# Digital Strategy Is Business Strategy

## Idea In Short

Boards and chief executives no longer need a separate digital strategy tucked behind the corporate one. The two have merged and companies that keep drafting them apart waste time and capital chasing a distinction that no longer exists. The decision in front of leadership teams is simple:

> fold digital investment decisions into the core strategic planning process now, assign one accountable owner, typically the chief information officer working alongside the chief executive and stop routing technology spending through a side channel reviewed once a year

Five roadblocks recur across industries, an incomplete long-range vision, tunnel vision on customer-facing projects, friction with compliance functions, a shortage of digital talent and legacy mainframe systems that resist replacement. Address these directly and the merger of business and digital strategy becomes an operating advantage rather than a slogan.

The last two years forced a reckoning that many companies had postponed for a decade. Necessity, as the saying goes, is the mother of invention and the COVID-19 crisis proved it by compressing years of digital adoption into months. Client interaction, supply chain management and internal operations all moved online at once and organizations that had already invested in flexible technology pulled ahead of those that had not. Departments that were assembled hastily to support remote work in early 2020 were not dismantled once the immediate crisis passed. Leadership teams kept them, because the crisis had made a case that internal advocates had been making for years:

> technology is no longer a support function bolted onto the business, it is the business

## The Blurring Line Between Business and Digital Strategy

Digitization has been reshaping how companies improve performance for well over a decade, first through new products, then through redesigned processes and now through entirely new business models. That progression has made the old separation between a business strategy and a digital strategy increasingly artificial. An organization's plan for gaining a competitive advantage through technology is not adjacent to its business strategy, it is a component of it and treating the two as parallel documents produces duplicated effort and conflicting priorities. Technology has stopped being just software or hardware sitting behind the scenes. It now determines which services a company can offer at all, which is why innovative firms keep entering markets their competitors assumed were protected by industry structure rather than by a temporary lack of technical alternatives.1

As digital technology matures and companies advance further along their transformation journeys, the term "digital strategy" will likely fade from use entirely, absorbed into ordinary strategic planning the way "electrification strategy" disappeared a century ago. Until then, the term remains useful precisely because it keeps digital initiatives from getting lost inside broader planning documents. What should never change, regardless of terminology, is a company's underlying commitment to what digital means for its business and its customers. Tactics can and should shift as market conditions change, but the destination has to hold steady, or the organization will spend its capital chasing whichever technology trend is loudest that quarter.

Consider a company that develops productivity software for internal use and decides to monetize it. The first plan might package the software as a consumer mobile application sold directly to individuals. After testing that approach, the company might discover the software carries more value when licensed to other businesses for integration into their own products. The company's ultimate goal, monetizing an internal asset, never changed. Only the plan for reaching it changed and that is precisely the flexibility a sound digital strategy is supposed to preserve. A guiding principle should shift only when the company itself is undergoing a genuine reorientation, not every time an initial tactic underperforms. Concrete steps still matter, but they need enough built-in flexibility that a team can pivot without rewriting the strategy from scratch. Companies that separate technology decisions from this kind of strategic reasoning tend to accumulate tools rather than capabilities, a pattern

McKinsey has documented across large-scale transformation programs.2

## Five Roadblocks Standing Between Vision and Execution

Most executive teams already recognize that building genuine synergy between digital and business strategy takes more than adopting new tools, yet a consistent set of obstacles keeps that synergy out of reach. These roadblocks appear across industries and company sizes, which suggests they are structural rather than accidental. Addressing them requires sequencing, since attacking all five simultaneously tends to overwhelm the teams responsible for each one. The five patterns below account for most of the friction leadership teams report when trying to merge the two strategies into one.

