

ARE BUSINESSES REALLY DIGITALLY TRANSFORMING OR LIVING IN DIGITAL DENIAL?

A Report on the State of Digital Business

Summary

Digital technologies are radically transforming every facet of business. From the customer experience to employee engagement, user expectations keep growing. Yet, many organizations continue resisting change. This inaction now leaves digital decision makers facing a stark reality: they must digitally transform to survive—and do it quickly. This and other insightful findings are summarized in the report, **Are Businesses Really Digitally Transforming or Living in Digital Denial? A Report on the State of Digital Business.** This global survey of more than 700 digital decision makers was conducted by Loudhouse, the specialist research division of Octopus Group, in conjunction with Progress.

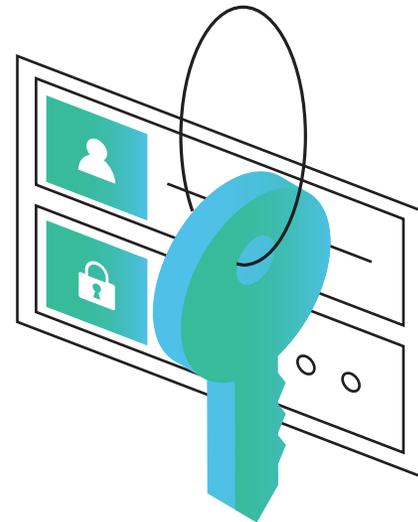
The goal: understand how business leaders view digital transformation and their plans to address its challenges. What pain points must be addressed? Who in leadership will lead implementation and measure digital success?

While most understand the inherent benefits of “going digital,” the majority of respondents are hitting roadblocks, like lack of internal alignment, lack of adequate skills and cultural resistance. Couple these obstacles with technology constraints—and an overall inability to execute blocks progress. The result is a growing state of anxiety about embarking on digital transformation, with some fearing it may already be too late. These findings should serve as a wake-up call. Businesses must act soon, or risk failure.



