



The Big Pivot

RESEARCH PAPER | DIGITAL REINVENTION

Could Have. Would Have. Should Have.

Organizations regret not implementing leading-edge technologies prior to the pandemic

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Introduction



Seven in ten organizations indicate they would be more resilient today if they had invested more in digital technologies prior to the crisis.

A crisis always strikes when we least expect it. The very nature of the term means an event that leads to an unstable situation. But that unpredictability doesn't let organizations off the hook: They must anticipate and prepare for crisis as if their lives depend on it — because in most cases, they do.

Many U.S. organizations were unprepared for COVID-19. The lockdowns that started in March 2020 were swift and unprecedented, and for many, the ramifications are still ongoing. In new research from NTT DATA, 48% of respondents, from organizations mainly in the financial services and insurance, manufacturing, healthcare and public sectors, report a decline in revenue and profitability since the beginning of the crisis.

The findings highlight one key challenge for businesses as they attempt to combat the impact of the pandemic: a lack of timely technology investment. Seven in 10 organizations (69%) indicate they would be more resilient today if they had invested more in digital technologies prior to the crisis. It's a case of could have, would have, should have.

Why tech Leaders have the edge

Hindsight is 20/20, but while many companies are still struggling to regain a foothold, some are thriving amid widespread disruption. A small portion (10%) of our survey sample was much more likely to report an increase in revenue, as well as improved customer and employee satisfaction, since the start of the crisis. What has given them an edge over the rest?

- These organizations are more likely to have achieved maturity in their adoption of leading-edge technologies such as artificial intelligence (AI), automation and the internet of things (IoT). In this report, we refer to this group as Leaders.
- With the help of their technology portfolio, the Leaders have been able to build resilience and agility. This is demonstrated by the way they adapt their products to customers' needs and create cost efficiencies, as well as how they've been able to return to business as usual faster than their counterparts. As a result, they've been better equipped to handle the impact of COVID-19 and will be better prepared for what's to come.

- The global pandemic accelerated everyone’s digital reinvention plans, but even more so those of these leading organizations. Having gained a competitive advantage during the crisis from their adoption of digital technologies, the Leaders are already seeking new opportunities for growth through digital transformation.

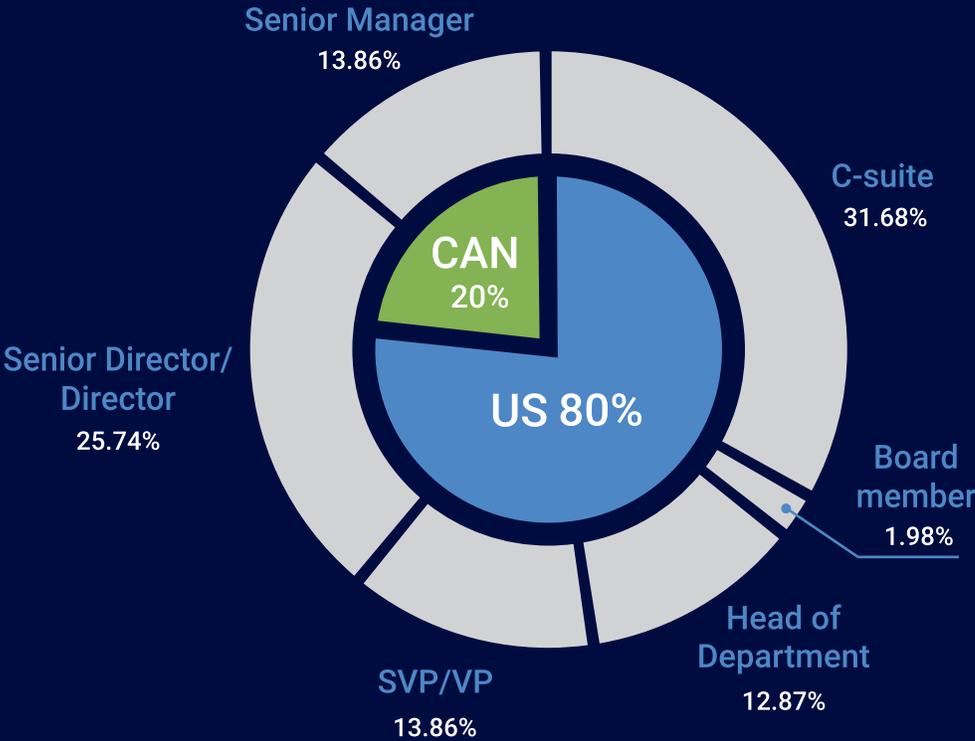
Unlike these leading organizations, some in our survey – the Laggards – report they haven’t adopted one or more of the technologies included in the survey prior to the pandemic. Representing about half of our respondents

(49%), they’re more likely than the Leaders to report declining business performance and are slower to invest in new digital transformation opportunities. While the Leaders are most likely to be from financial services and insurance, as well as the manufacturing sector, the Laggards are most likely to come from healthcare and the public sector.

By analyzing the key survey findings, we’ve uncovered why Leaders are more resilient and agile than the rest of our respondents, which technologies helped them achieve success and what other organizations can learn from them to prepare for what comes next.

About the research

NTT DATA, in partnership with Longitude, a Financial Times company, conducted a survey of 500 senior executives from the U.S. (80%) and Canada (20%). There were at least 100 respondents from each of the following sectors: financial services and insurance, manufacturing, healthcare and the public sector. The remaining respondents came from a range of sectors, including telecommunications, media and technology, as well as consumer products and retail.



Country of primary operation and your role in the current workplace.

