-quo mindsets.

Figure 2: The Top Challenges of Digital Transformation
"Please indiciate the most difficult challenges you or your organization come up against in digital transformation efforts. Select up to three."

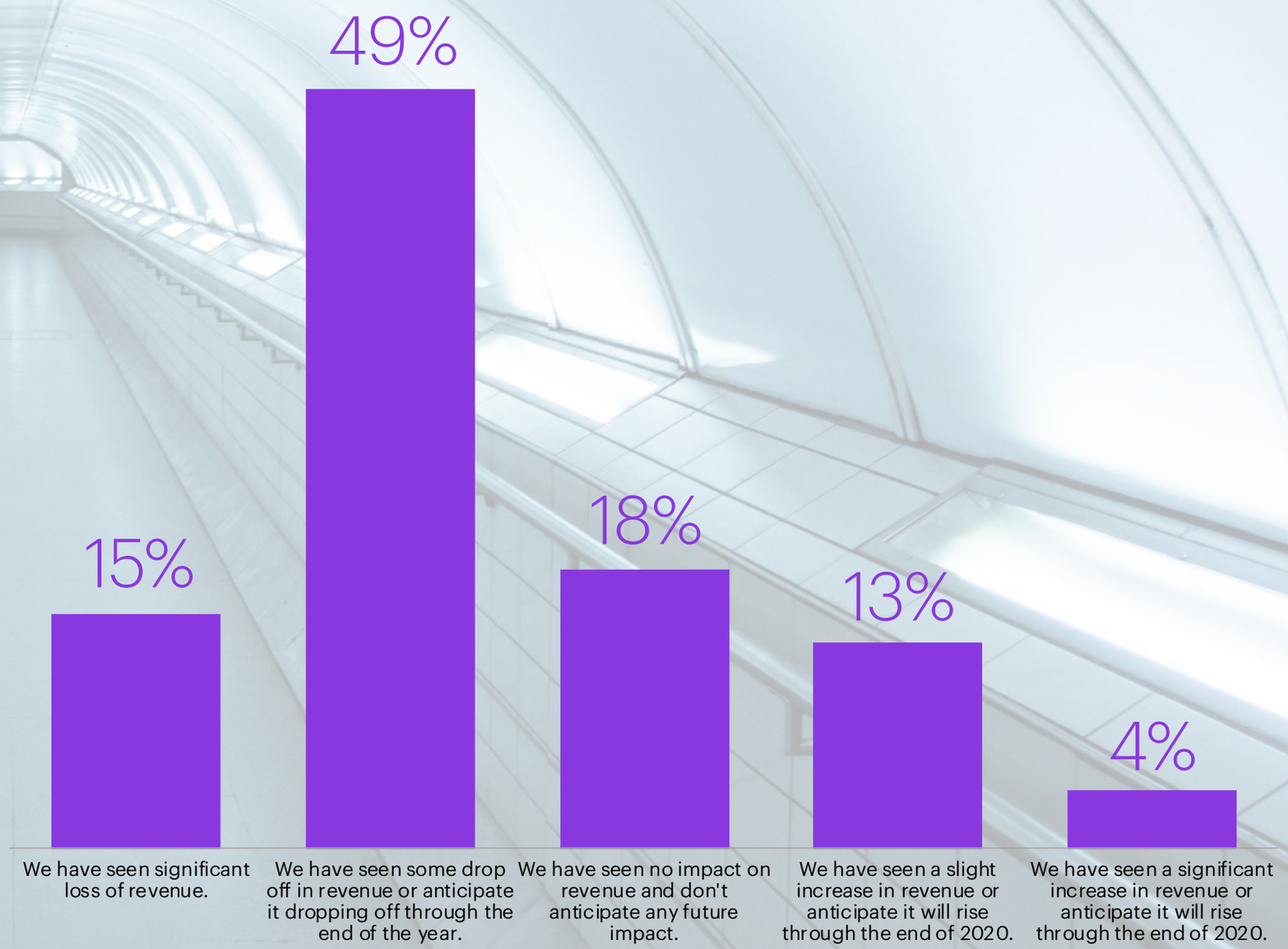


Base: 628 respondents

The challenges deemed most difficult vary by industry — retail and banking/finance were more likely to name COVID-19 as a top challenge, at 47% and 45%, respectively. A slightly lower 38% of healthcare saw COVID-19 as a digital transformation challenge, although the disease is disruptive in other ways to the industry. One big difference is that healthcare companies were significantly more likely to say that an inability to articulate the ROI of digital transformation is a challenge (28%).

The underlying economic drivers behind budget cuts are seen below. From a financial perspective, almost half of the respondents reported seeing or anticipating some drop off in revenue through the end of 2020 (see Figure 3).

Figure 3: The Impact of COVID-19 on Financial Performance
"What impact has COVID-19 had on your financial performance?"



Base: 628 respondents

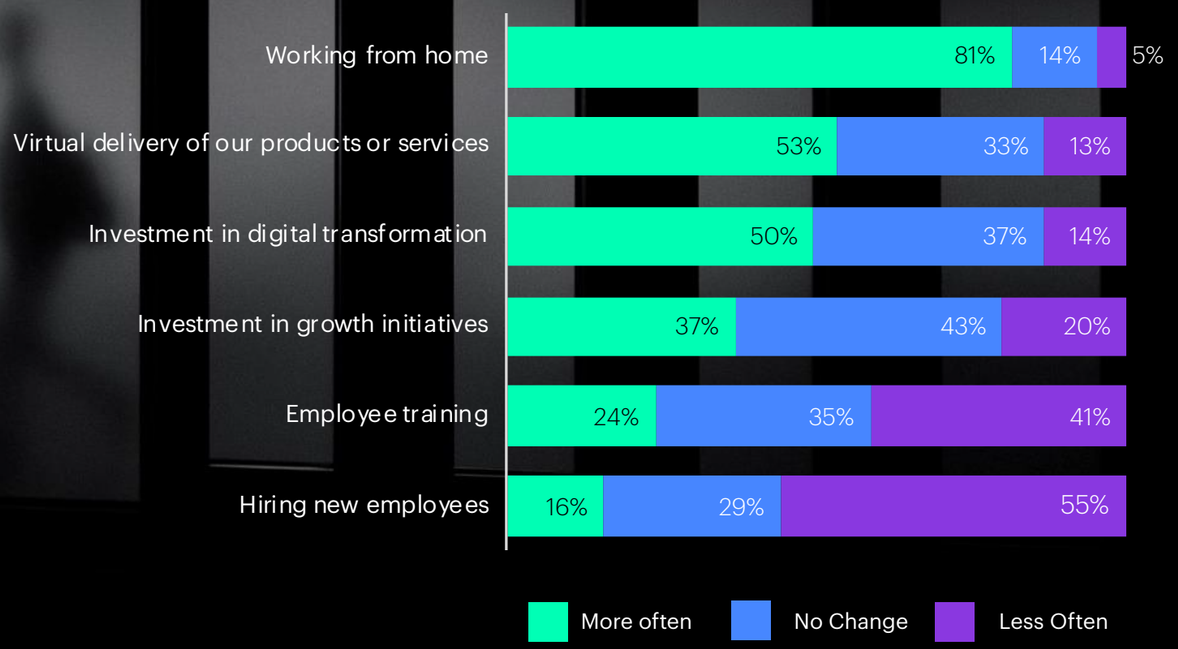
Support Operations Include Remote Work, Direct Delivery, Growth, Digital Marketing, and Selling

What kinds of "operations" do respondents say they are supporting through Digital Transformation during the pandemic? Several follow-on questions paint a portrait. They may reflect a temporary change or permanent shifts in digital behavior.

Since COVID-19 hit, 81% of respondents reported working from home more than before the pandemic. While our collective personal experiences may make this finding intuitive, we should not overlook the transformative impact on future digital behavior that may represent. Over half (53%) reported increasing their virtual delivery of products or services (see Figure 4). Notably, 62% of organizations in the U. S. reported increasing the virtual delivery of products.

In the face of COVID-19's threat to revenue, over a third (37%) of respondents reported increases in growth initiatives. Banking organizations are the most likely to make such investments (46% versus 37% for all respondents).

Figure 4: The Organizational Impact of COVID-19
"What impact has COVID-19 had on how much your organization is doing each of the following, compared to what you did before the crisis?"



Base: 628 respondents

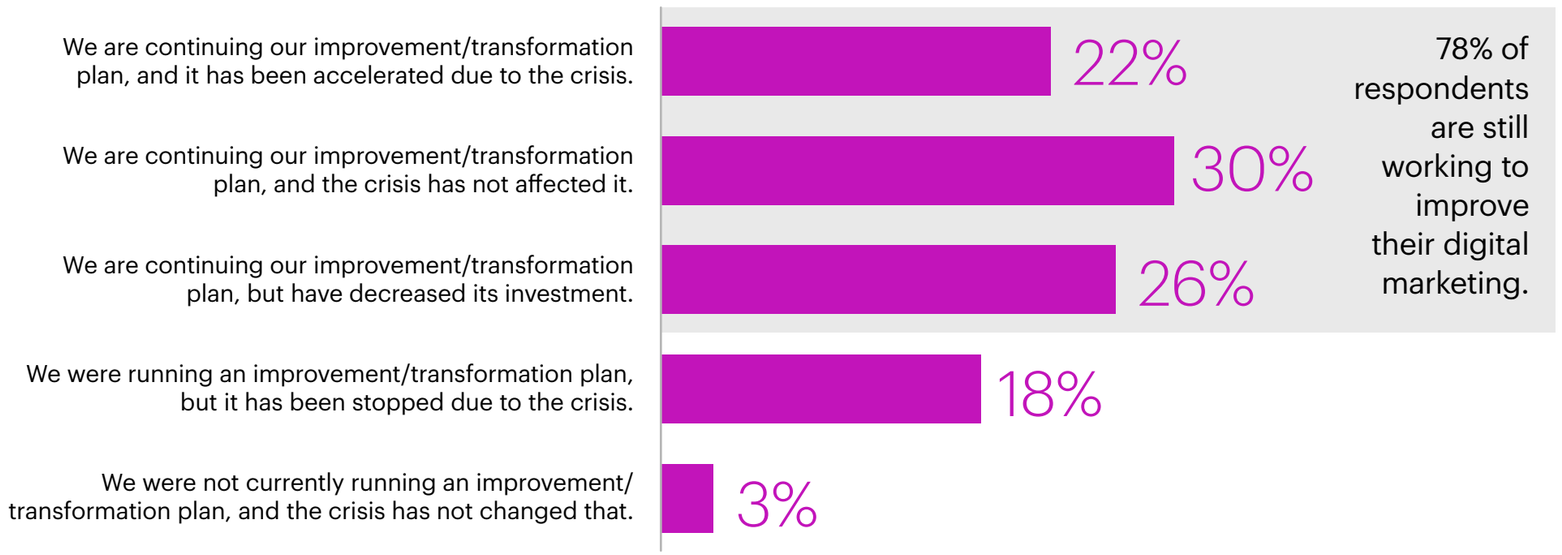
Marketing Transformation Plans are Continuing and Even Accelerating During the COVID-19 Pandemic

Many companies are continuing their digital transformation plans for their marketing operations unaffected by the COVID-19 pandemic (30%), and 22% are even accelerating their transformation programs (see Figure 5). Another 26% of companies are continuing their marketing digital transformation, but with decreased investment due to the pandemic, suggesting that they now have to do more with fewer resources.