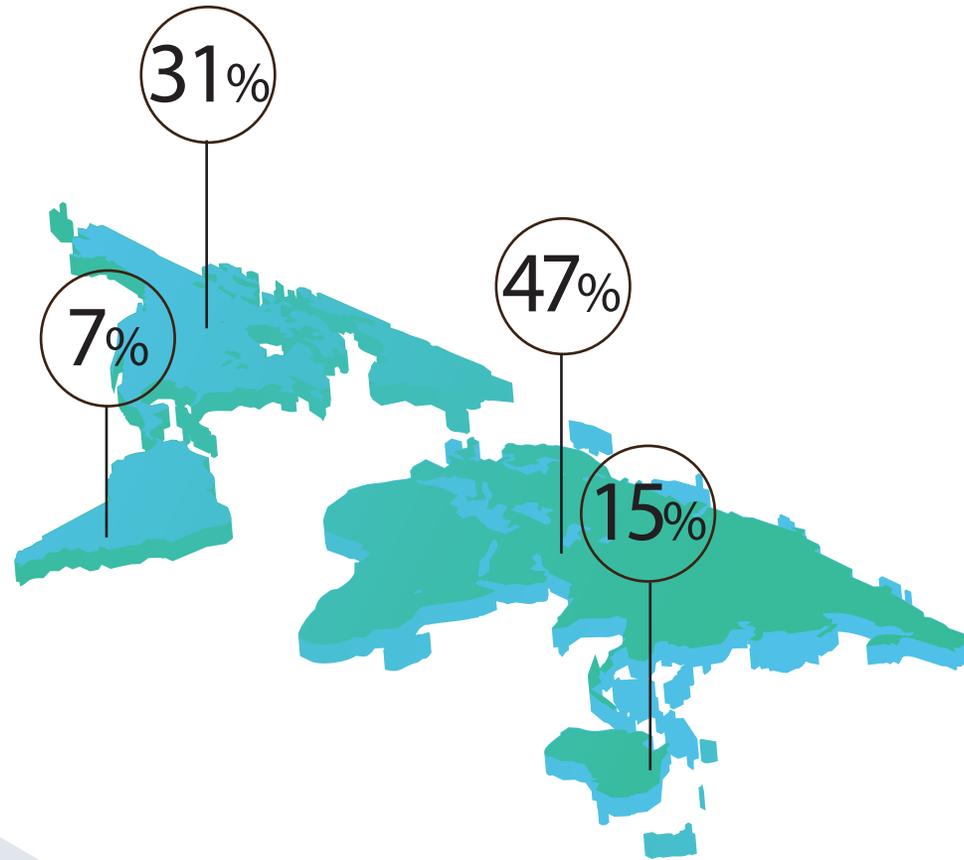
Key Findings

- Organizations have one or two years at best to make significant inroads with digital transformation before they suffer financially and competitively. Many are worried they are already too late.
- Few have a defined strategy for digitally transforming their organizations, and fewer have reached full production and roll out.
- Improving the customer experience is the number one priority, followed by improvements in efficiency and achieving organizational excellence. Many respondents noted significant planned investment around their digital strategy, with a focus on safety, speed, consistency and personalization as key customer outcomes.
- Digital initiatives are more likely to be driven (and paid for) by IT than marketing. Key “make or break” stakeholders include CEO, CMO and CIO, but there is hesitation at the C-Level and often a breakdown in communication/collaboration. Many think IT and marketing need to be better aligned to effectively deliver digital transformation.
- Digital is seen as proxy for website content, e-commerce, social media, mobile and email marketing; the driver being a shift from channel to content. However, few see themselves as extremely effective in managing and utilizing digital content and channels.
- Barriers to delivering an improved customer experience include lack of a centralized strategy, reliance on IT, cultural resistance and a lack of digital skills.



