



# How Australian businesses can unlock digital value to become future-fit

Cognizant commissioned Economist Impact to define what it takes to be future-fit—and how close businesses are to getting there. Our analysis reveals the foundational elements of a modern business that's ready for any change that comes along.



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## Executive summary

How future-fit is your business? Australia's businesses are at a critical juncture. As decades of change—both disruptive and insidious in nature—alter long-held norms and ways of doing business—they face a game-changing choice: Continue working the old-fashioned way and risk punishing outcomes or focus their technology investments on business and operational innovation. Doing so will require tight alignment of technology initiatives with business goals, process digitization and sure-footed strategic planning. It seems, however, that many Australian businesses are failing to read the writing on the wall.

This, in a nutshell, is the finding of recent Economist Impact research supported by Cognizant. (To learn more, see our report, “**Ready for anything: what it means to be a modern business**”.) Our analysis of the data reveals that Australian businesses emerged from the pandemic heavy on technology but short on the ability to unlock strategic value from these investments, pivot working capital to drive productivity gains and achieve environmental, sustainability and governance (ESG) targets.

What stands out is that Australian businesses are behind their counterparts in other regions when it comes to fully embracing digital-first business models. This has repercussions far and wide.

**From the research, we've identified four critical and interrelated areas that are essential for any business to feel confident about becoming future fit:**

- 1** Translate rapid technology adoption into Enterprise Transformation
- 2** Digitise workflows and invest in retraining / redeployment of talent
- 3** Prioritise operational enhancements across the organisation
- 4** Take real, sustained action to become resilient in the face of urgent environmental, social and governance (ESG) challenges ahead

**But our analysis also reveals that few businesses have put all these pieces in place.**

The following key insights from Cognizant's analysis of the Economist Impact research will support businesses on their journey to being ready for whatever the future may bring:



**Businesses need to be more effective in aligning technology outcomes to corporate objectives.**

Australian organizations are behind other countries in translating high technology adoption into enterprise transformation, from digital business model innovation (strategy) to process digitization (operations). Moreover, the misalignment of business strategy and measurement frameworks means that while projects perform well against traditional IT metrics (being on budget and on time), they are not delivering against business objectives.



**Business continues to juggle “reskilling the workforce with lagging digital investments.”**

Modern operating models need cross-functional teams with the right digital skills that are empowered by clear governance and decision making with tech-savvy leadership at all levels. While few respondents in the study report talent gaps, suboptimal digitization of workflows and lagging investments in re-training and/or redeployment of talent are causing Australia's businesses to miss out on opportunities to capture value through process digitization.



**Australian businesses lag other countries in working cross functionally.**

Australian businesses are also behind other countries in prioritizing operational enhancements across the organization. Below-par operational alignment and an inability to put data to use have cascading effects downstream, ultimately impacting organizations' ability to predict change and innovate.



**To achieve resilience, the gap between ESG concern and action needs to be closed.**

Nine in 10 decision-makers recognize that attending to environmental, social and governance (ESG) issues is a critical aspect of being a modern business. However, there's a massive disconnect between recognition and action, as few organizations report having dedicated staff and resources devoted to environmental or social sustainability. This gap needs to close as customers, employees, investors and regulators increasingly scrutinize ESG credentials, and the lack of action could thwart future resiliency.



# The transformation gap

# The transformation gap

Australian businesses have invested in core, emerging and frontier technologies. More than 80% have invested in, or plan to invest in, cloud and the Internet of Things (IoT); more than 60% say the same about artificial intelligence (AI)/machine learning.