The fact that a combined 78% of companies continue to work on digital marketing operations implies that as COVID-19 exposes digital-marketing maturity gaps, companies are evolving their technologies and practices to ensure they are capable of what have become mission-critical business competencies. It makes sense to accelerate the development of critical practices such as optimized web, mobile, and e-commerce channels, personalized digital outreach, and virtual selling; these are especially important in the absence of physical stores or in-person selling caused by the pandemic.

Figure 5: Digital Marketing Transformations Continue (or Accelerate) Amidst COVID-19

"What impact has the COVID-19 crisis had on your plans to improve or transform your marketing operations?"

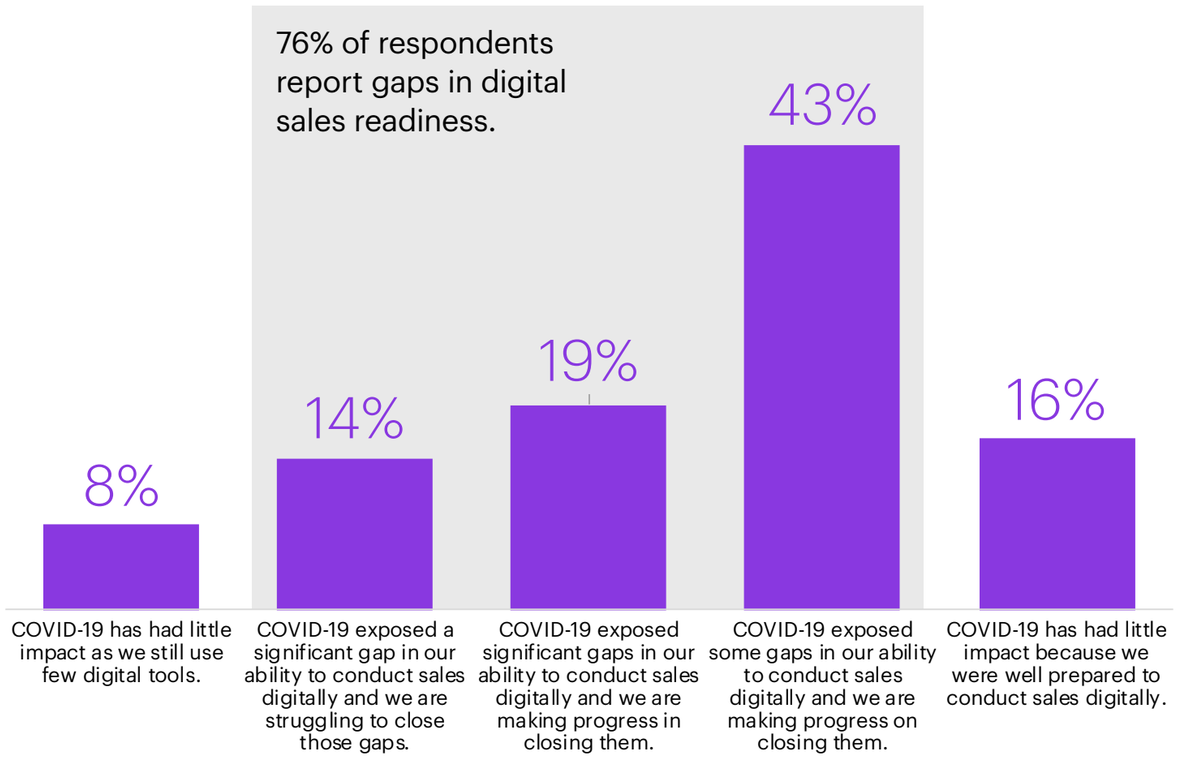


Base: 628 respondents

COVID-19 Exposes Significant Gaps in Digital Selling Capabilities

Similarly, 76% of respondents reported at least some gaps in digital-sales readiness due to COVID-19, and 33% found those gaps to be significant (see Figure 6). Those reporting significant gaps were less advanced in their digital transformation efforts overall. For example, among respondents at least four years into the implementation of digital transformation, only 5% reported significant gaps, while 20% of those one year or less into the process said the same.

Figure 6: COVID-19 Exposes Gaps in the Sales Process
"What has the impact of COVID-19 been on the use of digital tools to conduct sales with your clients?"



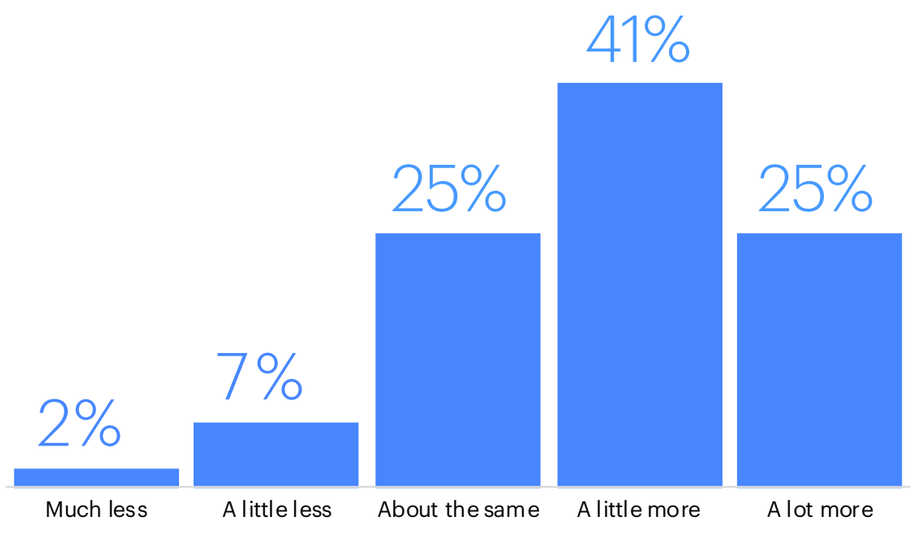
Base: 628 respondents

Data and Intelligent Technologies Grow In Importance Because of COVID-19

In the face of uncertainty, most companies (66%) are leveraging data and intelligent technologies for insight now more than they were before the COVID-19 pandemic (Figure 7.1). As most customer interactions have shifted online, insights about customer needs, behaviors, and preferences are now more generally available from digital sources, enabling insights into the organization (productivity, employee engagement, and sentiment), as well as into customers and consumers (behavior, sentiment, and trends).

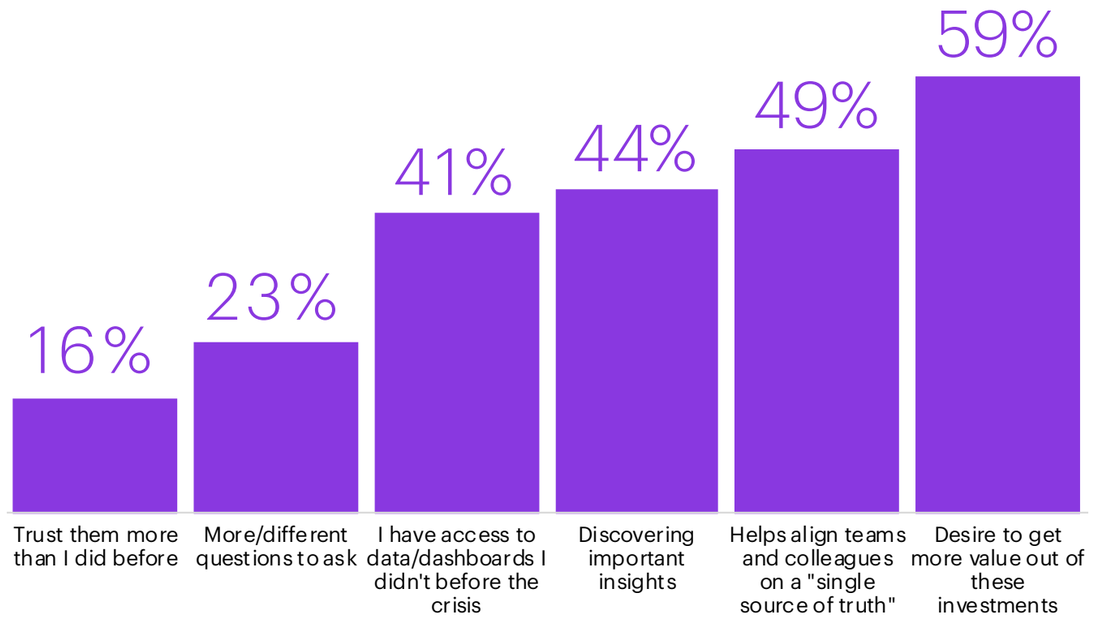
Of those who reported increasing their data use, 59% said they did so out of a desire to get more value from their investments while 49% said it helped their teams align around a "single source of truth" (see Figure 7.2). Interestingly, 41% of respondents said the reason they are relying on data and intelligent technologies more is that they now have access to data that they didn't before the crisis, mainly because many organizations "democratized" access to data and insights when they moved to virtual workplaces and distributed teams.

Figure 7.1:
Organizations Turning More to Data for Insight During COVID-19
"To what extent are you relying on data and intelligent technologies as a source of insight during the COVID-19 pandemic? Select up to three."



Base: 628 respondents

Figure 7.2:
Key Drivers for Increased Use of Data During COVID-19
"What would you say are the key drivers for increased use of data and intelligent technologies during this crisis? Select up to three."