### An Incomplete Digital Vision

Companies that begin their transformation by researching and acquiring digital technologies are setting themselves up to fail before they start. Starting with an in-depth analysis of current business problems feels like the responsible next step, but it anchors planning to today's constraints rather than tomorrow's opportunities. The more productive starting point is projecting how digital technology will reshape the industry over the next five to ten years, then reverse-engineering the path back to the present. That sequence keeps a company from using current technology purely for short-term gains it could have captured without a strategy at all. Working backward from a five-to-ten-year horizon also clarifies which capabilities in people, process and technology matter most, which makes prioritizing today's initiatives considerably easier.

### The Problem With Tunnel Vision

Digital teams gravitate toward the most visible opportunities and that usually means customer-facing web properties, mobile applications and anything filed under customer experience. These projects can genuinely improve how a company presents itself to the market, so the instinct to pursue them is not misguided on its own. The trouble starts when a company polishes the front end while leaving the back-end operations, the systems that actually determine cost, speed and reliability, largely untouched. Core business processes rarely get the same attention because they are invisible to customers and therefore invisible to the executives measuring digital progress by what shows up in a product demo. A strategy that never reaches operations has addressed the symptom of competitive pressure without touching its cause.

## Friction With Compliance and Legal

Business and operational leaders frequently describe compliance and legal functions as the obstacle standing between their organization and a genuinely digital operating model. The complaint is understandable but usually misdiagnoses the problem. A national property and casualty insurer, for example, faces state-by-state variation in the disclosures required on a given form and modularized content lets the company assemble unique forms for each state from a small set of templates. Compliance teams, however, still need to review the final output for every state individually, which can mean fifty distinct forms requiring separate approval even though they were built from the same modular components. That review burden is real, but it is a workflow problem, not evidence that compliance is opposed to digital progress. Solving it means bringing compliance into the modularization design from the start rather than presenting them with fifty finished forms to approve on a deadline.

## The Digital Talent Gap

A shortage of qualified digital talent remains one of the most consistently cited constraints on merging business and digital strategy and it shows no sign of closing on its own. Companies that treat digital hiring as a recruiting problem alone tend to lose the talent they do attract, because the underlying issue is often structural, unclear reporting lines, competing priorities between business and technology leaders and career paths that do not reward cross-functional work. Closing the gap requires investment in internal training programs that build digital fluency among existing staff, not just external hiring campaigns competing for the same limited pool of specialists. Partnerships with universities and reskilling programs have become a meaningful supplement to direct hiring, particularly for mid-sized companies that cannot compete on compensation with the largest technology employers. Left unaddressed, the talent gap becomes the binding constraint on every other initiative on this list, because none of them execute themselves.

## Legacy Systems That Resist Change

Technology systems are usually the first thing updated when a company shifts its business strategy, but some systems resist that pattern entirely. Mainframe computing, a technology architecture more than 50 years old, still runs core operations at 96 of the world's 100 largest banks and nine of the ten largest insurance companies.3 A mainframe purchased brand new today would still count as a legacy system, not because of its hardware but because it runs applications written in programming languages most current developers never learned. Migrating decades of accumulated data and business logic off these systems is a genuine engineering challenge, not a matter of executive willpower. Companies that succeed at this migration typically do it in stages tied to specific business capabilities rather than attempting a single wholesale replacement, which reduces the risk of an operational failure during the transition.

## Building a Genuinely Digital-Led Strategy

Knowing the right technology is not the same as having a strategy that uses it well. A digital-led strategy integrates technology into how a business operates, how it reaches customers, how products and services get to market and how internal teams coordinate, rather than layering technology on top of decisions made some other way. Organizations that build these strategies are less focused on the technology itself and more focused on the efficiency gains a given tool actually produces, which is a subtle but important distinction when evaluating any digital investment. Companies less inclined toward digital change still adopt specific channels and technologies to hit particular objectives, but they tend to bolt these onto an existing strategy rather than let the strategy start from digital assumptions in the first place.