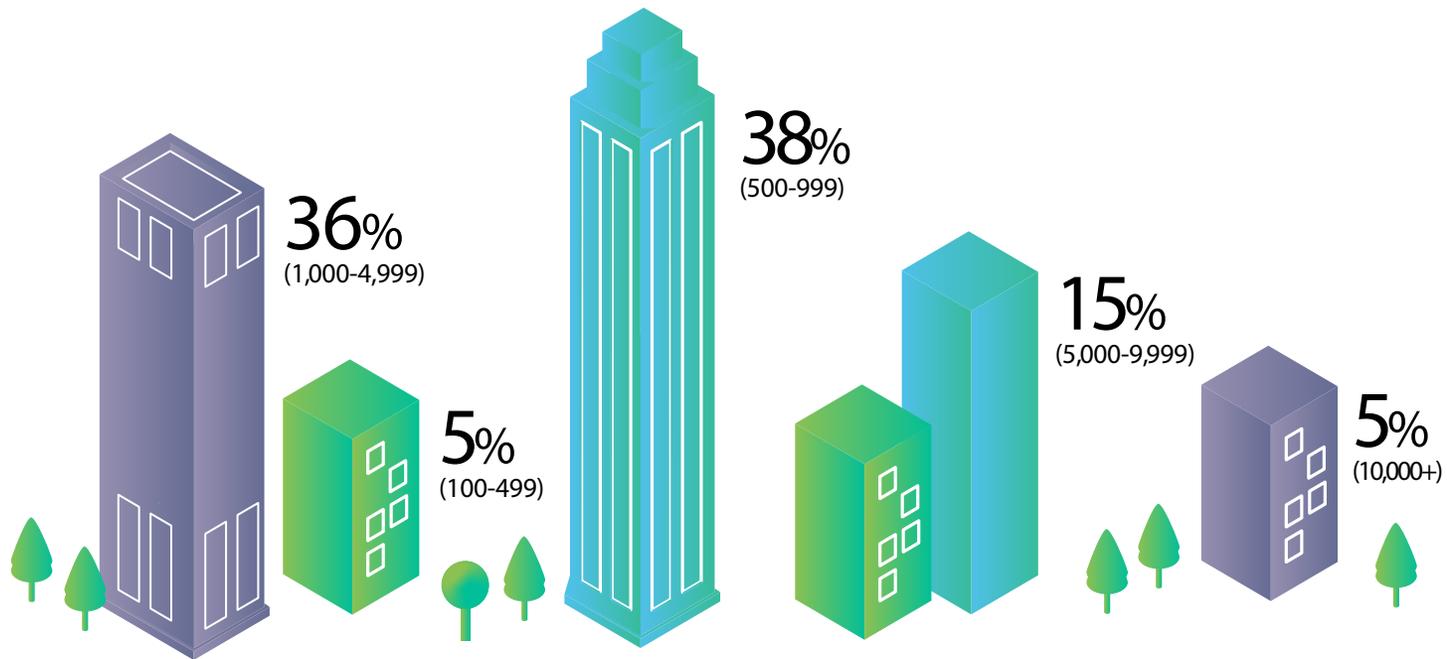
Respondent Profile

Respondents included a mix of geographically dispersed C-Level/VP decision makers; heads of marketing, digital and IT; as well as developers, IT architects, directors, engineers and line of business managers. These individuals represented organizations ranging from SMBs through large global enterprises.



Current State of Affairs

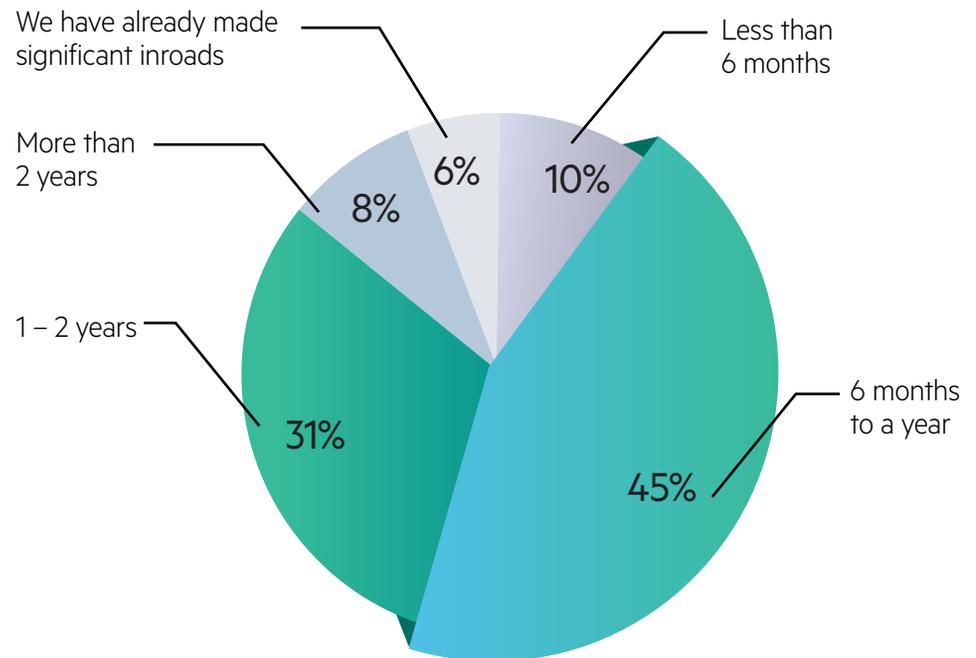
Digital transformation and digital business have been getting a lot of air play across organizations, the media landscape and within the C-Suite. It is also widely recognized that this transformation is much more than technology alone. It is a transformation of an entire organization to become more agile and deliver compelling customer experiences. Although this includes customer facing apps and websites, it is a top to bottom rethink of what it means to operate in a digital world, requiring changes to the way an organization operates—inside and out.