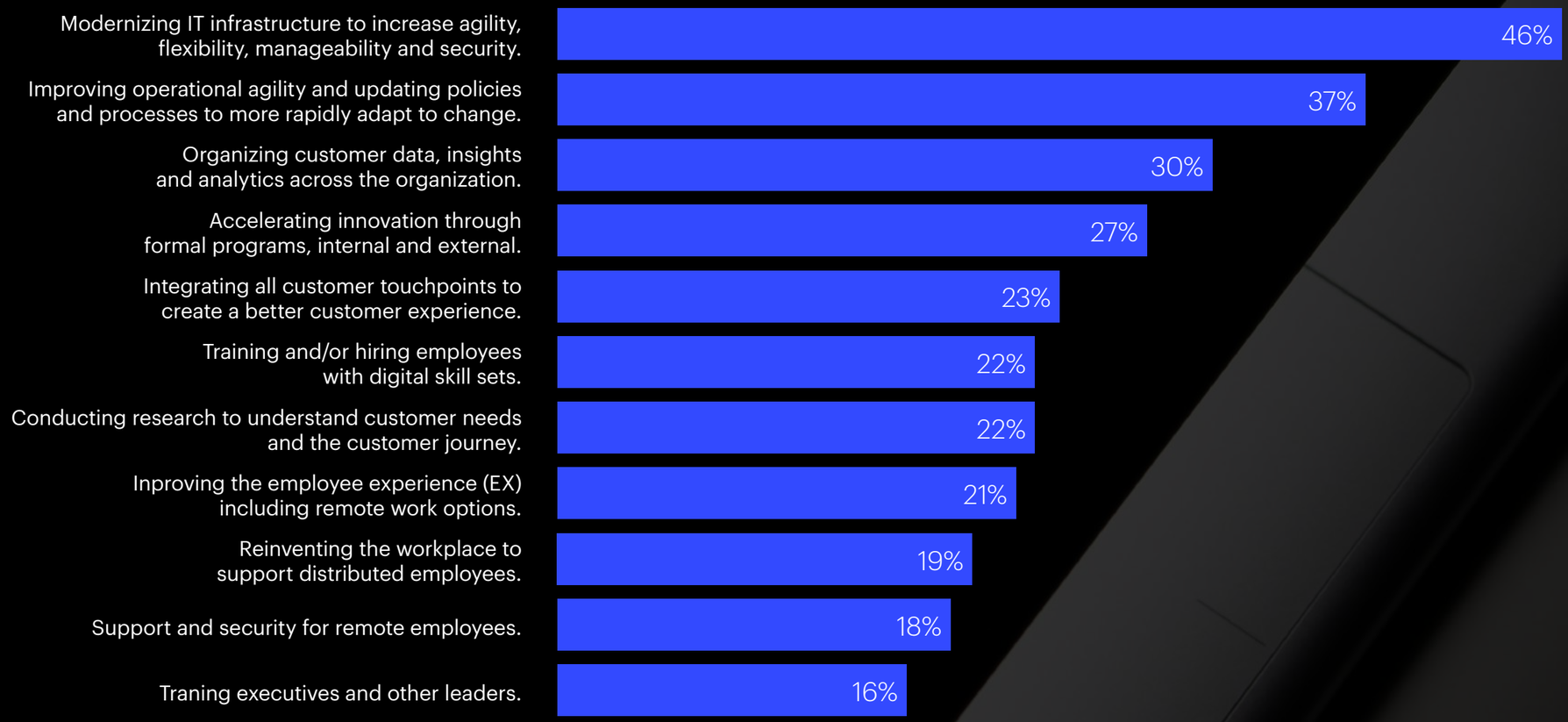
Base: 415 respondents who said they increased their reliance on data and intelligent technologies

Motivations, Current State Capabilities, and Budget Availability Netted Out to Digital Transformation Initiatives

The business-need-driven motivations described above led companies to focus on the digital transformation initiatives displayed below (see Figure 8). The net effect is company digital transformational initiatives centered around creating agility, flexibility, security, and accelerated innovation with better digital connections to the customer.

Figure 8: Digital Transformation Initiative Priorities Reflect Net Effect of COVID-19 & Strategic Motivations, Current State Capabilities, and Budget Limitations

"Which initiatives are most important to your digital transformation efforst? Select up to three."



Base: 628 respondents

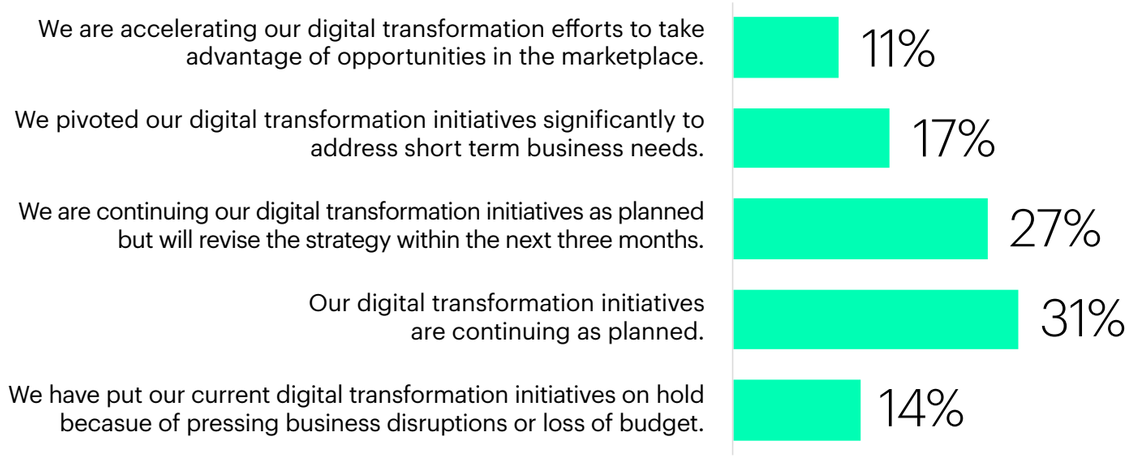
Digital Maturity Prepared Organizations To Respond to COVID-19 Versus Focusing On The Basics

One implication of the data shown above is that while digital transformation initiatives and their associated use cases are "bent" by COVID-19, there is ongoing attention paid to the strategic intent for digital transformation that companies had coming into the pandemic crisis. While COVID-19 has impacted every organization, not everyone is responding in the same way. Organizations that are further down the path of digital transformation had already laid the groundwork to be able to respond well to the pandemic — and also to take a more opportunistic approach compared to those who are still struggling to put in place basic digital capabilities.

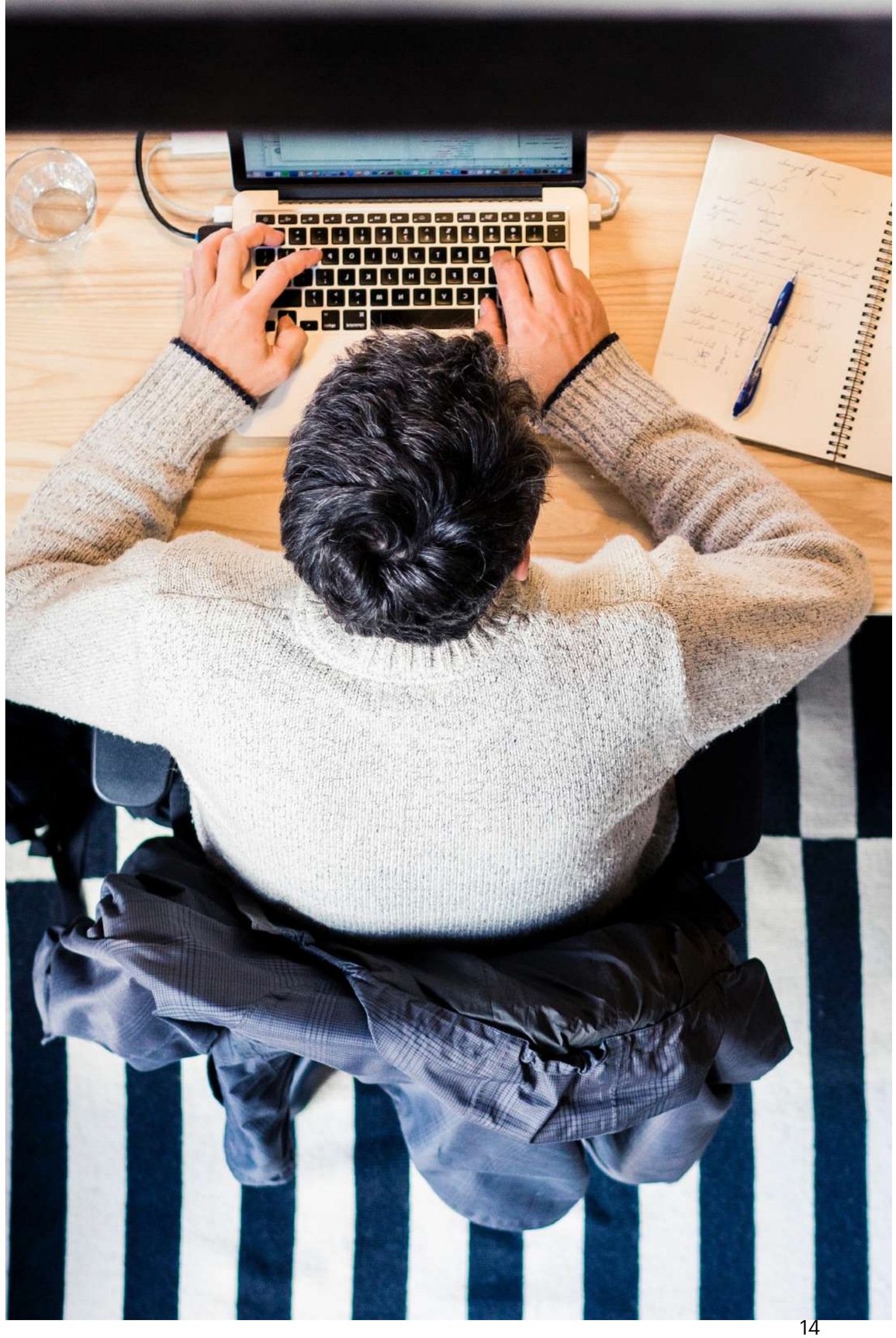
As an example, just 11% of all respondents indicate accelerating their efforts to take advantage of marketplace opportunities after the outbreak of COVID-19 (see Figure 9). But almost half (47%) of the most digitally-mature organizations are accelerating their digital transformation efforts. They recognize that disruption isn't a time to step back but to step forward — and these most advanced organizations have the confidence in their digital capabilities to believe they can capitalize on the situation.

Figure 9: Most Organizations Continued Digital Transformation Initiatives Despite the Spread of COVID-19

"How have your digital transformation initiatives shifted because of the spread of COVID-19?"



Base: 628 respondents



Another way to understand the impact of digital maturity is to look at the top drivers of digital transformation by maturity level. For digital leaders, the response to COVID-19 is the most cited driver of digital transformation, with 53% choosing it as one of their top three drivers versus only 28% of digital laggards (see Figure 10). For almost half (47%) of the digital laggards, the top priority is to increase productivity or streamline operations, compared to just 18% among digital leaders. This implies that most digital leaders had already moved beyond the operational component of digital transformation.

Figure 10: Digital Transformation Drivers Differ by Digital Maturity

	Digital Leaders	Digital Laggards
Response to COVID-19	**53%**	**28%**
Ensure that technology and data better support operations.	**37%**	**28%**
Work in a more agile, flexible way to take advantage of opportunities.	**31%**	**22%**
Increase productivity or streamline operations.	**18%**	**47%**

Base: 628 respondents

The topic of digital maturity brings us to issues that move beyond the response to COVID-19. Digital maturity accounted for the greatest variance in overall digital transformation efforts, even more so than geography, organizational size, or industry. To better understand this, let's take a closer look at the components of digital maturity in the context of digital transformation.

The Five Stages of Digital Transformation Maturity

When Altimeter first introduced the Six Stages of Digital Transformation in 2016, most organizations were still just beginning to dip their toes into the digital space. As an indication of how quickly thing have changed, artificial intelligence wasn't even mentioned in that report! Since then, we've seen many organizations move swiftly to transform their businesses, and AI is quickly becoming a core competency for many of them.

Based on our organizational research, we can measure and benchmark the stage of digital maturity of organizations, which is the result of their digital transformation efforts. After all, digital transformation is the process, but digital maturity and the associated digital capabilities to support business outcomes is the ultimate goal.