How timely investments in technology created Leaders and Laggards

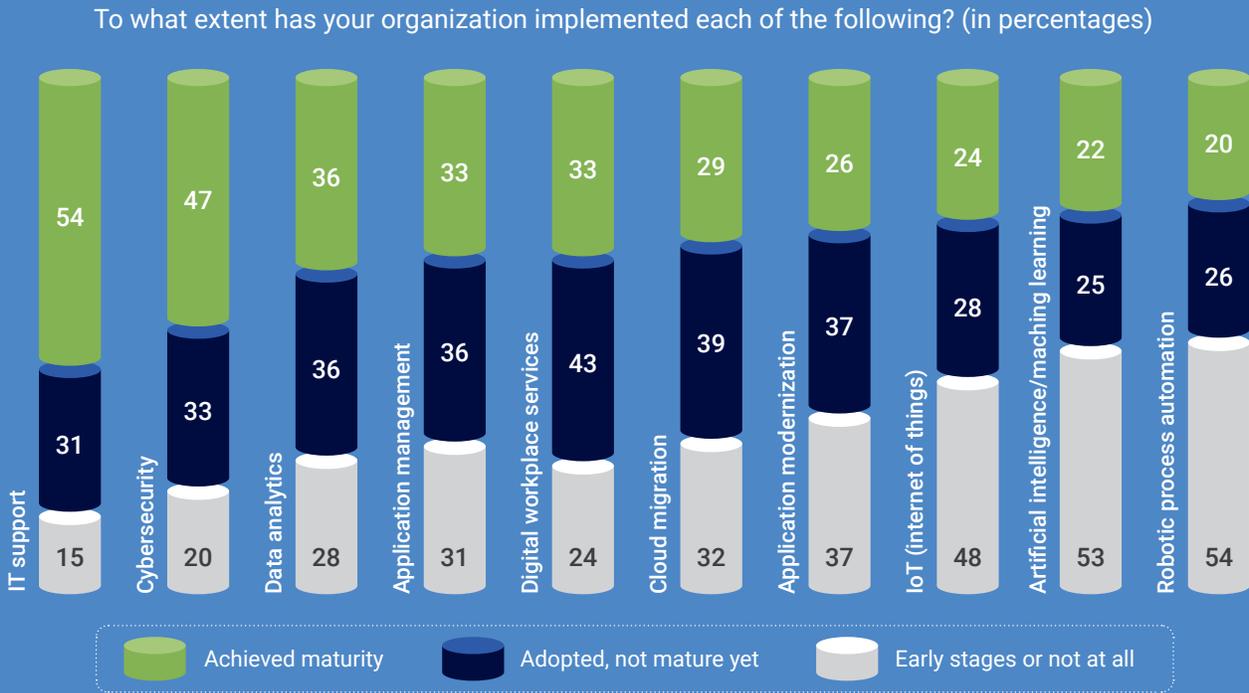


Figure 1. Most organizations haven't yet achieved maturity in their adoptions of leading-edge technologies.

Investment in digital technologies can help build resilience and agility to drive revenue and customer satisfaction in even the most challenging environment. Many organizations realize they missed an opportunity to better cope with the impact of the pandemic: seven in 10 (69%) say they should have invested more in technology before the crisis so they would be more resilient today.

Leaders have a wider technology portfolio than Laggards

The majority of organizations note they've adopted or achieved maturity in some business essential technologies and services that improve day-to-day operations, such as basic IT support (54%) and cybersecurity (47%) – see Figure 1. And with the widespread shift to remote working, it's not surprising that many have also at least begun the implementation

of digital workplace services (91%) and cloud migration (90%), though just 33% and 29% of respondents, respectively, have achieved maturity in these areas.

However, firms with wider technology adoption are driving revenue growth and business transformation faster than the rest. The Leader group in our study, which has achieved maturity in leading-edge technologies such as AI and automation, is also more likely than the Laggards to have reached maturity in each of the technologies in our survey. For instance, about nine in 10 Leaders report maturity in data analytics (92%), IT support (94%) and cybersecurity (94%), compared with just 19%, 45% and 35% of the Laggards. Maturity in any two technologies alone doesn't guarantee success, so the leading firms have cast their nets much wider, and as a result have captured a distinct set of benefits, including increased revenue and improved customer satisfaction.



Despite the crisis, Leaders thrive

Nearly half of the organizations in our survey (48%) report their revenues and profitability have declined since the start of the pandemic, and nearly a quarter (23%) say they haven't coped well with the crisis (see Figure 2). For example, more than half of manufacturing firms report declining revenues (55%), while 60% of public sector firms aren't expecting to return to business as usual in the new normal for at least six months.

How has the COVID-19 crisis impacted the following aspects of your business to date? (in percentages)