According to IDC, “By the end of 2017, two-thirds of the CEOs of Global 2000 companies will have digital transformation at the center of their corporate strategy.”¹ This is well in line with the results of our survey, where 86% of respondents say they have two years to make inroads with digital transformation (55% say a year or less) before they begin to suffer from financial or competitive threats. Placing even more urgency on the situation, 59% of respondents are worried they may be too late already.

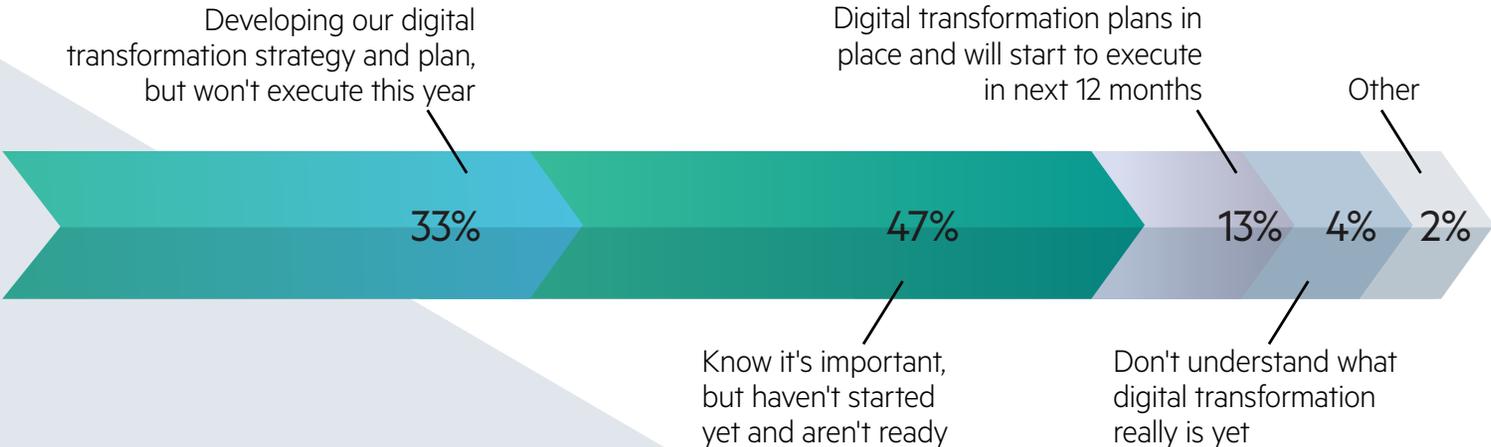
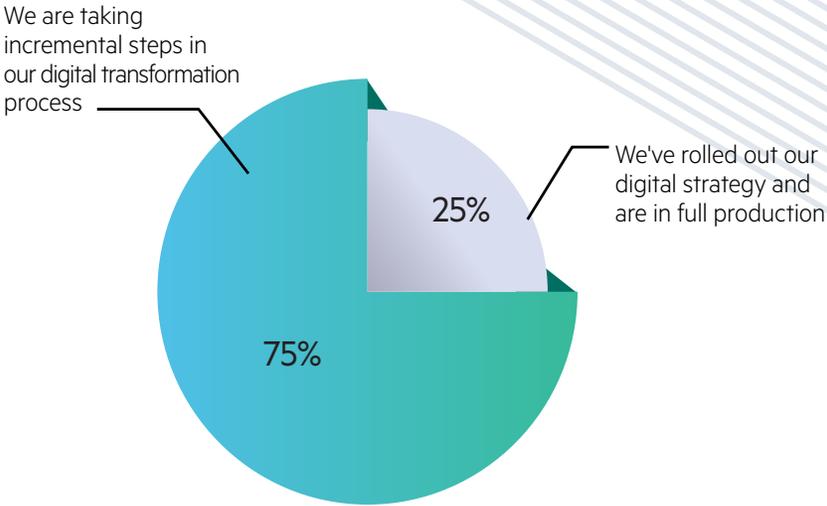
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59% say they are worried they may be too late with their digital transformation efforts and will fall behind their competitors
”

How long do you think your organization has to make significant inroads with digital transformation before the business begins to suffer financially or from competitive threats (market/mind share)?