Altimeter's approach has always been to look at digital transformation through the lens of the customer, as the adoption and acceptance of technology by customers is the driving force for digitization. Furthermore, customer-facing digital capabilities are key to driving accelerated growth, another Altimeter focus. Because customers never stay where they are, the process of transformation continues on, even at the highest stages of maturity.

The following digital maturity scores were determined by evaluating the adoption of digital practices across five areas: Leadership and culture, customer experience, marketing and sales, technology and innovation, and data and artificial intelligence. We assessed a total of 26 different criteria, assigning scores ranging from 1 (lowest level of maturity) to 5 (highest level of maturity) to arrive at average scores in each of these areas, culminating in an overall digital maturity score for each respondent.

To understand the impact of overall digital transformation maturity, we grouped all of the respondents into one of five stages of digital transformation based on their maturity scores (see Figure 11).

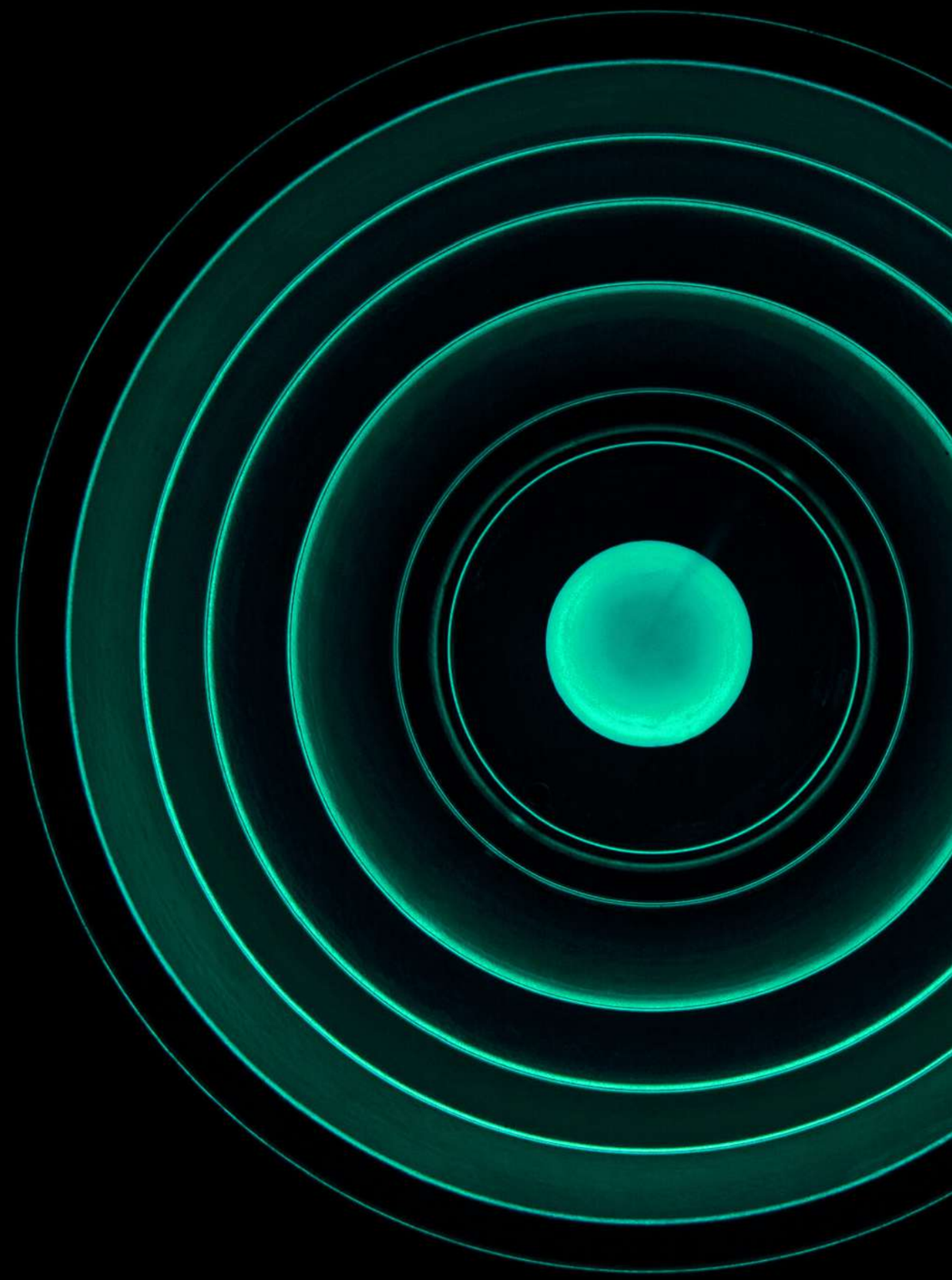
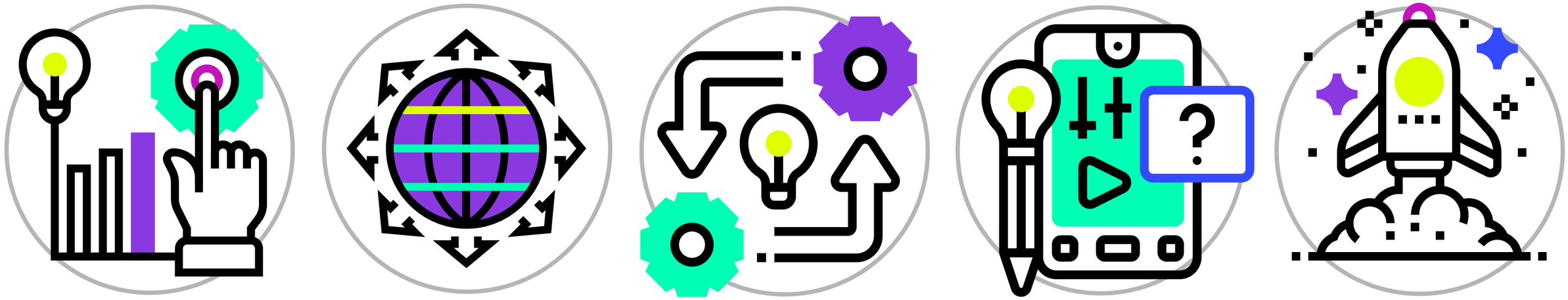


Fig 11: The Five Stages of Digital Transformation Maturity



Stage 1: Making the Case

In this stage, companies are dipping their toes into digital transformation. They engage in early customer-facing experiments to help make the case for greater investment in digital platforms.

Stage 2: Developing Foundations

Companies lay the foundation for more comprehensive digital transformation by seeking to understand customer journeys and improving the digital skills of employees. Early experiments start to map digital processes and successes gain traction and funding.

Stage 3: Building Operations

Companies start digitizing their operations at scale. The block and tackle of modernizing platforms and processes happens at a departmental stage.

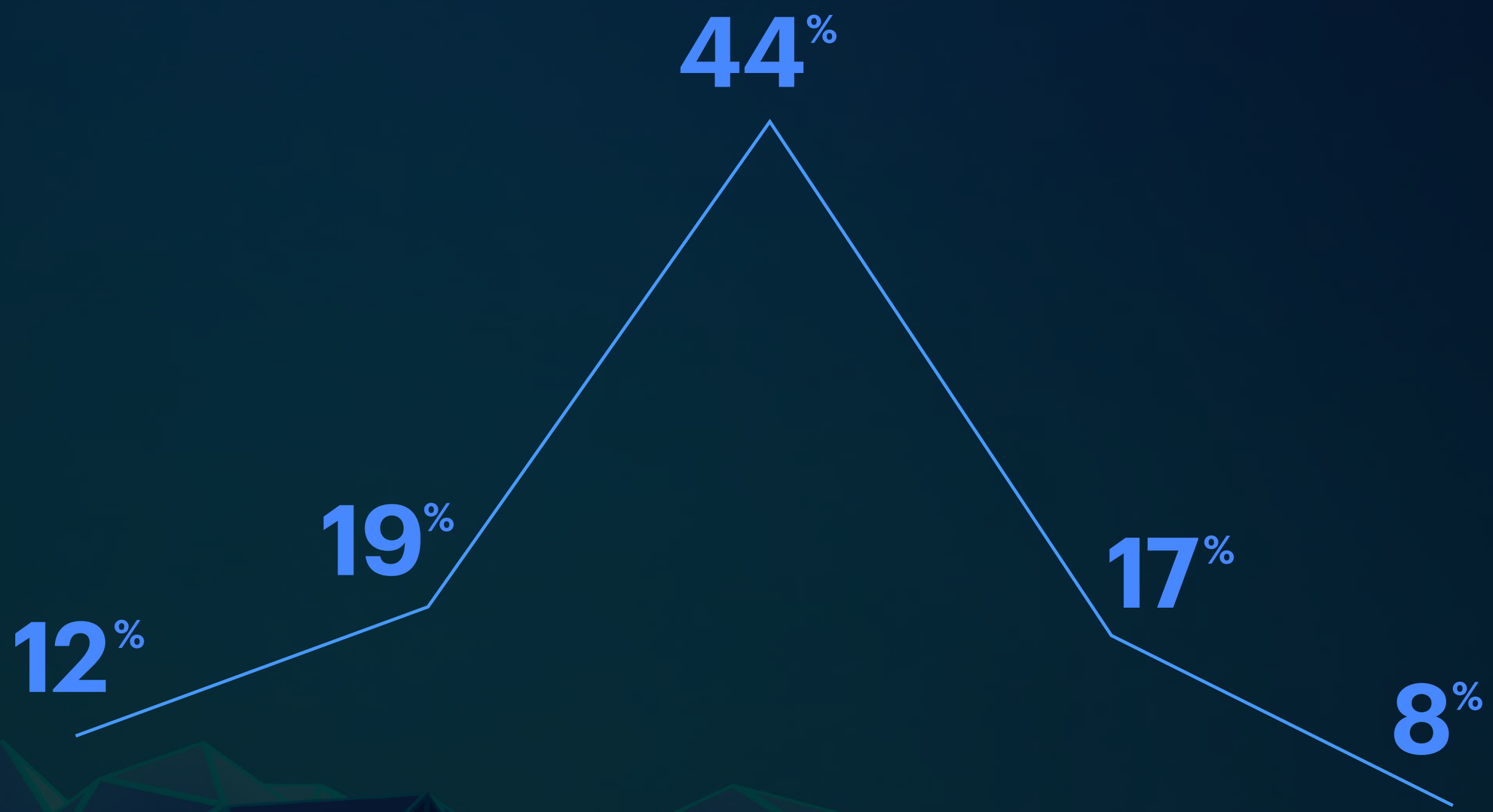
Stage 4: Integrating Platforms

Having digitized operations, the focus turns to integrating them so that data can be used more strategically across the organization.

Stage 5: Optimizing for Growth

Having laid a strong digital foundation, the focus turns to leveraging data and AI to create great customer experiences.

