



# WHY DIGITAL MATTERS NOW

Business intelligence:  
where transformation starts

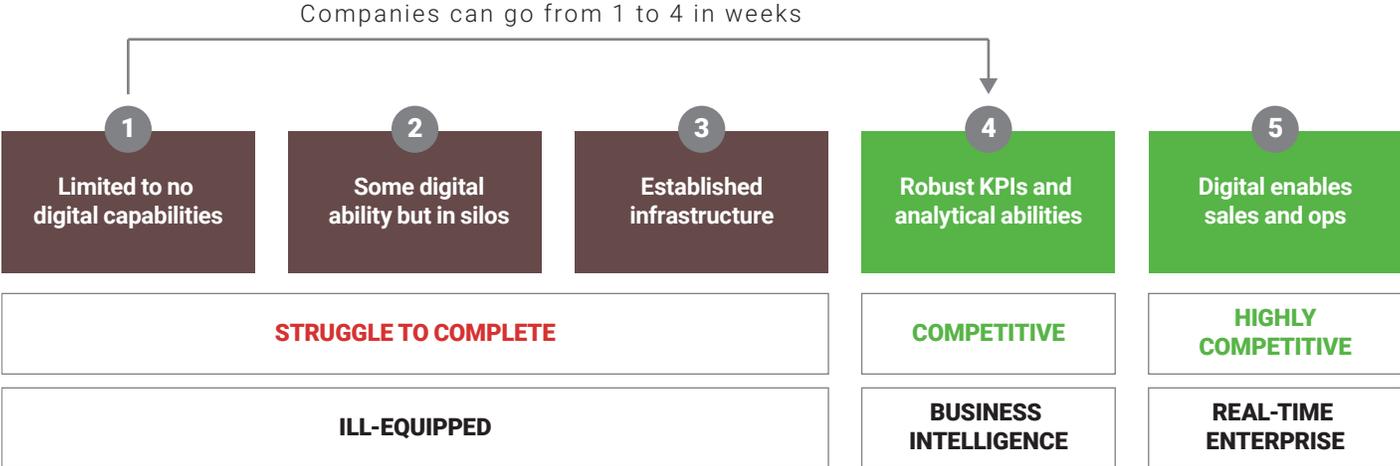
Most business leaders understand the why of digital transformation: the greater a company’s digital capabilities, the better that company will perform.

According to joint research by AlixPartners and the Massachusetts Institute of Technology Center for Information Systems Research (MIT CISR), companies with advanced digital capabilities post 16% higher net margins than the industry average.<sup>1</sup> Additional research by MIT CISR shows that a company’s net margin, revenue growth, and valuation<sup>2</sup> all increase as the percentage of the company’s digitally savvy senior leaders increases. And companies with digitally savvy boards perform at least 34% better than their competitors do.<sup>3</sup>

The *how* of digital transformation is another matter altogether. Although some organizations have deeply embedded digital capabilities throughout their businesses and have used those capabilities to deliver superior customer experiences and operational excellence, many other organizations are still in the early stages of their digital maturation (as demonstrated in figure 1).

To a great extent, the less mature companies continue to rely on old-fashioned business models and intuition instead of facts. Their operations also tend to be heavily siloed, with different parts of the business focused on and performing different tasks largely independently. Information sharing across such organizations is relatively ineffective. Their operating structures are usually decentralized, with separate systems for individual applications rather than a single, unified architecture for the entire enterprise. As those companies try to grow and share information internally, they’re forced to accommodate each immediate need by wiring together their siloed systems. One result of all of that is an ineffective and convoluted system layout that hinders the company’s ability to scale the business at a profit. Another result comes in the form of declining revenues and profits.

**FIGURE 1: STAGES OF DIGITAL MATURITY**



Source: AlixPartners

1. The Race to Become Future Ready, AlixPartners, April 21, 2017  
 2. Companies with a Digitally Savvy Top Management Team Perform Better, MIT CISR, March 19, 2020  
 3. It Pays to Have a Digitally Savvy Board, MIT Sloan Management Review, March 12, 2019