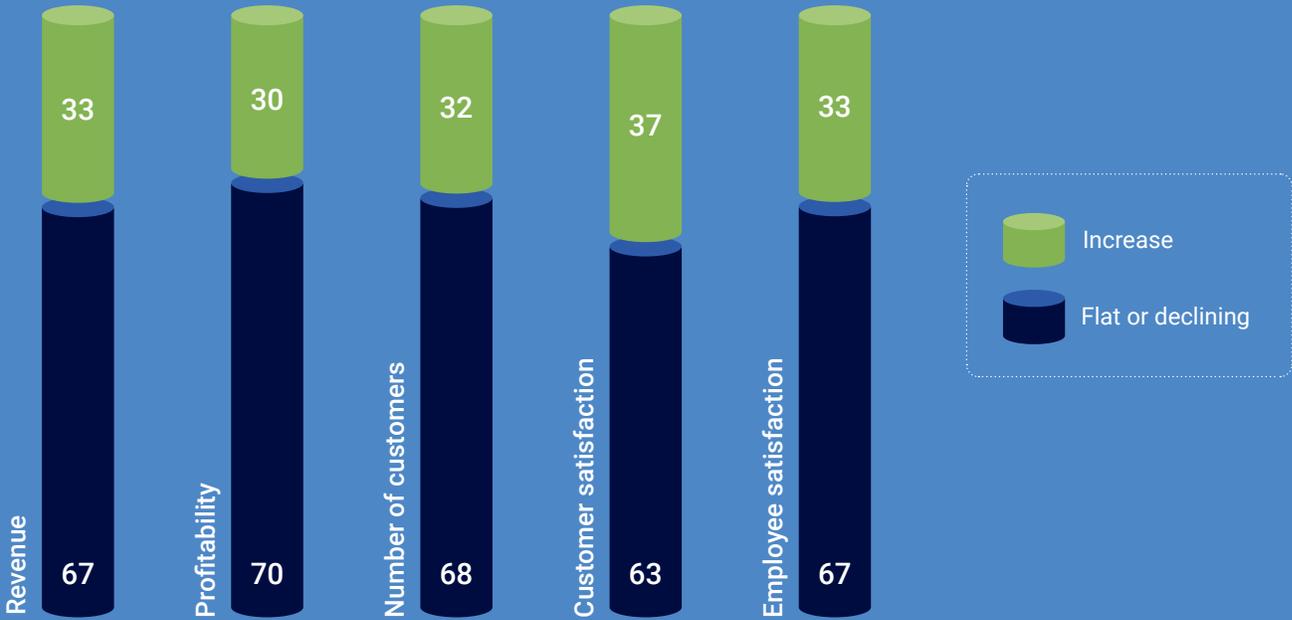
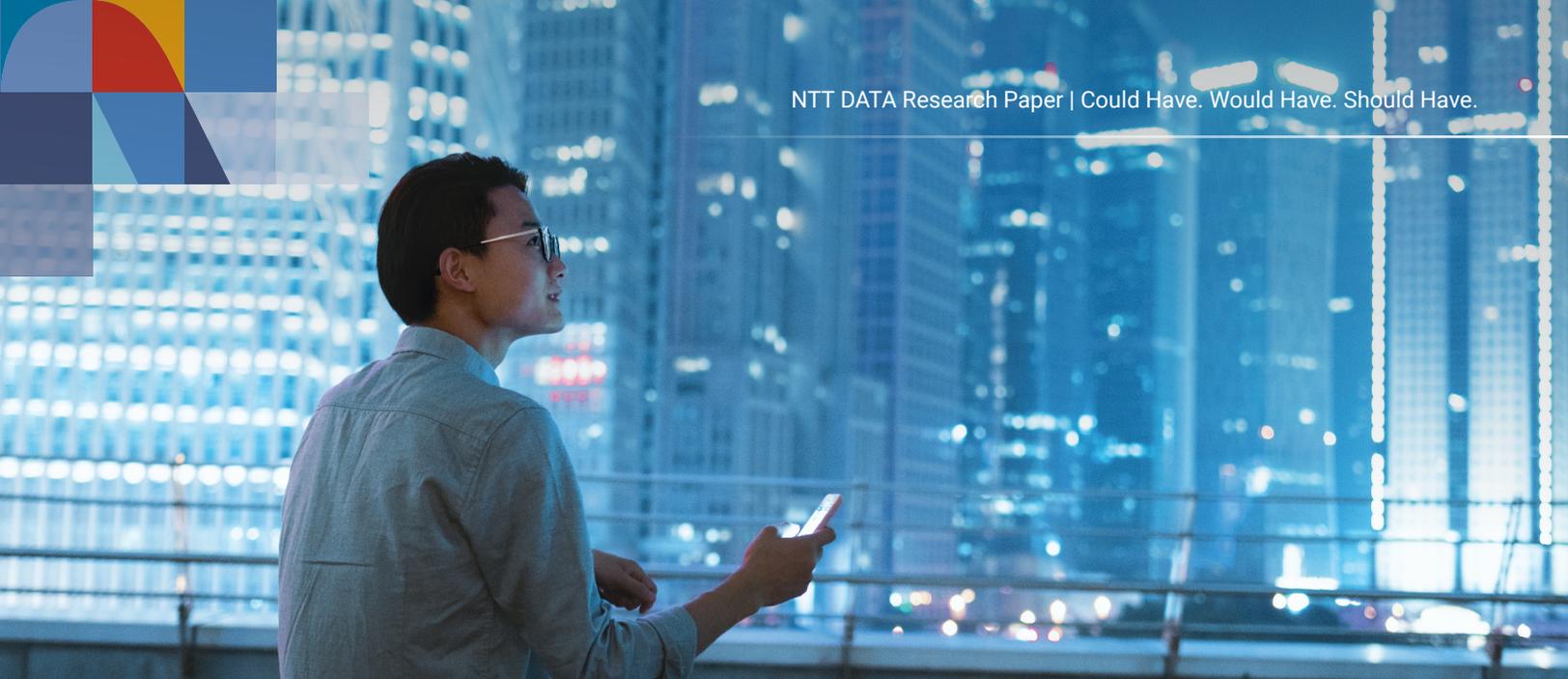


Figure 2. Roughly 70% of respondents report flat or declining revenue and profitability.