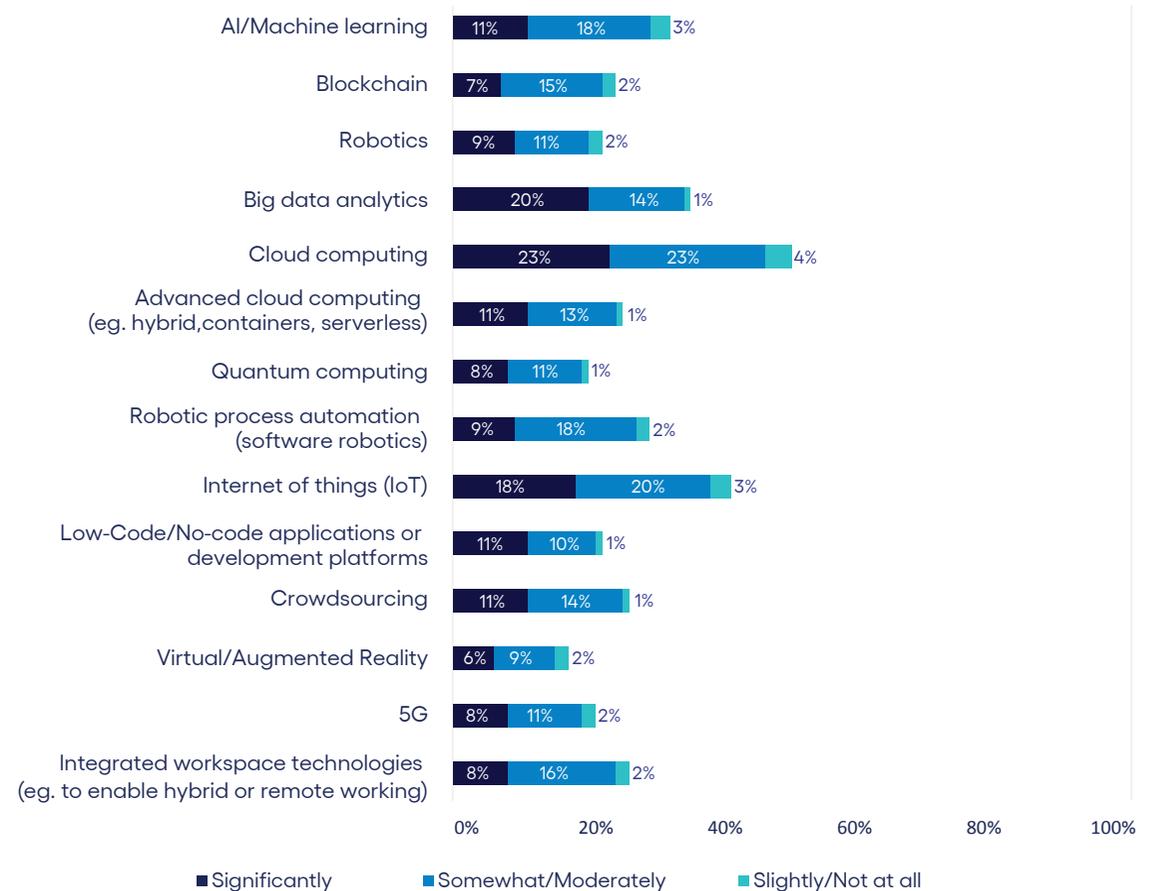
But this has not translated into significant realized value (see Figure 1). We believe this is because Australian companies are less effective in aligning technology to evolving business models, because they have thus far failed to align operations with the opportunities from their technology, and because they're unable to build the necessary talent pool to unlock tech's potential.

## Where things stand

A whopping 70% of Australian respondents do not consider a digital-first business model to be business critical, compared with the average of 62% from overall survey responses. Similarly, for three in ten businesses, short-to medium-term future planning (two to five years) is not a high priority, compared with 24% overall. This highlights concerns around building resilience against the impact of long-term business cycles, and a willingness to forego quick wins.

On the implementation side, one in ten Australian business leaders have failed to link implementation of advanced technologies to their business goals, compared with 6% overall. We also noticed a lack of operational alignment between business lines and functions in Australia compared with other countries.