¹ IDC FutureScape: Worldwide IT Industry 2016 Predictions – Leading Digital Transformation to Scale, Nov 2015, Doc # 259850

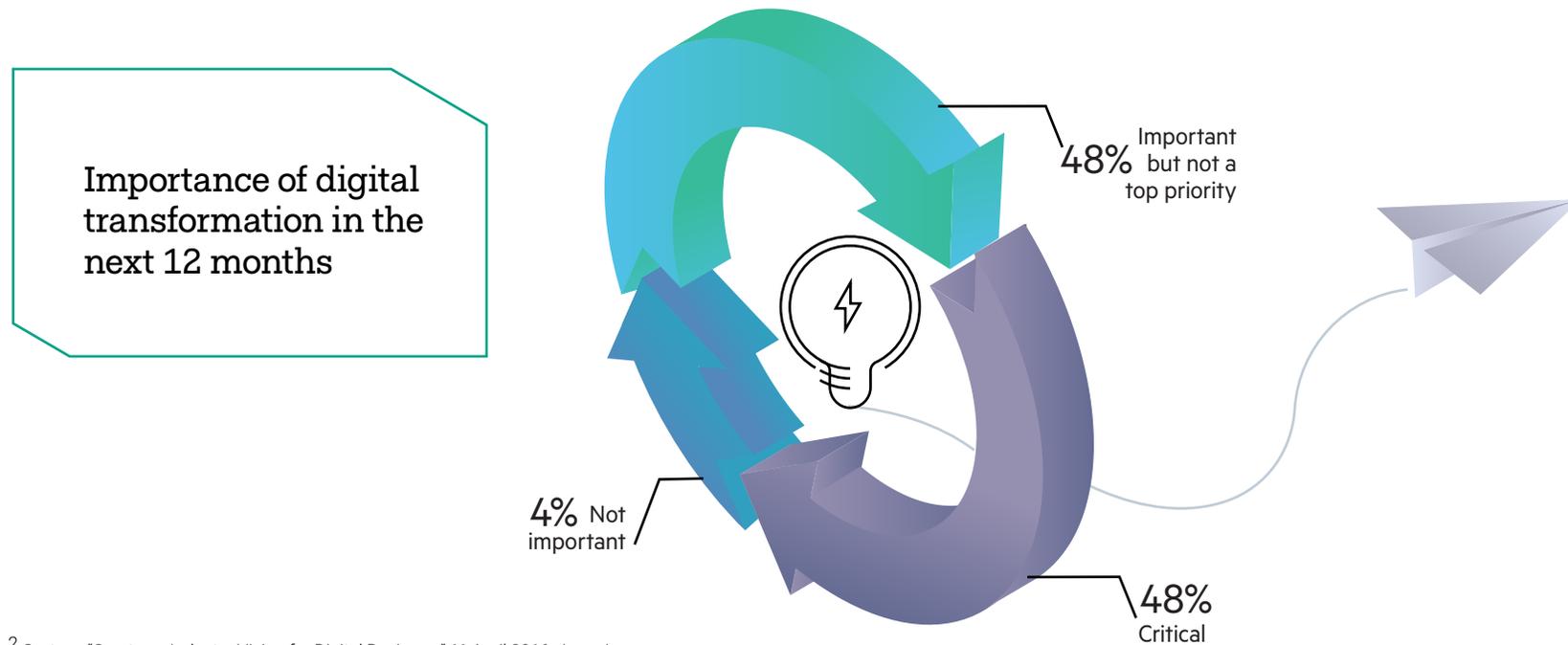
When asked about their digital transformation strategy, 76% of respondents have a defined strategy. Most of these decision makers are still taking incremental steps (75%), rather than having a digital strategy fully rolled out or in production. Of those that don't yet have a defined strategy (24%), many know it is important, but haven't made time to start evaluating a process (49%).