The Leaders, however, report better financial performance. Six in 10 say their revenue (63%) and profitability (60%) have increased since the start of the crisis, compared with just 18% and 16% of the Laggards (see Figure 3). This indicates that maturity in a wide range of technologies helps organizations build resilience to external pressures, including a global pandemic. It's also noteworthy that financial services and insurance firms – the sector with the highest proportion of Leaders (see Research highlights by sector beginning on page 13) – are more likely than businesses in other sectors to agree with the statement, “My organization has weathered the crisis well” (89% agree compared to just 65% of firms in the public sector, which had the lowest proportion of Leaders).

How has the COVID-19 crisis impacted the following aspects of your business to date? (in percentages)



Figure 3. Leaders report superior business performance since the start of the crisis.

Technology adoption created a considerable advantage during the crisis

The impact of COVID-19 shows that access to critical technologies can mean the difference between failure and success. For the organizations in the survey, the benefits have included a seamless transition to remote working (44%) and the ability to pivot their strategies quickly in response to the crisis (41%).

can rapidly adapt their products and services to customers' changing needs (see Figure 4). Half also report improved customer satisfaction, compared with just 20% of the Laggards and 28% overall. In addition, their technology adoption has also enabled 40% of the Leaders to create operational efficiencies more quickly than Laggards.

Benefits that matter

The Leaders, however, are experiencing a much wider range of benefits that truly sets them apart. They're much more likely – 60% compared to 29% of the Laggards and 35% overall – to indicate they

And while both groups have cut costs with the help of digital technologies, the Leaders' technology approach has given them the agility to reinvest these funds quickly as they try to drive new revenues (see Figure 5).

Since the beginning of the COVID-19 crisis, what are the key benefits you have realized from the digital technologies you have implemented?

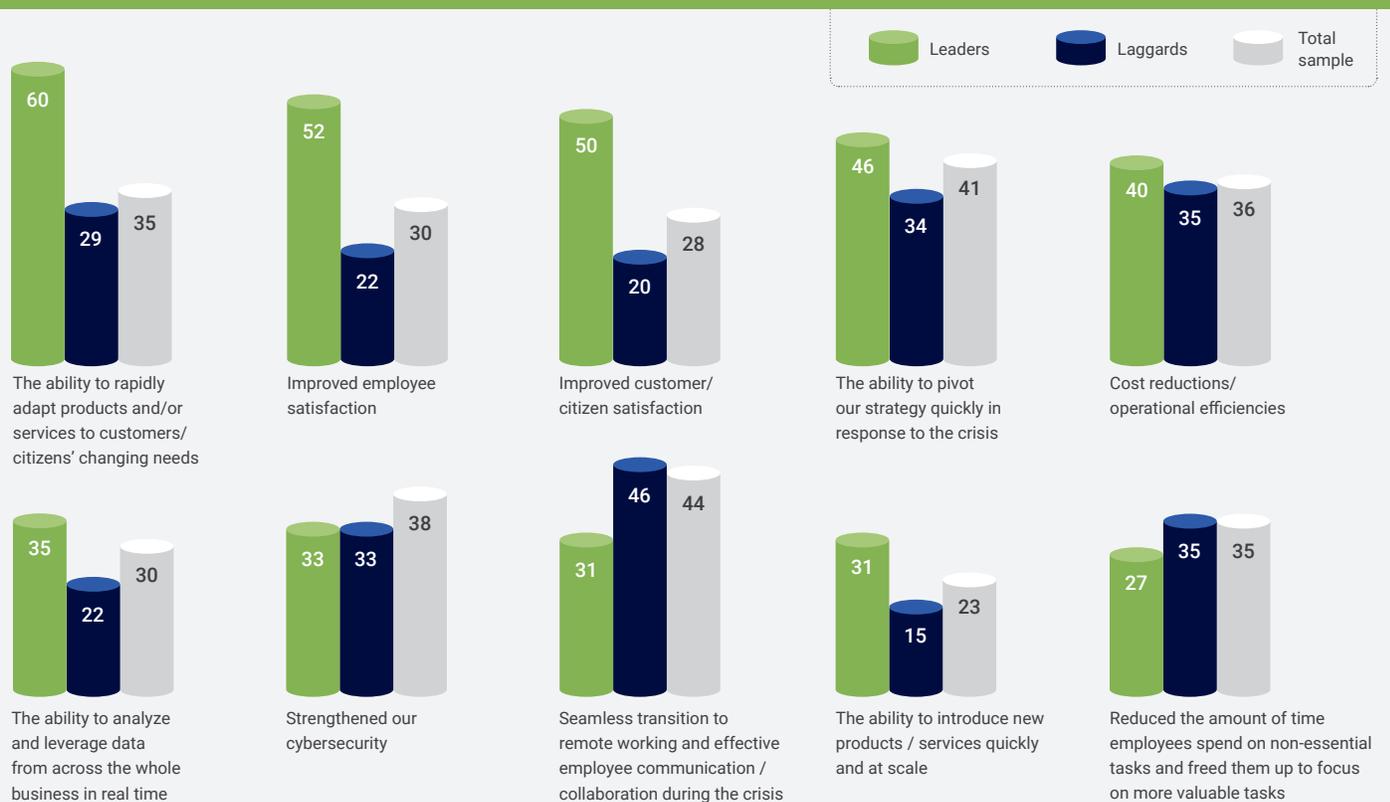


Figure 4. Leaders realize a distinct set of benefits from their adoption of digital technologies (in percentages)

Mature technology adoption fosters agility and preparedness

Having the agility to respond to unexpected challenges – and opportunities – has always been critical to business success, and never more so than during this crisis. The Leaders understand this, and their agile approach provides important lessons for slower organizations.