Figure 1: Technologies delivering strategic value



Source: Economist Impact Survey 2022

To be truly future-fit Australia's leaders must work to break down silos, optimize processes, and harmonize workflows. They need to drive out inefficiencies and redundancies across departments, and create a robust operations layer to support businesses on their modernisation journeys. Transformation must take place in the core of the business in order to drive sustainable results.

## Plan of action

- **Align your leadership team** on digital vs. non-digital business model options for your organization, and reassess applicability. With work moving increasingly online and employees working remotely, there is scope to reimagine how work gets done.
- **Evaluate high-level business cases** for medium-term opportunities for front-stage experience and backstage process digitization. For example, high-quality customer experience is supported by simple, effective processes. Take a consumer purchasing a new car. Their first touchpoint may be purchasing a vehicle in a showroom. But behind this, a raft of interdependent departments and processes (supply chain, finance and logistics) have a direct impact. Companies that invest in the customer-facing touchpoint, but fail to modernize their core, will miss opportunities.
- **Review your technology strategy** to consider the use of advanced technology and aligning it to business goals. Start by bridging cultural gaps between tech and business teams, and deploying technologies such as low-code/no-code tools that allow non-IT employees to work with high-end technologies and thus deepen IT capabilities.
- **Review portfolio management** and ways to identify opportunities for structural and operational rhythm improvements to drive execution pace and quality uplift. Monitor employee satisfaction and engagement on an ongoing basis and foster an enabling business culture.

## Case in point

We are helping a leading Australian financial services organization better align its technology portfolio to business objectives and measure the execution of these endeavors. Doing so will enable the company to make prioritization calls based on business value, which is essential in a resource-constrained environment.

# The process productivity paradox



## The process productivity paradox

Australian businesses need to balance their pursuit of productivity and automation improvements with an imperative to fill talent gaps. Workforce issues are top of mind for many executives when implementing new processes, products, services and technologies.

### Where things stand

While just 10% of Australian business leaders say they lack access to the talent needed to implement and utilize advanced technologies, only 49% have realized a significant productivity boost as a result of their technology initiatives (compared with 55% who said they expected a

productivity infusion). Importantly, just 35% say they leverage data to align skill development/training with organisational needs.

On the process side, 56% are yet to see significant positive impact of technology adoption on their process automation efforts. Meanwhile, 35% of Australian businesses do not see automated and effective end-to-end business processes as business-critical or high-priority, compared with 30% overall. In an increasingly complex tech environment, these businesses face a heightened risk of unforced errors in the form of poor customer experiences, broken workflows and poor process handoffs.

FIGURE 2: Most significant challenges



Response base: 400 senior business executives  
Source: Economist Impact Survey 2022

# Mismatched operational priorities

## Mismatched operational priorities

Australian businesses are keen on enhancing their ability to react to a changing business landscape. As many as 56% rate the ability to anticipate and adapt to changing business environments and customer needs as very important. But this aspiration is not matched by their efforts to do so; most have yet to see a significant impact from technology improvement on operational alignment (see Figure 3).

### Where things stand

While 38% of global respondents rate operational efficiency and resilience as business-critical, just 31% of respondents in Australia say so. Similarly, while 37% of global respondents rate operational alignment between business lines and functions as business-critical, only 30% of Australian respondents do so. Tellingly, however, just 31% rate data-driven operations and mindset as business-critical, compared to 37% overall. This impedes the ability of Australian businesses to generate insights that can guide decisions and results in suboptimal operational performance.

### Plan of action

- **Leverage data-heavy tech** such as cloud, IoT and big data analytics to glean insights into operational roadblocks and free up processes that could unlock savings in terms of time, energy and costs.
- **Improve day-to-day workflows** by removing barriers in lines of communication to uncover operational issues impacting work on a daily basis and judiciously automating processes to ease workflows and improve resource allocation.

### Case in point

We recently worked with one of Australia’s top banks to re-engineer its business processes to drive improved merchant operations performance, codify regulatory processes and improve the customer experience. This was done by combining deep banking process and automation knowledge to allow the client to both transform now to unlock value, and to plan for medium-term automation for the end-to-end process.