Fig 12: Digital Maturity Scores by Maturity Stages



Stage	Stage 1: Making the Case	Stage 2: Developing Foundations	Stage 3: Building Operations	Stage 4: Integrating Platforms	Stage 5: Optimizing for Growth
Average Digital Maturity Score*	2.17	2.77	3.5	4.24	4.83

Base: 628 respondents *1 (lowest level of maturity) to 5 (highest level of maturity)

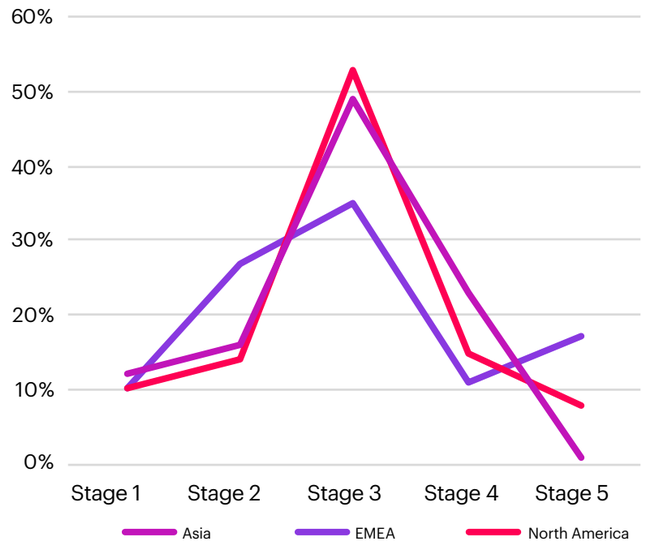
We found that market capabilities centered on a maturity score of 3.5 out of 5, with maturity bands that started an average of 2.17 and rose to an average of 4.83. When we examined the digital maturity data by geography, organizational size, type of organization, and industry, similar digital maturity curves emerged (see Figure 12). This indicates that there are digital leaders and laggards in every segment, and that the ability to execute on digital transformation isn't hampered by any intrinsic characteristics of the organization.

Our research uncovered some interesting insights on digital maturity by segment:

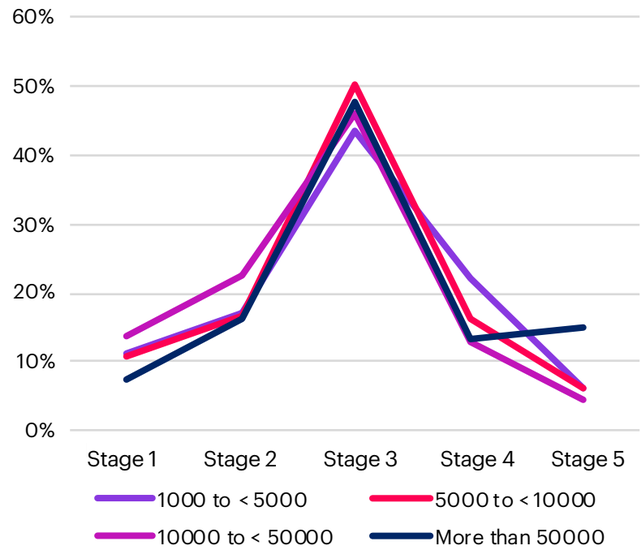
- EMEA-based organizations generally lag organizations in North America and Asia, although a higher number of EMEA firms versus North America benchmarked themselves at Stage 5 (17% compared to 8%) (see Figure 13.1).
- Organizations with over 50,000 employees are twice as likely to be at Stage 5 and make up more than half of the organizations in this maturity stage (see Figure 13.2). But in Stage 4, the smallest enterprises with 1,000 to 5,000 employees dominate, showing that size is not a predeterminant for digital maturity.
- B2B2C-type organizations are somewhat more mature than their B2B and B2C counterparts, particularly on integration, with 41% of B2B2C organizations performing at the top two stages (see Figure 13.3). The necessity of having to serve both B2B and B2C customers may mean that they have had to more evenly develop and integrate their digital capabilities on multiple dimensions.
- Organizations in the banking and finance industry are more present at Stage 5, with 18% of them in that stage (see Figure 13.4). But retail and technology industries have a strong presence in Stage 4. Healthcare is solidly in the middle stage, with 55% of organizations in Stage 3.

Figure 13: Digital Maturity Also Varies by Geography, Organizational Size, Type, and Industry

13.1



13.2



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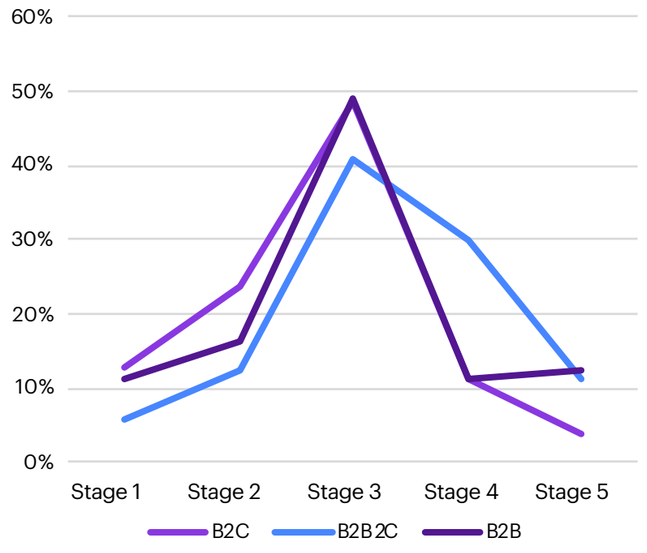
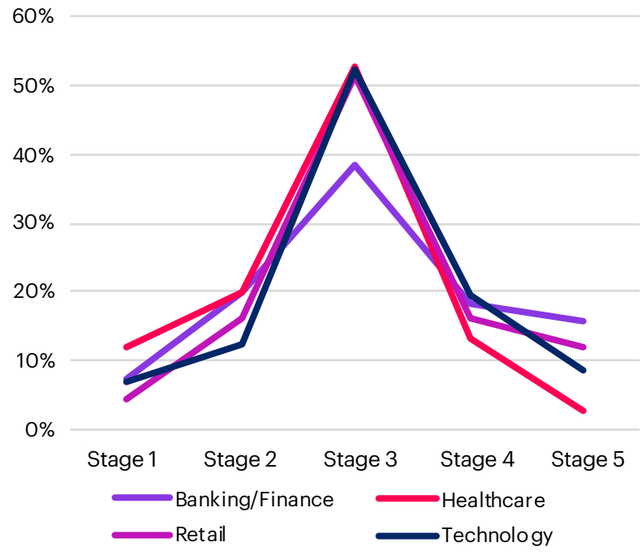


13.4



Base: 628 respondents

Top Digital Transformation Initiatives Vary By Maturity Stage

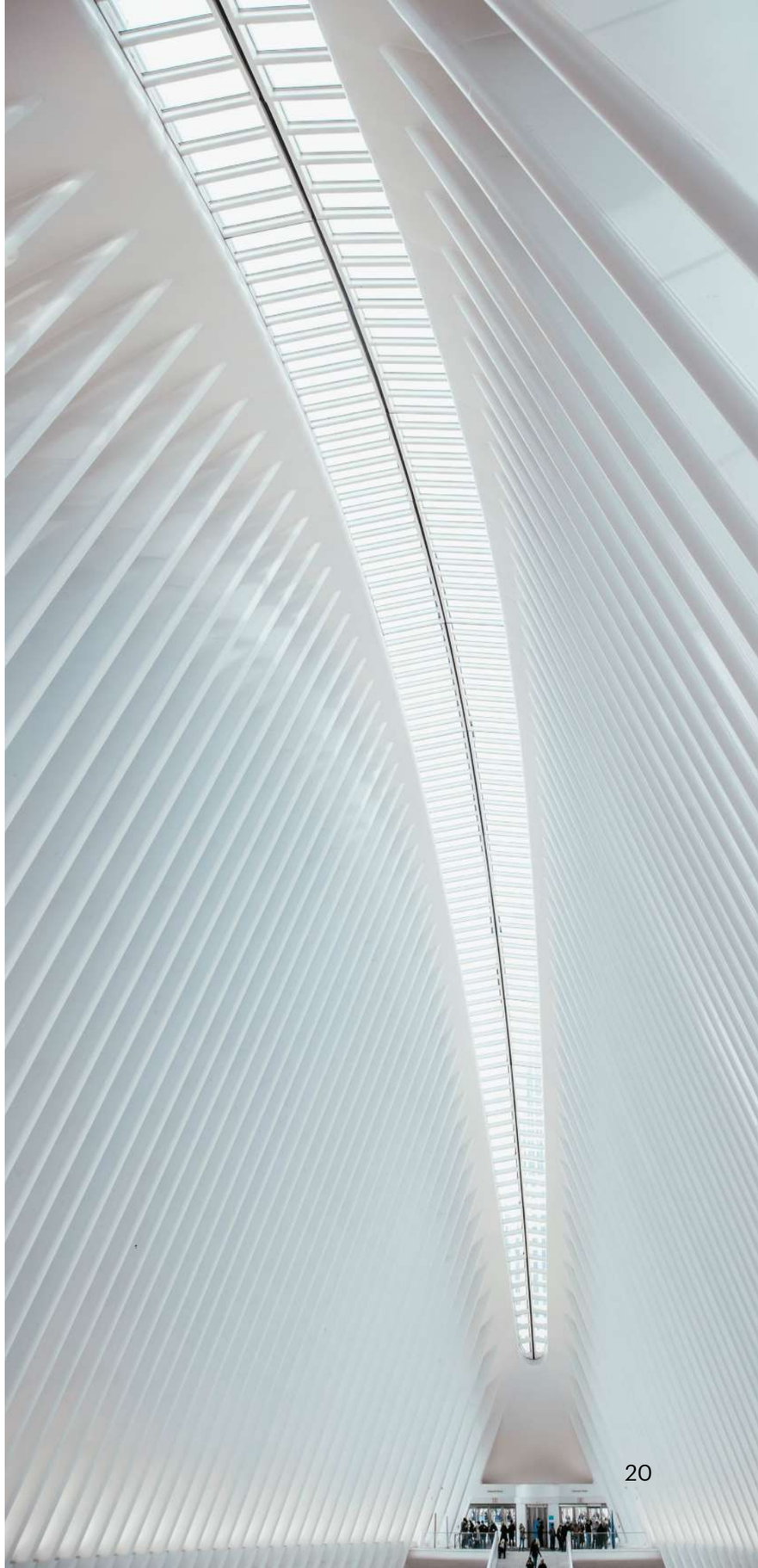
Looking at top initiatives from the perspective of digital maturity reveals nuances, especially when comparing the lowest and highest levels of digital maturity (see Figure 14). Organizations in Stage 4 prioritize modernizing IT at substantially higher levels (55%) than other organizations because of their focus on updating legacy platforms for better integration across the enterprise.

Stage 1 and Stage 2 organizations prioritize operational ability (41% and 32% respectively), especially around updating policies and processes. In comparison, organizations at Stage 5 of digital maturity indicate that accelerating innovation (39%) and integrating customer touchpoints (39%) are among their top initiatives.