Shift the mindset to “invest” rather than “save”

Reducing costs is a natural priority during a crisis. The survey results show a mature technology approach gives organizations the agility to achieve efficiency savings faster than other companies. For the

organizations that adopt them, technologies such as AI and automation, application modernization and cloud services, and data analytics can generate significant cost savings that can enable digital reinvention.¹

This is evident in Leaders’ cost savings approach. These organizations are more likely than Laggards to be currently implementing cost reductions in response to the crisis. They’re also taking a more proactive approach to these savings: To drive revenue and remain competitive, Leaders are more than twice as likely as Laggards to be currently reinvesting their savings in their core products and services (52% compared to 23%) as well as new ones (44% compared to 19%) – see Figure 5.

When, if at all, is your organization planning on doing the following? Chart displays what companies are “currently doing.”



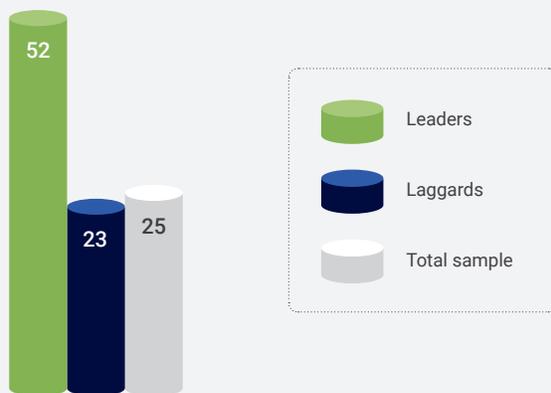
Figure 5. Leaders are more likely to be currently making cost reductions and reinvesting the saved expenses (in percentages)

Getting back to “business as usual”

Returning to business as usual, or as close as possible given the new nature of work, is going to be important for the stability of organizations amid the pandemic. This means having a plan in place for the logistics of working both remotely and from the office. It also means organizations will have to prioritize their key revenue drivers: their customers and products or services. Improving customer satisfaction and adapting their offerings at the same time as managing a hybrid workforce can help organizations regain productivity and recover more quickly.

Mature technology adoption allows organizations to achieve this faster. Half of the Leaders (52%) are returning to business as usual where possible in this new, complex environment, compared with just 23% of the Laggards (see Figure 6). On average, only a quarter of businesses (25%) are prepared to return to business as usual now.

When, if at all, is your organization planning on doing the following? Chart displays what companies are “currently doing.”



Return to business as usual as much as possible in the “new normal”

Figure 6. Few organizations are currently returning to business as usual (in percentages)



Drive digital transformation today and tomorrow

Given the benefits experienced by the Leaders as a result of their adoption of leading-edge digital technologies, it's unsurprising that the majority of these organizations say they're currently driving revenue through digital transformation (52% compared to just 19% of the Laggards) – see Figure 7.

But they're also looking ahead and planning their next digital transformation move. The Leaders are much more likely than the Laggards to say they plan to reinvent their organizations digitally in response to the COVID-19 crisis (96% compared to 47%) and that the crisis has accelerated these plans (92% compared to 59%).

When, if at all, is your organization planning on doing the following? Chart displays what companies are "currently doing."

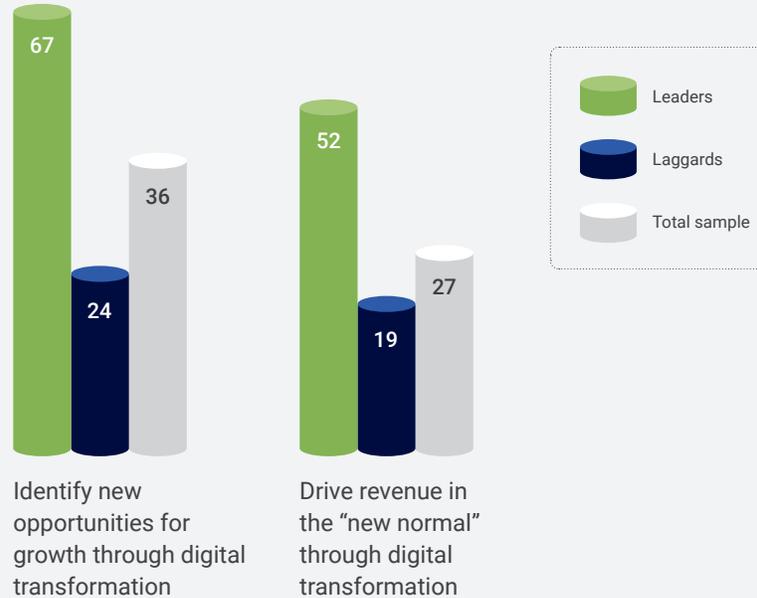


Figure 7. Few organizations are currently driving revenue from digital transformation (in percentages)

Pivot to tomorrow

The survey results are clear: Critical investment in leading-edge technologies builds organizational resilience and agility – two attributes that have never been more vital than they are today.

The success of the Leaders provides valuable insight into how other organizations can also thrive in a crisis. Their mature adoption of a range of technologies has made these organizations more likely than others to:

- Adapt quickly to customers' changing needs
- Drive operational efficiencies in a more agile way
- Take an "invest" instead of a "save" approach to their cost savings
- Bounce back more quickly from the crisis and return to business as usual
- Explore new opportunities for growth today and tomorrow through digital transformation

As a result, these organizations are more likely to achieve superior performance, including higher revenues and profitability, as well as improved customer and employee satisfaction. But how do you get there?