FIGURE 3: Significant positive impact of tech improvement efforts



Response base: 400 senior business executives  
Source: Economist Impact Survey 2022

# Closing the gap on ESG concern and action



# To achieve resilience, the gap between ESG concern and action needs to close

No discussion about being a future fit business can ignore the clarion call for sustainability. The last few years saw an inflection point in the adoption of ESG. Customers, employees, regulators and investors now scrutinize the ESG credentials of businesses, piling pressure on executives to make decisions that positively impact all stakeholders—not just shareholders. Not to mention, it’s increasingly clear that environmentally and socially responsible business is “good” business, in the form of resilience to any shift or shock that comes along. The good news is, business leaders have more tools, technologies and approaches than ever before to make a difference. But, according to our analysis of the data there is much progress to be made in putting those tools to use.

The business value opportunity from environmental, social and governance (ESG) concerns is greater in Australia than other countries, and we’re seeing positive change driven mainly by investors and consumers. But

there is the potential for more. When asked about measures being taken to promote environmental sustainability and social impact, fewer than half of Australian businesses say they are implementing any of the eight measures listed to promote the latter (see Figure 4).

## Where things stand

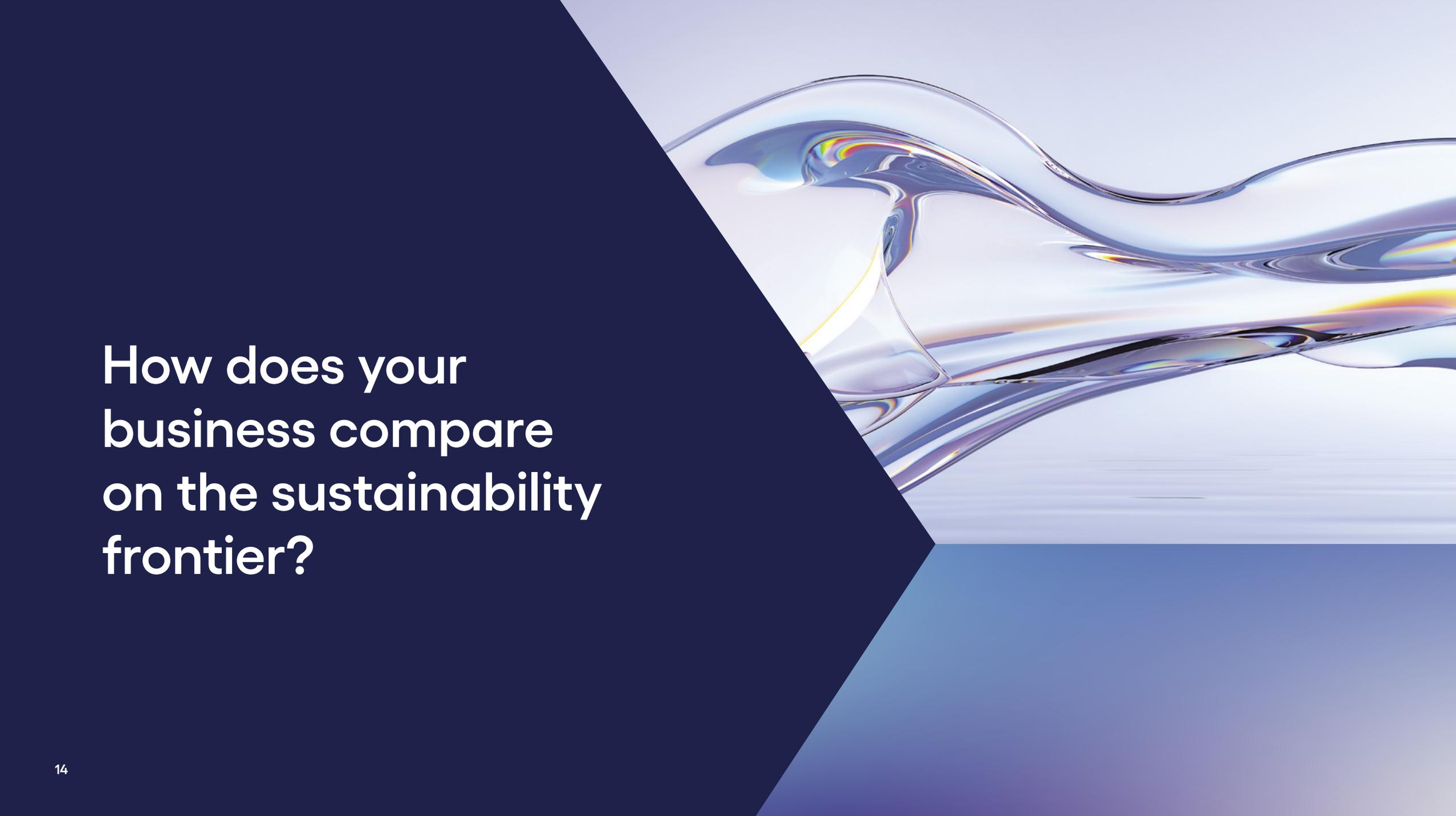
Almost half of Australian respondents strongly agree that their organizations have accountability to society at large that is institutionalized through both social initiatives and day-to-day operations, compared with 43% for other countries. Close to 90% believe that having the right governance, policies and ethical business practices in place are important to being a modern business. However, less than 30% say they monitor data related to key aspects of sustainability, such as volume and sources of waste production and pollution (29%), water use (24%), and the gender pay gap (24%).