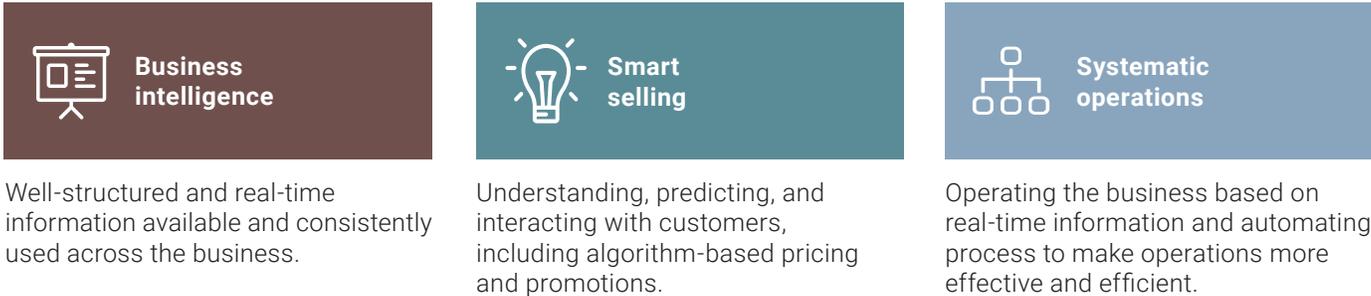
This article and the accompanying series are directed to business leaders who are ready to put their companies on the path to digital maturity but are unsure where—or how—to begin. The series will focus on the how of digital transformation, drawing on AlixPartners’ extensive transformation experience that will offer practical advice, deep insights, and expert guidance. We begin with a look at business intelligence (BI)—the capability that forms the foundation of every transformation initiative. Companies that establish a robust BI environment at the outset of their transformation journey put them on the right track toward their digital future.

## The right information—at the right time and in the right place

The term *business intelligence* refers to a company’s abilities (1) to make well-structured, comprehensive information available across the business and then (2) to use it consistently and effectively. Companies that develop BI capabilities become able to strike the right balance between investments in customer experience and operational excellence (figure 2). That balance is crucial, because our research shows that companies that prioritize investment in customer experience over operational excellence increase revenues in the short term, but suffer profit declines as they struggle to handle more and more customer activity. Conversely, companies that prioritize operational excellence over customer experience tend to maintain their profitability at the expense of revenue growth.

Business intelligence uses software and services to transform data into actionable insights that inform an organization’s strategic and tactical business decisions. BI technologies provide historical, current, and predictive views of customers and business operations that business managers can apply in order to sell more—at higher profits. BI tools, for their part, access and analyze data sets and present analytical findings in the forms of reports, summaries, dashboards, graphs, charts, and maps that provide users with detailed intelligence about the state of the business.<sup>4</sup> A company with strong business intelligence, including external information such as competitors’ prices and direct and indirect vendor costs, can identify in detail the company’s best customers; can optimize pricing, promotion, and offers; and can maximize the profitability of business across functions.

**FIGURE 2: KEY ELEMENTS OF A BUSINESS INTELLIGENCE PROGRAM**



Source: AlixPartners

4. <https://www.cio.com/article/2439504/business-intelligence-definition-and-solutions.html>

Companies operationalize the BI function by developing and deploying key performance indicators (KPIs). KPIs enable companies to react promptly to changes in the operating environment and to decide which aspects of the business to prioritize and which aspects to change. Well-designed KPIs enable company leaders to set reasonable targets as the organization goes through the stages of digital maturation. The company can then (1) smartly target its best customer types with products and/or services that generate the highest returns and (2) optimize the use of its resources. Upon achieving those basic capabilities, the company can continuously evolve its digital capabilities and further modernize its decision making and its business operations

Today's technologies make it possible for companies to develop business intelligence capabilities both rapidly and affordably and to set themselves on course for a digital future. But technology alone will not produce improvements in revenues, profits, customer experience, and operational excellence. Business intelligence is driven by business experts who can identify the major drivers of sales and profits, express them as KPIs, derive insights, and act upon the insights to sell more at higher profits. In the next installments of this series, we'll take closer looks at how companies can stand up a BI capability in weeks by developing and automating their KPIs to make prompt information-based decisions that maximize profitability.

## Whatever the industry, a strong BI function drives profit improvement—and more

Each of the following companies generated eight-figure earnings improvements and significant valuation increases.

- 1** A **retailer** moved from a rudimentary pricing model to a model whose pricing was based on intelligence about competitors' prices and demand elasticity.
- 2** A **consumer** products company was able to identify which trade promotions worked and which didn't across different customer profiles and geographies.
- 3** A **business** services company profiled its customers and ranked them by performance, which enabled the company to prioritize which customers to target and retain.
- 4** A **manufacturing company** improved sales and operations planning by means of demand forecasting and production scheduling.
- 5** A **healthcare company** used claims management analytics and automation that resulted in higher recoveries at lower costs.

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## **ABOUT US**

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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