While the impact of COVID-19 mercilessly drags on, organizations have no time to lose. To thrive now and into the future, businesses must start building resilience and agility by looking at the lessons these Leaders provide, or they may just find themselves once again saying, "Could Have. Would Have. Should Have."

Visualize the possibilities



Reimagine tomorrow



Navigate forward



Champion change

Organizations must align to the needs of the business to drive an integrated digital strategy that results in tangible outcomes. By defining and creating an actionable blueprint, organizations can begin to build a digital foundation and foster a culture of change. This is not simply a one-time project. Success hinges on continual, incremental change and improvement.

Accelerate the journey



Innovation culture



Intelligent fabric



Immersive experience

The next generation of business will be driven by innovation and the ability to move forward rapidly with bold ideas that transform the foundation of business. Idea creation is easy, but how do you prioritize and achieve operational impact? This requires a shift to a culture of innovation that can move concepts into reality and deliver end-to-end digital services that creates immersive experiences that shape the future of business, accelerate top-line growth and compete into the future.

Harness the future



Continuous optimization



Enhance operations



Business evolution

Driving a continuous transformation strategy requires organizations to refine the technology landscape and simplify the environment to contain costs and establish efficiencies. Delivering on the commitment of tomorrow necessitates an aggressive move toward intelligent automation coupled with the evolution to modern standards that will foster a DevOps culture. By focusing on cloud-native capabilities along with a defined intelligent insights strategy centered on data, you can create resiliency and achieve digital expansion into new forms of business.

Get started

See what NTT DATA can do for you.

Review the research highlights by sector on the following pages and then visit us at nttdataservices.com for the latest insights and our complete portfolio.

If you are ready to learn how NTT DATA can help you pivot to tomorrow, contact Jeff Bergeron, SVP, Consulting, at jeff.bergeron@nttdata.com.

Source

1. Aaron De Smet, Daniel Pachtod, Charlotte Relyea and Bob Sternfels. "Ready, set, go: Reinventing the organization for speed in the post-COVID-19 era." McKinsey & Company. 2020. <https://www.mckinsey.com/business-functions/organization/our-insights/ready-set-go-reinventing-the-organization-for-speed-in-the-post-covid-19-era>

Research highlights by sector

Financial services and insurance

The financial services and insurance sector accounts for 29% of the Leaders, making these organizations the largest proportion of the Leaders among the four primary sectors in our survey.

Organizations in this sector demonstrate agility in their approach to digital transformation: 81% say the crisis has accelerated their digital transformation plans. They're the most likely of the four primary sectors in our survey to be currently driving revenue (36%)

and identifying new opportunities for growth through digital transformation (46%). They're also among the most likely of the primary sectors in our survey to be currently reinvesting the expenses they've saved into both core and new products. And perhaps, as a result, they've been better prepared to provide great customer service: 42% say customer satisfaction has increased. As a result, unsurprisingly, more than a third of these organizations (35%) say their revenues have increased since the start of the crisis.

Strength

More than a third of these organizations (35%) say their revenues have increased since the start of the crisis.

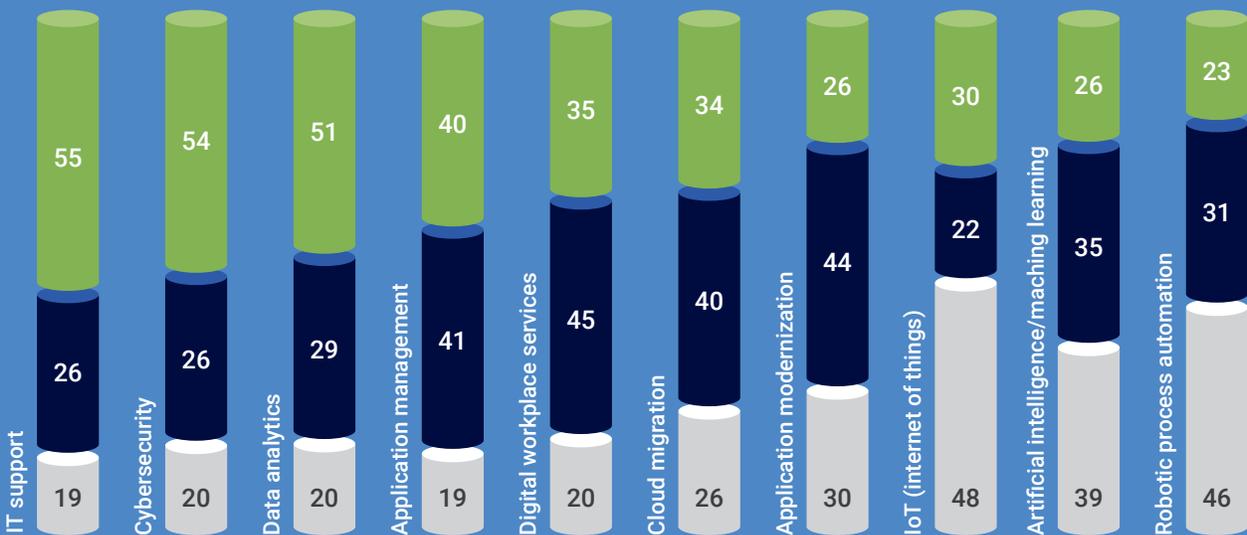
Opportunity

81% say the crisis has accelerated their digital transformation plans.



Financial services and insurance

To what extent has your organization implemented each of the following? (in percentages)



Research highlights by sector

Manufacturing

The manufacturing sector accounts for the second-highest number of Leaders (23%) out of the four primary sectors in our survey.