FIGURE 4: Measures taken to promote ESG



Response base: 400 senior business executives  
Source: Economist Impact Survey 2022

<sup>1</sup> UN website on “The 2030 Agenda for Sustainable Development,” <https://sdgs.un.org/goals>.



How does your  
business compare  
on the sustainability  
frontier?

## How does your business compare on the sustainability frontier?

We can see evidence of these lacklustre efforts elsewhere—for example, few organizations have dedicated ESG staff and resources. For an area swiftly becoming a critical battleground, in which stakeholders expect leaders to drive tangible impact, the actual investment seems somewhat unambitious. For an area that is swiftly becoming a critical battleground, in which leaders are expected to drive tangible impact, the real investment set aside is stacking up to be lackluster at best.

Sweeping business-wide activities like improving sustainability or becoming a more diverse organization are not easy tasks. Digital technologies can enable sustainability initiatives at the more granular level—for example, collecting, measuring and analyzing data unique to sustainability and biting off small sections with specific initiatives.

But there is a real need for more holistic change, especially as businesses focus on becoming more resilient, using technology to anticipate and act on systemic signals of change in a volatile and uncertain world. Leaders can then make informed decisions on how to embed sustainability into strategy and operations and build resilience beyond risk mitigation.

### Plan of action

Review how your business goals and technology priorities are aligned to your ESG strategy.

### Case in point

Cognizant is working with a local resources company to establish digital teams that are focused on leveraging rich reserves of existing company data (all equipment is heavily instrumented), to identify the most valuable opportunities to unlock business value. An example of one of these projects involves using data to optimize processes in a processing plant, with the goal of improving the overall quality of the raw resource, thereby significantly increasing revenue.

Capturing data using integrated data storage and forming agile digital technology teams embedded in the business are both key to prioritizing and experimenting with the most worthwhile projects to meet or exceed business goals and objectives.



# How to engineer a future fit modern business

## Recommendations : How to engineer a future fit modern business

The simple truth is, there is no end-state to being future-fit; it will always be a work in progress. But it's also the most important work businesses face today. While digital transformation is clearly embraced by nearly all business leaders today, it's essential now to close the gaps between the technology foundations being built, the workforce talent needed to optimize the value of these digital-first endeavors, and the ESG efforts necessary for resilience.

