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Only 22% of Companies Have Undergone Significant Digital Business Transformation, And They Have Higher Revenue Growth and Net Margins

***[Future Ready: The Four Pathways to Capturing Digital Value](#)**, authored by MIT CISR research scientists, reveals four pathways to help C-suites and Boards create and capture new value from digital initiatives*

CAMBRIDGE, Mass., Oct. 18, 2022 — A new book released today by research scientists at [MIT Center for Information Systems Research \(CISR\)](#) spotlights a study of 1,311 global firms that finds only 22% are “future ready,” having gone through digital business transformation and developed the capabilities that enable them to innovate, engage, and satisfy customers while reducing costs.

While transformation is not easy, these companies have significantly higher financial performance with average revenue growth 17.3 percentage points and net margins of 14.0 percentage points above industry average – a rewarding premium.

In their years of working with senior executives and board members globally, MIT CISR Research Scientists [Stephanie Woerner](#), [Peter Weill](#), and [Ina Sebastian](#) discovered that these leaders knew they needed to transform their businesses, but many started without a good sense of where they were going, or a clear idea of how they will create and capture value from their digital initiatives. This, the researchers found, led to problems such as failure to realize the value from digital in their bottom lines, wasted resources and effort, added complexity and dysfunction.

***[Future Ready: The Four Pathways to Capturing Digital Value](#)** (Harvard Business Review Press; October 18, 2022) provides board members and top management teams with a coherent framework and a common language—a playbook—to guide, motivate, and keep employees focused on a shared goal. The book is based on more than five years of rigorous research including more than 50 interviews with executives, several surveys with a total of over 2,000 respondents, and field-tested in multiple workshops with boards and senior management teams in firms across the world in diverse industries, plus many presentations and masterclasses.*

Key insights from the new book *Future Ready: The Four Pathways to Capturing Digital Value*

- **Four pathways to become Future Ready were identified:**
 - **Pathway 1: Industrialize** (25% of firms)—Firms choose this pathway when their customer experience (CX) is good enough to hold competitors at bay, the threat of digital disruption is not too high, and the most pressing strategic goal is to improve operational efficiency. They estimate 26% of their revenues will be lost if they don't change.
 - **Pathway 2: Delight Customers First** (18% of firms)—Firms choose this pathway if their CX is significantly worse than average and they can't wait to improve it, or there are daunting new competitors. These firms estimate 39% of their revenues will be lost in 5 years if they don't change.
 - **Pathway 3: Alternate the Focus, like Stair Steps** (26% of firms)—Firms that need to improve both their CX and operational efficiency at the same time take this path. This need is driven, in part, by a perception that their revenues are under a high level of threat from digital disruption in the next five years. These firms estimate 37% of their revenue will be lost in 5 years if they don't change.
 - **Pathway 4: Create a New Unit** (7% of firms)—Senior leaders choose this pathway when it is likely to be an uphill battle to transform the existing firm, they have a compelling opportunity where success depends on the unit being future ready from the get-go, or they must defend against a serious digital threat. These firms estimate 43% of revenues would be lost in 5 years if they don't change.

- **The 22% of firms that chose to progress on multiple pathways** run the risk of increasing complexity and fragmentation with progress slowing down measurably.
 - Of the 22%, more than half (12% of total firms), said they were well coordinated and made the most progress: their transformations were on average 59% complete. In contrast, the firms that pursued multiple uncoordinated pathways made the least progress at 30%.

- **Three kinds of value firms must create from digital initiatives** were significant predictors of firm performance individually.
 - **Value from customers** had the strongest relative impact—a 10% increase in value was associated with an increase of 5.9 percentage points in revenue growth and 4.5 percentage points in profitability. Firms assessed themselves, on average, as 40% effective at creating this value.
 - Next was **value from ecosystems**—a 10% increase in value was associated with an increase of 4.2 percentage points in revenue growth and 2.1 percentage points in profitability. Firms were, on average, 30% effective at creating value from ecosystems.
 - Finally, **value from operations** had the least impact—a 10% increase in value was associated with 2.1 percentage points in revenue growth and 1.5 percentage points in profitability increases. Firms were, on average, 54% effective at creating value from operations. However, value from operations is the scaffolding of digital business, so even if it provides the least direct impact, it is critical to creating and capturing value from customers and ecosystems.

- **Interesting industry differences surface among firms selecting certain pathways.**
 - The **technology** industry has the highest percentage—42%—of firms picking **pathway 1**, as they are typically (re)building a series of platforms first and then exploiting them by

creating new and better customer offers. A significant percentage of **manufacturing** and **heavy industry** firms—35%—pick this pathway, as focusing on operational excellence is a comfortable approach to digital for these firms.

- Firms selecting **pathway 2** include **consumer** (29%), **banking** (25%), and **insurance** (22%)—well above the average of 18%.
- **Pathway 3** is more evenly distributed across industries than the other pathways. **Consumer** (31%) and **technology** (31%) are the industries most represented.
- Pathway 4 is often associated with a business model innovation. The highest concentration of industries pursuing this pathway are **financial services** (18%), **IT Services** (13%), and **consumer** (13%).

“The digital era is a great opportunity for leaders to reinvent the firm. The most successful firms will become future ready, developing ambidexterity: constantly innovating to improve customer experience while also reducing costs,” says Stephanie Woerner, Principal Research Scientist at the MIT Sloan School of Management and Director of MIT CISR. “Those that don’t become future ready will likely suffer a death by a thousand cuts, with startups, players from other industries, and agile competitors slicing bits out of their business.”

About MIT Center for Information Systems Research (CISR)

Founded in 1974 and grounded in the Massachusetts Institute of Technology (MIT) tradition of rigorous field-based research, [MIT Center for Information Systems Research \(CISR\)](#) at the [MIT Sloan School of Management](#) helps executives meet the challenge of leading dynamic, global, and information-intensive organizations.

We provide the CIO and other digital leaders with insights on topics such as digital business transformation, data monetization, and the digital workplace. Through research, teaching, and events, the center stimulates interaction among scholars, students and practitioners. More than seventy-five firms sponsor its work and participate in its consortium.

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