Organizations in this sector have been severely impacted by the pandemic: 55% say their revenues have decreased since it started. As a result, achieving operational efficiencies is key for manufacturers, and the technologies they've adopted are making it possible:

48% say they've achieved cost efficiencies as a result of their technology adoption. Manufacturing organizations understand the value of digital transformation: 72% say the crisis has accelerated their digital transformation plans. After the financial services and insurance sector, manufacturing is the second most likely to be currently identifying new opportunities for growth (35%) and to be driving revenue (32%) with digital transformation.

Strength

48% say they've achieved cost efficiencies as a result of their technology adoption.

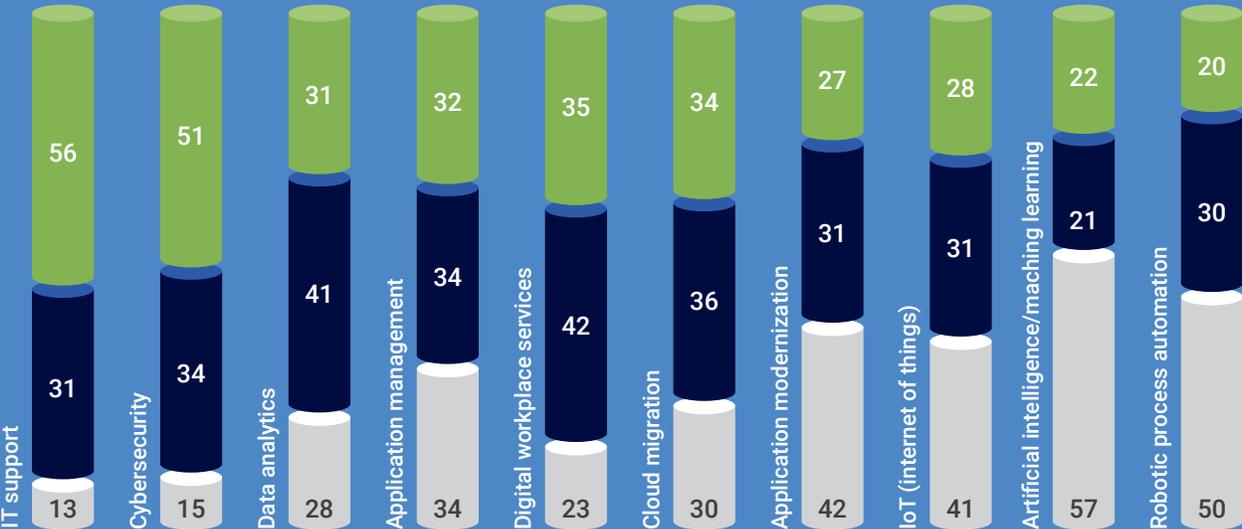
Opportunity

Manufacturing is the second most likely industry to be currently identifying new opportunities for growth (35%).



Manufacturing

To what extent has your organization implemented each of the following? (in percentages)



Research highlights by sector

Healthcare

The healthcare sector accounts for the second-highest number of Laggards (23%) out of the four primary sectors we surveyed.

This pandemic is first and foremost a health crisis, so organizations in this sector face a unique challenge. But few are showing the agility necessary to respond effectively. Although this is the sector most likely to say revenues have increased (37%), it's the least likely to be currently identifying opportunities for growth through digital transformation (25%). And while 63% of healthcare respondents say the crisis has accelerated

their digital transformation plans, 56% indicate they're planning on reinventing their organization digitally in response to the crisis.

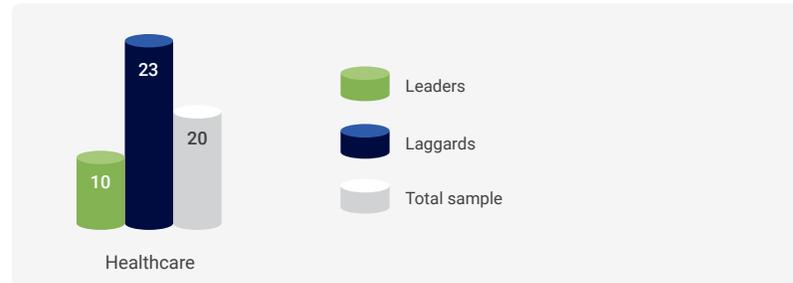
These organizations seem focused on the present moment instead of looking ahead, perhaps out of necessity in response to the overwhelming strain on the system from the pandemic response. However, few (34%) are implementing cost-reduction measures, and even fewer are reinvesting savings into core (17%) or new (15%) products.

Strength

Healthcare is the most likely sector to say revenues have increased (37%).