Figure 14: The Top Five Digital Transformation Initiatives by Digital Maturity Stage

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Modernizing IT infrastructure to increase agility, flexibility, manageability and security.	42%	45%	44%	55%	43%
Improving operational agility and updating policies and processes to more rapidly adapt to change.	41%	32%	40%	38%	27%
Organizing customer data, insights, and analytics across the organization.	27%	28%	32%	31%	27%
Accelerating innovation through formal programs, internal and external.	28%	20%	27%	25%	39%
Integrating all customer touchpoints to create a better customer experience.	20%	19%	22%	25%	39%

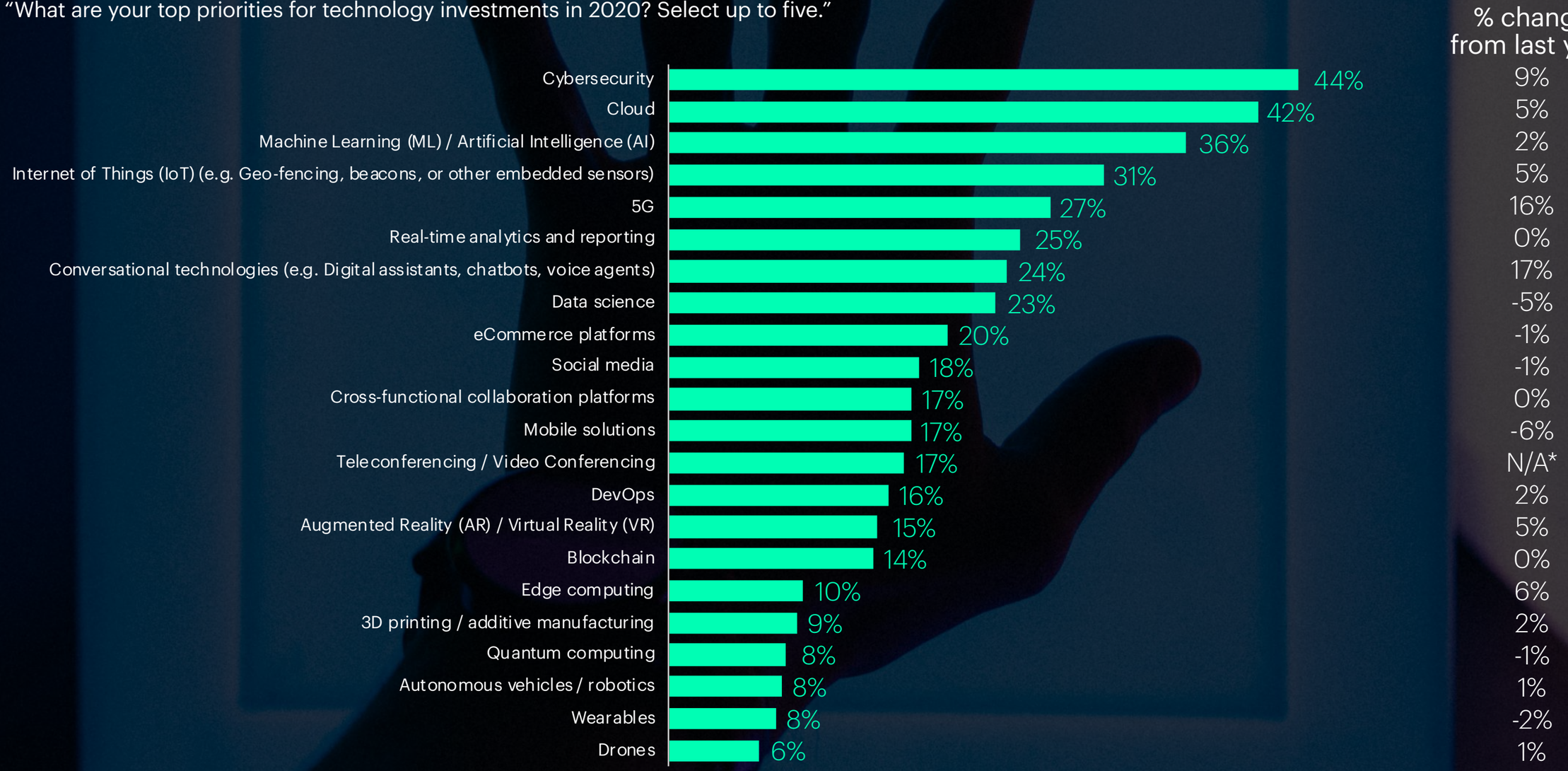
Base: 628 respondents



Tech Investment Shifts With Innovation But Also to Meet Growing Security Needs

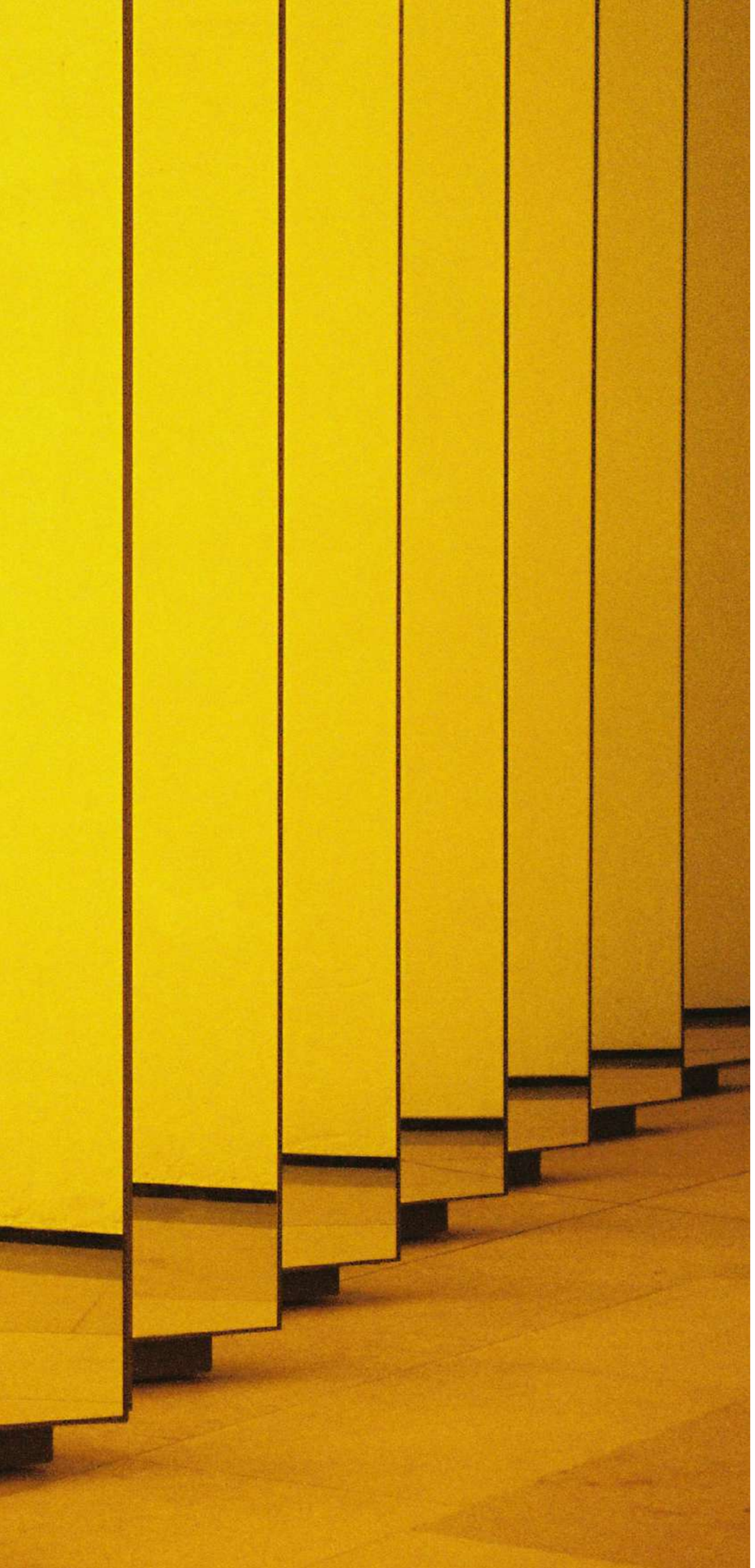
Priorities for technology investments shifted significantly in 2020, with 44% of respondents citing cybersecurity as a top priority, up 9% from 2019, representing a 27% increase. It's no wonder — the shift to distributed work created additional cybersecurity needs around identity, access management, and network security. More organizations also named cloud as a priority, increasing from 37% to 42%, as it enables the updating and integration of legacy on-premises IT systems, a key step along the path of digital maturity.

Figure 15: Prioritized Technology Investments, 2020 versus 2019
"What are your top priorities for technology investments in 2020? Select up to five."



Source: Altimeter, The 2020 State of Digital Transformation
Base: 628 respondents

Source: Altimeter, The State of Digital Transformation, 2018–2019 edition



The advancement of new technologies also shifted investment priorities. The rollout of 5G networks has almost 2.5 times more organizations prioritizing investments in it, jumping from 11% to 27% of respondents — catapulting 5G into one of the top five tech investment priorities. Similarly, the improvement of conversational technologies (such as digital assistants, chatbots, and voice agents) saw an increase from 7% of respondents in 2019 to 24% of respondents in 2020.

Given that digital transformation initiatives differ by digital maturity, the technology priorities also vary significantly depending on maturity. More advanced in their usage of and reliance upon data, Stage 5 organizations are more likely to focus their investments on technologies that support cohesive, data-enabled initiatives — such as machine learning/artificial intelligence, cybersecurity, and 5G to (see Figure 16). Given the prevalence of distributed work, we also added audio and video conferencing technologies to the list this year. Overall, 16% of all respondents said that conferencing was a top priority, with 30% of organizations at the lowest digital maturity Stage 1 naming it as one of their top priorities.

Figure 16: Top Technology Investment Priorities for 2020 by Maturity Stage
"What are your top technology priorities? Select up to five."

