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How Your Company Can Be More Strategic About Its Tech Spending

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Summary.

Too many executives today feel they are behind on digital investments, including cloud computing, AI, and other technologies that competitors and tech vendors flaunt, all while using a significant portion of their discretionary investment to keep existing technology up to date. Despite large investments, relatively few of these technologies are driving companies toward a differentiating outcome that truly matters to customers. So how do you shape your technology agenda so it enables you to build the right capabilities and deliver outcomes that fuel your competitive advantage? Here are six imperatives to consider. Thoroughly working through these six areas before you engage in any large tech project will help you focus your investment on the outcomes that matter most, raise the return on these investments, and connect technology directly into the center of your differentiated future.

If your organization isn't making large tech investments, you're in the minority. Indeed, nearly half of the CEOs in [PwC's 24th annual CEO survey \(2021\)](#) reported plans to increase their rate of digital investment by 10% or more — more than any other spending category.

With all of this investment, it's alarming that most executives we talk to are concerned about their struggles to meaningfully differentiate from competitors. Much of their current tech investment, unfortunately, is made in an effort to "keep up" with the rising table stakes requirements of the digital age. In fact, while 56% of executives taking the [PwC U.S. Cloud Business Survey](#) see cloud as a strategic platform for growth and innovation, a full 53% of companies are not realizing substantial value from their investments.

Turning this around requires a change in mindset. CEOs need to challenge every major tech investment by asking, "What if we had to realize twice the value in half the time?" This question has the power to change your dialogue about these massive investments and can keep you from falling into the trap of typical large-scale platform implementation programs that last multiple years, cost huge amounts of money,

require massive effort to get employees to adopt new ways of working — and ultimately don't help you differentiate and win.

The key to realizing twice the value in half the time is to not focus primarily on technology, but to have an obsessive focus on the outcomes the technology is supposed to enable. This may sound like semantics and you may think, "Of course, we're interested in the outcome, and not the technology per se." But are these outcomes defined in support of a very clear value promise to the market? And will they create massive incremental value and differentiate your company? Most often, the answer is no.

So how do you shape your technology agenda so it enables you to build the right capabilities and deliver outcomes that fuel your competitive advantage? Consider, for example, how the Spanish multinational clothing company Inditex uses technology to create unique outcomes and differentiate in a hyper-competitive market.

Inditex's Zara has been known for its "fit to demand" business model, ensuring that stores have the right amount of the right inventory that will sell at the right time. Like its competitors, Inditex had invested in an enterprise supply chain management system and was confronted with investing even more in new technologies to stay ahead. However, to fully deliver on the outcome of a "fit to demand" model, Inditex deployed a new take on an old technology — embedding a cheaper, recyclable RFID chip in the tag of every item Zara sells. This tag allows individual tracking of garments from the logistics platforms until their ultimate sale, enabling a much more intelligent system.

But Inditex does not rely on the technology alone. Information from RFIDs is complemented by insights from store managers into why certain items didn't perform well on certain days, as well as from salespeople who've been trained to engage with customers and give feedback about what they've learned to designers. This combined tech and non-tech intelligence allows Inditex to work in a highly integrated manner across marketing, design, merchandising, supply chain, and retail operations to uncover fashion trends, create new waves of collections, and get customers their desired garments much faster than the competition.

Building on this learning from Inditex and other companies, here are six imperatives to consider to deliver differentiated results from your own tech investments:

1) Connect the technology to clear, differentiated customer outcomes

Ask yourself: What is the unique value our company creates for customers and stakeholders? What are the few things we need to be great at to deliver that value? How can technology help us excel at those differentiating capabilities? Can we clearly articulate and measure how technology will help us differentiate vs. our competitors? Having clear answers to these questions will help you prioritize outcomes and technologies that advance your unique value proposition vs. incrementally digitizing how you work today.

2) Balance your investments across big tech, small tech, and no tech

Not every problem needs a big tech solution. Often, the solution requires complementing big technology platforms with simpler “small tech” automation and processes, new policies, and behavior changes. This does not mean only launching a slew of small tech pilots and delaying fundamental investments that may be needed for long-term value. The key is to have a portfolio of solutions that delivers outcomes faster wherever possible and that funds and supports the investments that require larger transformation.

3) Be very choosy about where to innovate vs. integrate

Creating amazing outcomes for customers doesn’t always mean you have to do everything in-house or have your own unique customer solution. The opportunities for innovation via ecosystems are rapidly growing as companies bring new technology capabilities to market every day. Don’t be afraid to integrate technologies offered by others, in particular from your ecosystem partners. Customize and innovate only where it leads to true competitive differentiation — and where that differentiation is something your customers are willing to pay for. If you cannot honestly answer whether customers will be willing to pay for the investments you are making in customization, don’t do it.

4) Align your operating model to achieve your desired outcome

Delivering the desired outcome will require much more than just system implementation. It will take changes in roles, processes, policies, ways of working, skills, metrics, incentives, behaviors, data, and more. You will most probably find that without a multi-disciplinary team that shapes the outcomes targeted by your technology investments, you won’t be able to capture the full value. We call these “outcome-oriented teams,” because they bring together the right skills and talent from anywhere in the organization and focus on clear deliverables that drive customer value. Increasingly, they need to be permanent, not just formed with part-timers

working together for the duration of the project. This is a significant re-wiring of your operating model to break down the traditional silos that often stand in the way of achieving differentiating outcomes.

5) Change the relationship between technology and your people

Engaging people who will use the new technology and upskilling them will be one of your most challenging and time-consuming tasks — but one that is absolutely critical. Don't just focus on making people comfortable with using the technology (e.g., teaching them how to use remote working tools effectively); get them excited about working in this new way (e.g., being comfortable managing and motivating their teams remotely). Work with people to change their daily activities with technology, and in the course of doing so, they will get familiar with the underlying systems. Show them what's in it for them — how this will enrich their jobs and allow them to connect to the organization's purpose.

6) Rethink the business case behind tech investments

Business cases typically focus almost entirely on efficiency improvements — e.g., headcount savings from performing tasks faster or with less human intervention, or reductions of the technology cost itself. Be more ambitious. How will the investment change success in customer acquisition or retention? How will it improve your insights and help you better deliver your value proposition? What will it do to your carbon footprint? If your business case doesn't address outcomes, the project itself is likely not transformational enough.

As you broaden the articulation of benefits, you will also need to hold your teams accountable for delivering that value. No longer should success be measured by whether the system “goes live,” but by whether it drives a change in your outcomes with customers. Defining clear fact-based measures isn't easy, but without them, you're basically just crossing your fingers and hoping that transformation will come on the back end of massive technology bets.

Thoroughly working through these six areas before you engage in any large tech project will help you focus your investment on the outcomes that matter most, raise the return on these investments, and connect technology directly into the center of your differentiated future.