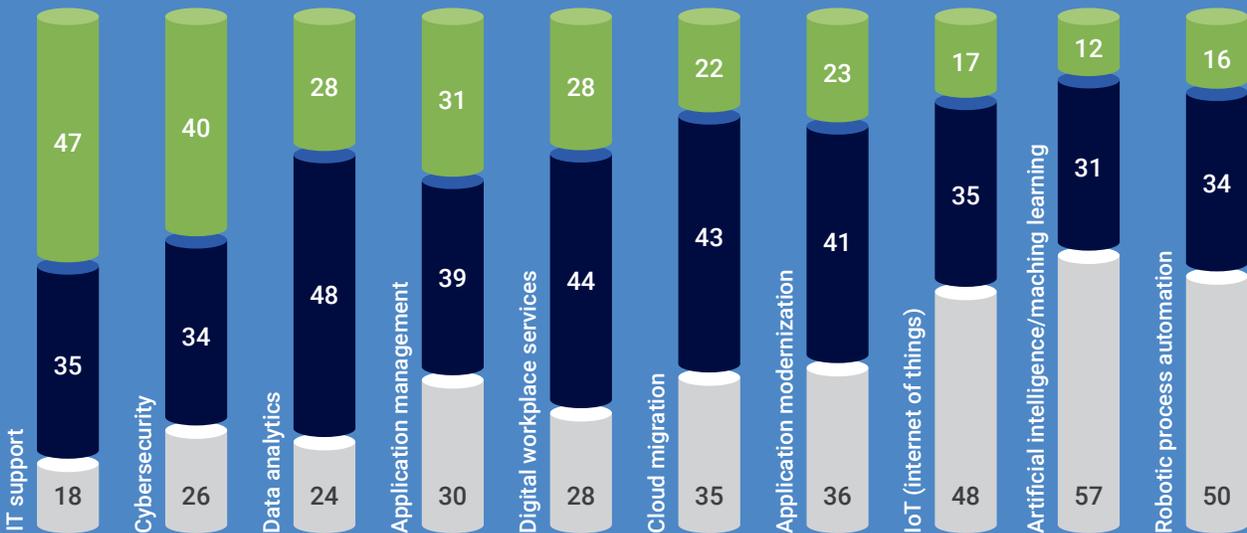
Opportunity

56% indicate they're planning on reinventing their organization digitally in response to the crisis.



Healthcare

To what extent has your organization implemented each of the following? (in percentages)



Research highlights by sector

Public sector

At 30%, the public sector accounts for the highest number of Laggards out of the four primary sectors we surveyed. Organizations in the public sector are more focused on the day-to-day running of operations than on the digital transformation that would deliver greater value to citizens.

A seamless transition to remote working is the biggest benefit these companies have seen from their adoption of digital technologies, but it's the least likely of the sectors in our survey to have improved citizen satisfaction and to be able to leverage data across

networks in real time with the help of leading-edge technologies.

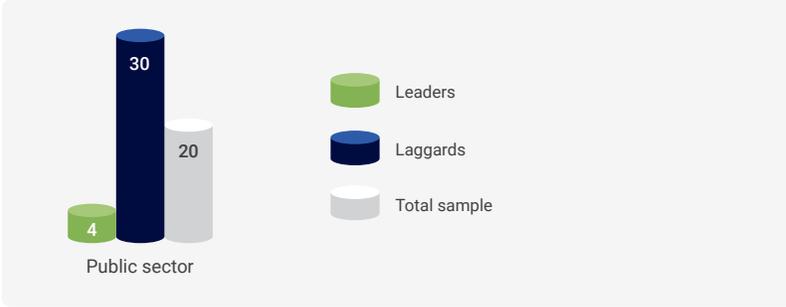
There is a glimmer of hope, however, as some of the public sector organizations in the survey are beginning to recognize the value of digital transformation: 64% say a greater investment in digital technologies prior to the crisis would have made them more resilient now, 68% note the crisis has accelerated their digital transformation plans and 31% are already trying to identify opportunities for growth through digital transformation.

Strength

31% are already trying to identify opportunities for growth through digital transformation.

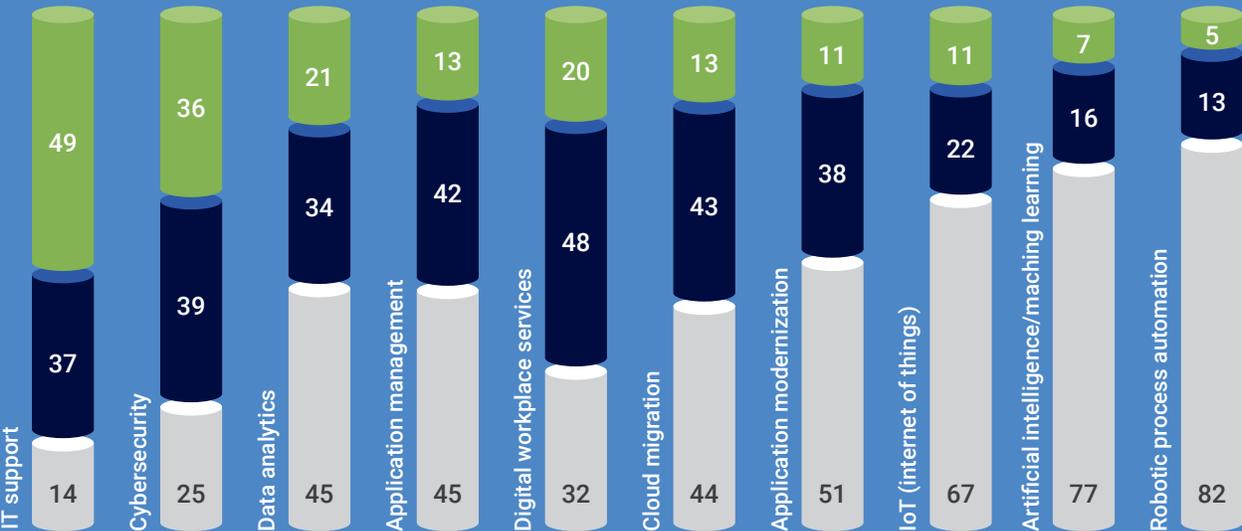
Opportunity

64% of public sector agencies indicated greater investment in digital technologies would have made them more resilient during the crisis.



Public sector

To what extent has your organization implemented each of the following? (in percentages)



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