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Cybersecurity	34%	30%	48%	48%	61%
Cloud	31%	42%	46%	45%	39%
Machine Learning (ML) / Artificial Intelligence (AI)	16%	20%	39%	47%	63%
Internet of Things (IoT) (e.g., geo-fencing, beacons, or other embedded sensors)	17%	24%	32%	32%	41%
5G	17%	24%	23%	30%	53%
Real-time analytics and reporting	27%	22%	27%	30%	8%
Conversational technologies (e.g., digital assistants, chatbots, voice agents)	11%	19%	25%	25%	41%
Teleconferencing / Video conferencing	30%	18%	14%	13%	6%

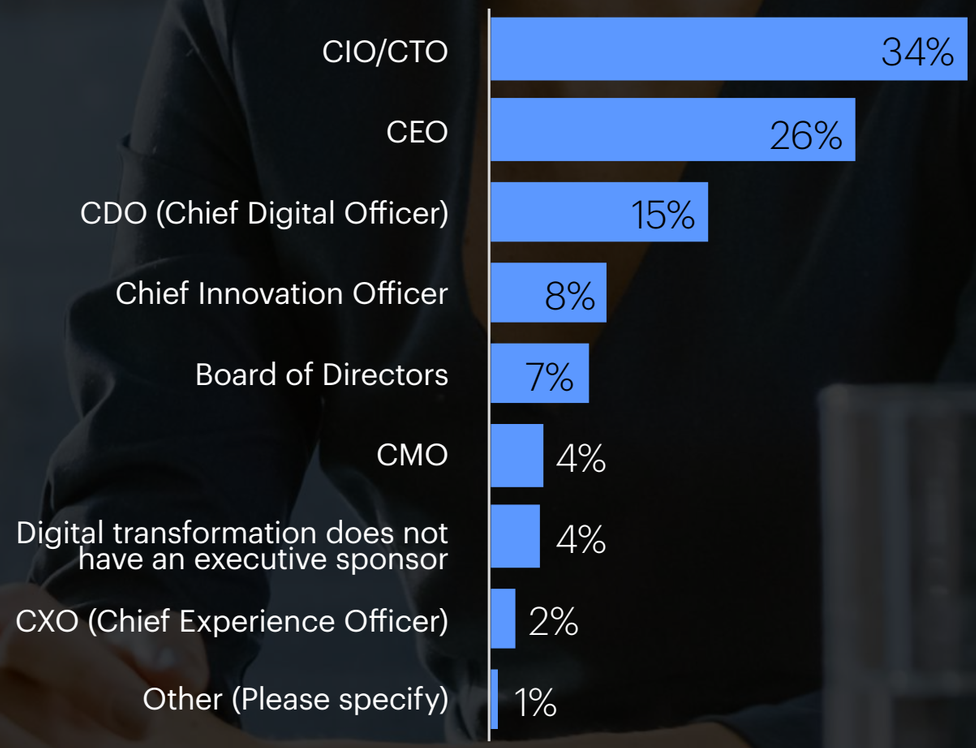
Digital Transformation Sponsored Primarily by the CIO/CTO and the CEO

Because both technology and business transformation reside at the heart of digital transformation, it's natural for the CIO/CTO and the CEO to be candidates within the organization to sponsor or own responsibility for leading it (see Figure 17.1). Together, the CEO and CIO/CTO roles provide point leadership for digital transformation in 60% of reported cases. CIO/CTO leadership grew over the past year, with 34% of digital transformation efforts now reporting to the CIO/CTO, up from 28% in 2019. Chief Digital Officers (CDO), Chief Innovation Officers (CINO), and Boards of Directors (BOD) provide leadership 30% of the time.

But there are significant differences based on industry, organizational size, geography, and, of course, digital maturity.

- Organizations in the banking/finance and retail industries are much more likely to have the CIO/CTO lead digital transformation (see Figure 17.2). In contrast, healthcare and technology companies are more evenly split between the CIO/CTO and CEOs.
- In the largest organizations with 50,000 or more employees, the CEO is more likely to sponsor digital transformation (see Figure 17.3). The largest organizations are also more likely to have a Chief Innovation Officer leading digital transformation.
- CMOs are brought to the table more frequently at the lower stages of digital maturity; they are making the case for digital transformation and conducting early experiments with direct impact on the customer experience (see Figure 17.4). Dedicated digital transformation architects, like Chief Digital Officers and Chief Innovation Officers, are also more likely to lead in organizations at Stage 2 and Stage 3, where the focus is supporting department-stage initiatives. But by and large, our respondents report that the CIO/CTO and CEO are the primary leaders of digital transformation initiatives — regardless of maturity stage.

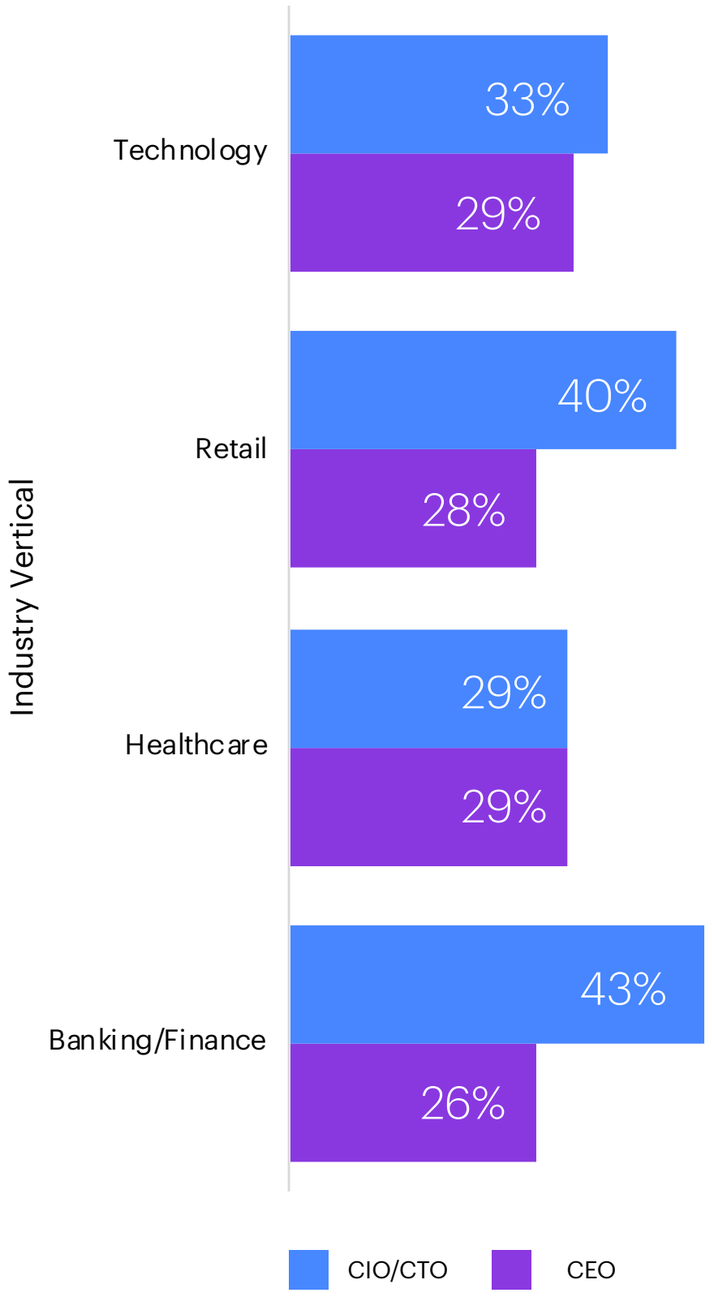
Figure 17.1: CIO/CTO Most Likely Overall to Own the Digital Transformation Journey
Which executive officially owns or sponsors the digital transformation initiative?



Base: 628 respondents

Figure 17.2: Banking/Finance Organizations More Likely to Have CIO/CTO Leading Digital Transformation

"Which executive officially owns or sponsors the digital transformation initiative?"



17.3: Larger Organizations Are More Likely to Have CEOs Leading Digital Transformation

"Which executive officially owns or sponsors the digital transformation initiative?"

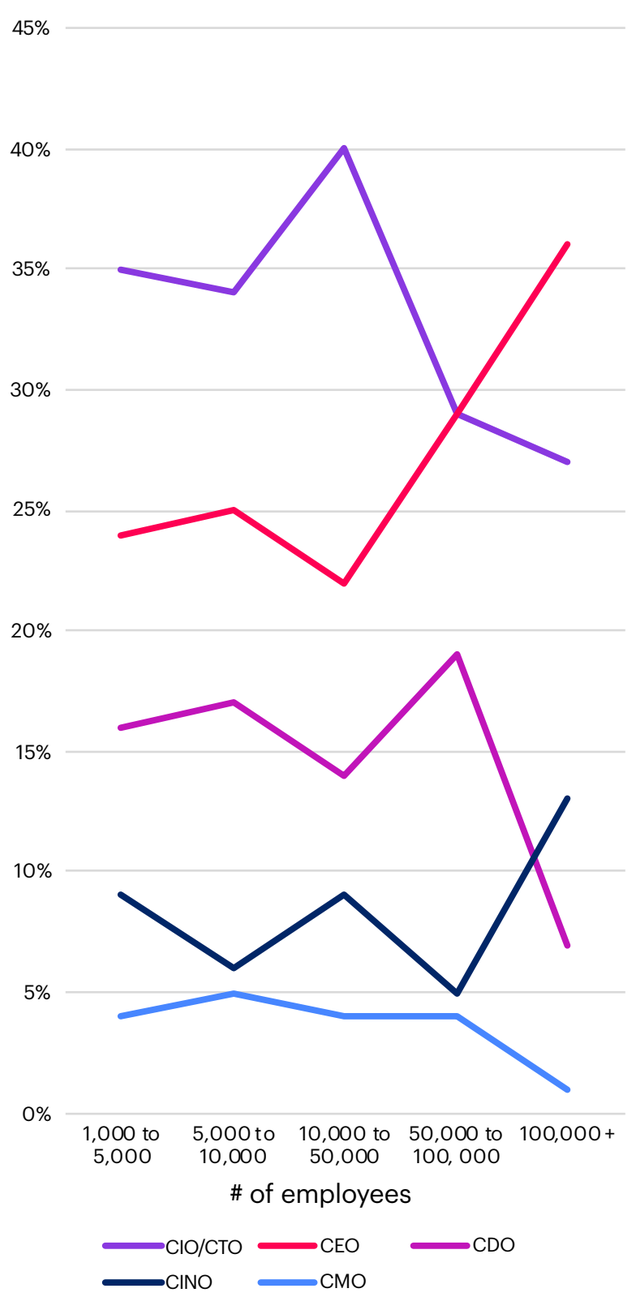
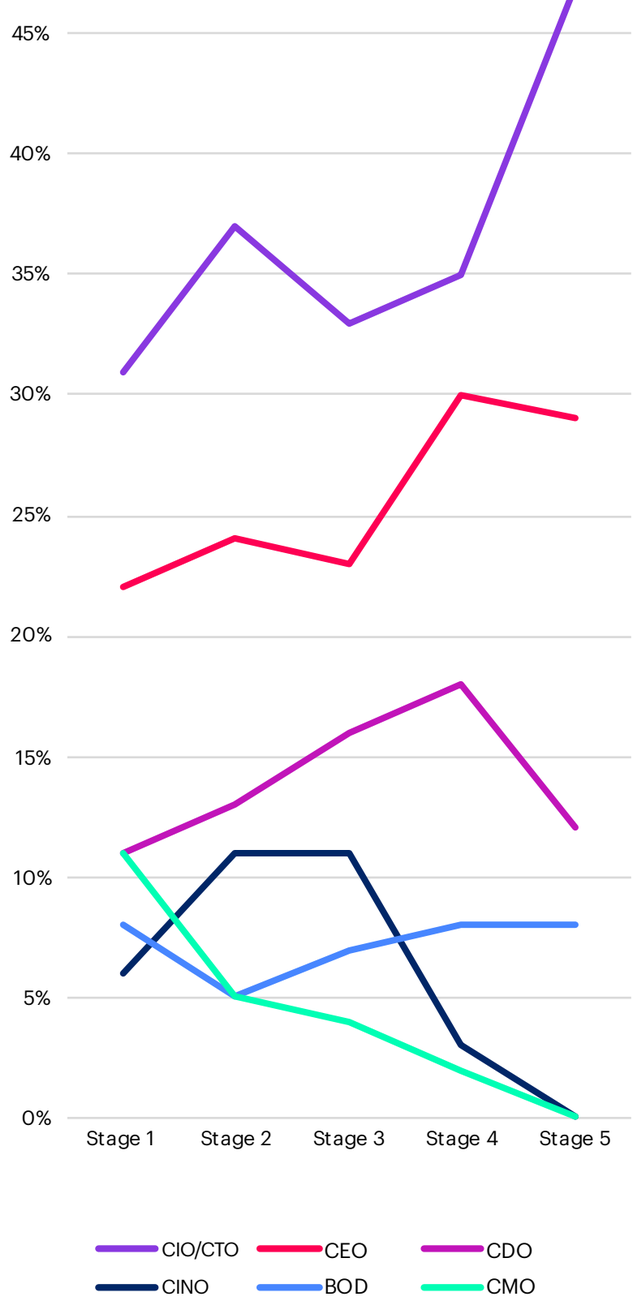


Figure 17.4: Digital Transformation Leadership Varies by Maturity Stage

"Which executive officially owns or sponsors the digital transformation initiative?"