The following guidelines can offer businesses an on-ramp to solving the challenges ahead.

- **Focus on driving cross functional business change.**  
Business and technology teams must be able to work cross functionally to take full advantage of the role that technology can play in reshaping the business models, transforming processes and breaking down silo's in the execution of work. Align your leadership team around digital vs non-digital business models for your organisation.
- **Make technology a partner in work.**  
Implementing new technology is the easy part (and it's not slowing down); the hard part is realizing the full value of tech investments. This requires businesses to avoid the pitfalls of inflated expectations, move up the maturity curve with the use of—especially advanced—technologies, and find the right metrics, both quantitative and qualitative, to measure the outcomes of digital initiatives. Full value will only be achieved when people are enabled to use these new sophisticated tools to reach new levels of productivity, creativity and resilience.

- **Recognise that the frontier of modern technology is moving forward.**  
Future value lies in the combination of new and advanced technologies that are rapidly evolving. If you have indigestion from the last 10 years of change, then steel yourself for the next wave. Australian businesses can benefit most from leveraging data heavy technology such as cloud, IoT and big data analytics to glean insights into operational roadblocks and free up processes that can unlock efficiencies.
- **Close talent gaps with a skills renaissance.**  
New levels of employee engagement and a raft of new skills need building out urgently to prepare for the profound changes in how your people will work. Get crystal clear on how your business will operate as intelligent workflows and data-led intelligence increasingly embeds itself into every decision, interaction and process touchpoint. Take stock now and then look ahead to what skills you are going to need, not just next year, but in three to five years' time as well.
- **Lean-in with powerful ESG tactics.**  
Technology enables ESG goal attainment at a granular level, so use it to build a picture of what needs doing now as you begin embedding sustainability into the business's core strategy and operations. Doing so builds resilience beyond risk mitigation and prepares the organization for the opportunities and uncertainties ahead.

Consider running a modern business benchmark to reveal where your resources should be applied, from being a data-driven enterprise to closing the growing gaps in workforce strategy. ([Contact us for the benchmark tool, which reveals how ready-for-anything your business is](#)).

## Recommendations : How to engineer a future fit modern business

### Bottom line

To build a business that is ready for anything, leaders need to unify people and technology, and have a fully resourced approach to meeting ESG needs. These are the foundational elements of a modern business that's ready for any change.

Becoming future fit is not an end state but a constantly evolving effort to respond to customers, markets, societies, global events and the planet's needs. Businesses that continually assess and fortify their future preparedness will reap the rewards by becoming perpetually relevant, no matter what eventuality or externality comes along.



# Methodology

This report's findings are based on three interrelated research efforts, namely a literature review, benchmark analysis, and in-depth consultation with expert sources, which provide considerations for firms to become future-fit.

The benchmark's conceptual framework spans more than 130 indicators across three pillars: external environment, business preparedness and progress towards the frontier. These pillars establish the thematic and conceptual scope of the report and are weighted in accordance with our assumptions of their relative importance in fostering the future-readiness of businesses. For the purposes of this benchmark, the definition of future-readiness incorporates modernity, adaptability, resilience, long term orientation and ambition.

The benchmark also draws on a survey of 2,000 executives in multinational businesses in ten countries, of which 400 are from Australia, as well as interviews with senior executives and experts and wide-ranging desk research with the aim of understanding the future-readiness of businesses. This report focuses on the state of Australian business today in light of tomorrow's needs.

**2000** executives in multinational businesses in  
**10** countries, of which  
**400** are from Australia



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Contact Cognizant for more details. For a more detailed methodology from Economist Impact, visit the program site at [Modern Business](#).

Is your business future-fit? Talk to us about what's standing in your way.

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### Cognizant Research

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### About Cognizant

Cognizant (Nasdaq-100: CTSH) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at [www.cognizant.com](https://www.cognizant.com) or @Cognizant.

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