That distinction matters because a digital-led strategy needs to be the starting point of planning, not an addition to a strategy that already exists. It does not translate a traditional strategy into digital terms. It replaces the traditional strategy with one built around what digital technology makes possible. A strategy built this way and driven by data, can redirect investment and effort toward whatever is producing the highest return, which is precisely the kind of adaptability that mattered most during the pandemic. Digital-native companies set customer experience benchmarks that older competitors then had to match and firms including Amazon and Netflix grew revenue and market share specifically because the disruption played to strengths they had already built.4

Banking offers a clean illustration of the same pattern. Digital-only banks experienced comparatively little disruption during the pandemic, largely because their customers already expected an experience without in-person interaction and were not disappointed when that remained the case. These institutions did not need to change their business model when the crisis hit, because agility and speed had been core to their model from the outset. Going digital was a survival requirement for slower-moving competitors in the short term and little evidence suggests those competitors have much appetite for reverting to pre-pandemic operating models now that the immediate crisis has passed.

## The Expanding Role of the Chief Information Officer

Even industries with decades of established practice have come to treat technology as a genuine enabler of business rather than a cost center to be minimized. Many companies adapted to new business models and new ways of working during the hardest stretches of the pandemic and they did so specifically to protect their client base and ensure survival, not as an experiment in modernization for its own sake. That adaptation elevated the influence of chief information officers across a wide range of organizations, largely because the shift to remote work, virtual meetings and distributed collaboration required exactly the kind of infrastructure decisions CIOs had spent their careers preparing to make.

> We are moving towards greater certainty in the future and the last year and a half have shown us to anticipate the worst and prepare for the unexpected

Business leaders and chief information officers now share responsibility for defining objectives that keep growth on track under that kind of uncertainty and neither group can do it alone. Chief information officers have an opening most of their predecessors never had, a chance to place digital transformation at the center of how their companies make decisions, rather than treating it as an infrastructure function operating one layer removed from strategy. That opportunity extends beyond putting data at the center of operations and building the infrastructure to support it. It includes using organizational influence to drive behavioral change and make the case, inside rooms where strategy actually gets decided, for converging business and digital strategy rather than running them in parallel. A Forbes Insights survey found that 84% of chief information officers believe their role has grown more important over the preceding five years and the same respondents ranked contributing to corporate strategy as their most valuable skill.5 That trend shows no sign of reversing and boards that have not yet given their CIO a formal seat in strategic planning are behind, not cautious.

Consolidating the resilience organizations built during the pandemic, while continuing modernization efforts already underway, positions companies to merge digital and business strategy rather than manage them as competing priorities. Customers now expect seamless digital experiences without friction and they show little patience for companies that fall short of that standard. The World Economic Forum has tracked this expectation gap closing rapidly across sectors as digital-native competitors reset customer baselines industry by industry.6 Technology provides the foundation for these experiences, but foundation is not the same as strategy. Companies still need a clear, adaptable vision for how to apply current technology to changing market conditions and evolving customer needs, along with the discipline to select technology partners capable of delivering accountability and measurable results across the entire business rather than in isolated pilot projects.


- 1Digital transformation is not about technology
- 2What is digital transformation
- 3Mainframe modernization
- 4Coming of age digitally
- 5The transformative CIO
- 6Why digital transformation may be the key to economic recovery


## Summary

The pandemic compressed years of digital adoption into months and left a simple lesson behind:

> digital strategy and business strategy are the same document, not two documents in dialogue

Companies still budgeting for digital initiatives as an add-on to the corporate plan are working from an outdated org chart. The five obstacles that block convergence, shallow long-range thinking, tunnel vision on customer-facing projects, compliance friction, talent shortages and legacy mainframe systems, are known quantities with known countermeasures. Chief information officers have earned a seat in strategic planning because the last two years proved technology decisions are business decisions. Executive teams that formalize this by 2027 will set the pace of competition in their industries. Those that keep the two strategies apart will keep explaining, quarter after quarter, why their digital initiatives never quite move the business numbers.