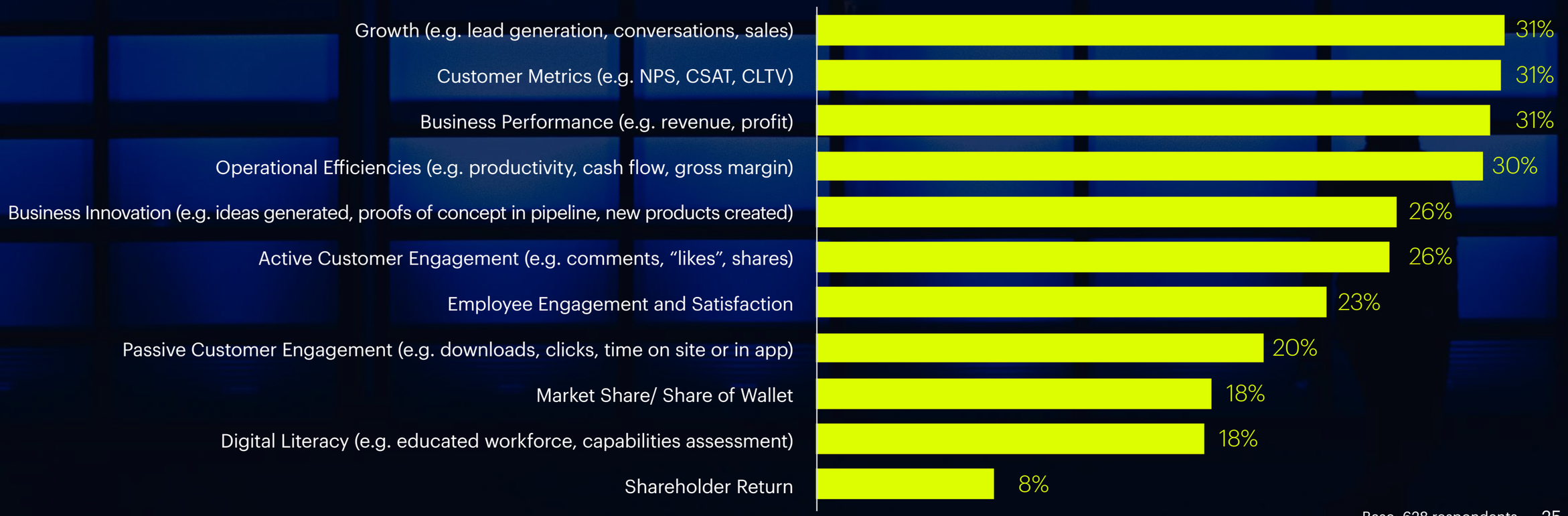
Base: 628 respondents

Growth- and Customer-Centric Metrics Define Digital Transformation Success

While no single metric emerged as the one most organizations used to measure the success of digital transformation, the top four metrics connect digital transformation to business objectives and outcomes (see Figure 18). This is good news, because clear business outcomes increase the likelihood that digital transformation will be taken seriously across the organization. The same four metrics topped the list in 2019, but metrics for growth and operational efficiencies were more popular than customer metrics or business performance versus being fairly even in 2020.

Metrics differed by industry. Retailers strongly favor active customer–engagement metrics (43%), while business performance is the top metric used by 37% of banking/finance companies. Technology companies also favor business performance (34%) and business innovation (32%), while healthcare companies de-emphasize business performance, with only 21% selecting it as a top metric for business transformation. In contrast, 28% of healthcare companies report employee engagement and satisfaction as a top metric. When taking into account digital maturity stages, metrics also differed, especially for Stage 4 and 5 organizations. In both Stages 4 and 5, Business Innovation is a top metric, demonstrating the changing priorities in later stages of digital transformation.

Figure 18: The Top Metrics Used to Measure Digital Transformation
"What metrics does your organization actually measure today related to digital transformation? Select up to three."



Base: 628 respondents

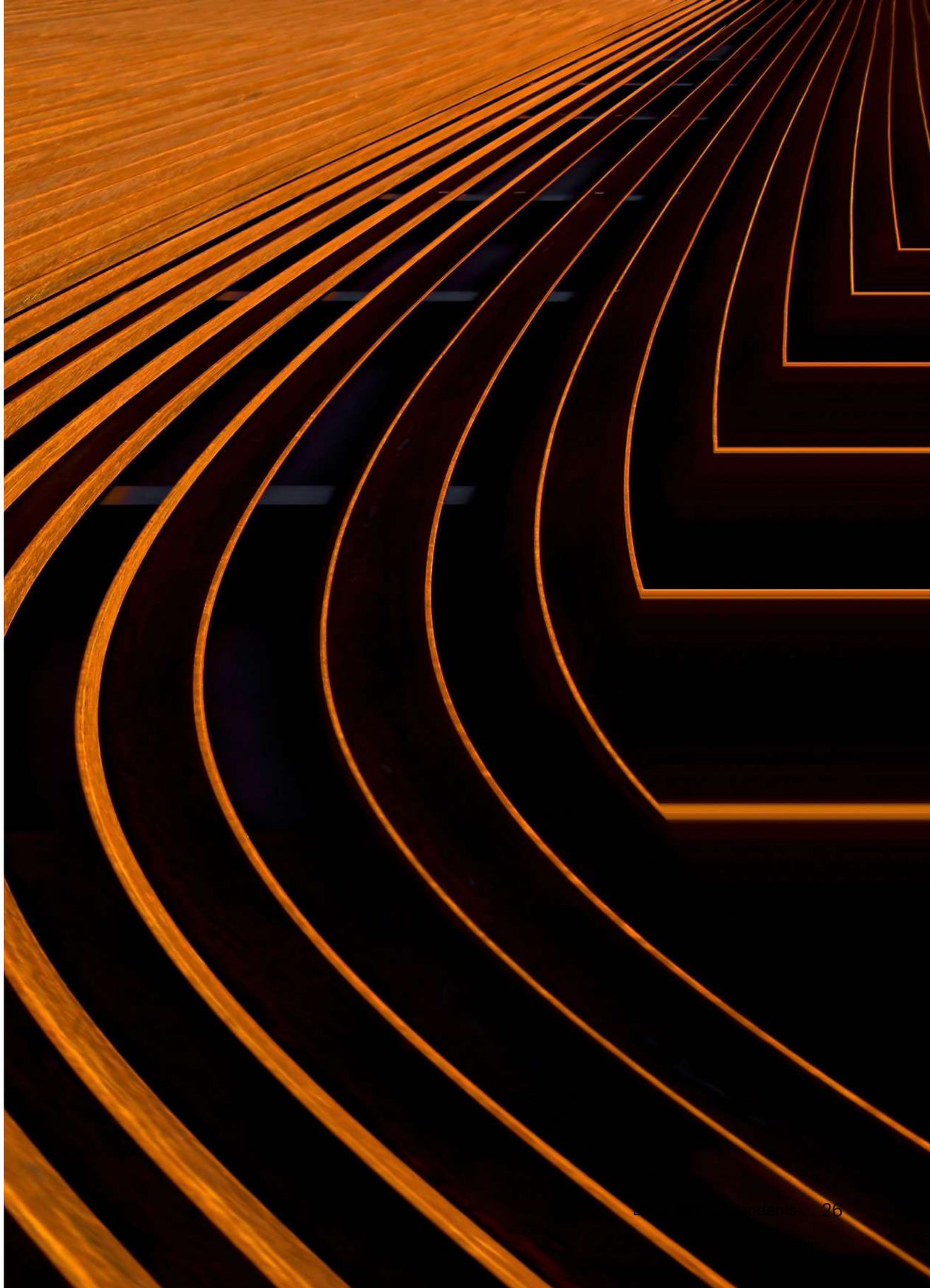
Action Implications

There are three major action implications from this report.

First, when it comes to taking advantage of business opportunities, digital maturity matters. Digital leaders can afford to invest in innovation and use the disruption created by events like COVID-19 to their advantage. The lesson from these digital leaders is to not lose sight of the need to invest in digital transformation, even when budgets tighten. While no one can predict future moments of opportunity with certainty, they will continue to come — creating chances for digital leaders to further outperform digital laggards.

Second, more than ever, digital maturity is about building outward-facing applications, digitizing marketing and sales, and driving innovation to increase revenue. Organizations without mature digital capabilities in a world that has shifted more digital than ever will lack revenue engines.

Finally, digital transformation is about the most senior levels of leadership. For every CIO/CTO entrusted with the responsibility, there is a CEO who thinks business when they think digital and has taken responsibility upon themselves for driving digital transformation. Collaboration between these two key leadership roles — supplemented by CDOs, Chief Innovation Officers, and Boards — will be critical to ensure that companies remain on the path to business transformation through digital.



Methodology

We surveyed 628 professionals from brands, consulting firms, and other organizations with at least 1,000 employees, across four geographies: North America (U.S. and Canada); Europe (U.K., France, and Germany); The People's Republic of China; and Southeast Asia (Indonesia, Singapore, and Vietnam). The respondents from these organizations included in-house and agency digital strategists and C-suite or other executive-stage leaders. Our sample includes a fixed quota of respondents from five industry verticals: Banking/Finance, Consumer Products, Healthcare, Retail, and Technology. We asked each respondent multiple choice answer questions about digital transformation at their respective organizations or organizations they serve. Digital maturity was scored across 26 criteria in five areas. More details about the criteria are available in the online version of this report here.

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Altimeter is a research and consulting firm owned by Prophet that helps companies understand and act on technology disruption. We give business leaders the insight and confidence to help their companies thrive in the face of disruption. In addition to publishing research, Altimeter analysts speak and provide strategy consulting on trends in leadership, digital transformation, social business, data disruption, and content marketing strategy.

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Altimeter research is applied and brought to life in our client engagements. We help organizations understand and take advantage of digital disruption. There are several ways Altimeter can help you with your business initiatives:

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