The Naysayers

For every thought leader that understands the need to be digital, there is a subset that live in varying states of denial. Of those surveyed, 96% of organizations see digital transformation as critical or important, yet 48% of those say that it is not a top priority. This line of thinking is in stark contrast to many industry luminaries. For example, Gartner said, “CEOs expect that 41% of enterprise revenue will come from digital business by 2020, almost double what it was in 2015.”²

The same decision makers that do not see digital transformation as a top priority also believe that 62% of their organizations are in denial about the need to transform. 65% noted colleagues feel digital transformation is nothing new, just a term for what they are already doing. Forrester Research discovered similar findings earlier this year when their research found, “Just 26% of executives feel confident that their company fully understands the potential for digital to change value creation ... [Also,] despite the expectation that digital will influence a significant portion (47%) of sales by 2020, most executives today don’t see the use of digital technology as having a major influence on business strategy.”³

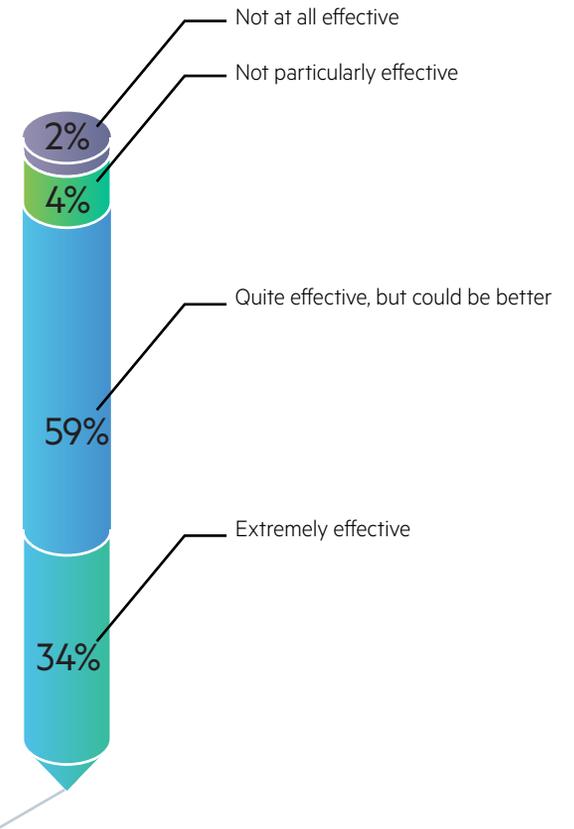


² Gartner, “Create an Industry Vision for Digital Business,” 11 April 2016, Jorge Lopez
³ Forrester, “The Key Success Factors Of Digital Business Strategy, 2016,” March 1, 2016, Nigel Fenwick

One may ask why some don't see the true value of digital transformation. In many cases, siloed business structures cause employees and businesses to act in a tactical manner versus taking a more holistic approach. In alignment with our assessment, one-third (34%) of survey respondents currently believe their business is extremely effective at managing and utilizing digital content and channels. 63% say they have historically focused more on the digital channel than the content.

In an age where content remains king and the channels by which customers receive it are quickly becoming commoditized, organizations must re-evaluate priorities to attain new levels of customer interaction or face the fact that their current competitors, or even industry disruptors, can have a detrimental impact on the bottom line.

Effective management and utilization of digital content/channels



A Journey Not a Destination

According to noted author and Constellation Research analyst, R “Ray” Wang, “Digital disruption is more than just a technology shift. It’s about transforming business models and how we engage. To succeed, we can’t just look at the latest cool set of technologies of the day. We have to think bolder about transforming business models. This means understanding the one or two key metrics that a business must measure to ensure their success.”⁴

It is clear: alignment is critical—strategy, people, process, technology and implementation. Those responsible for a company’s digital journey must ask: do you have the right people to execute on your digital strategy? What’s the technology gap between what you have and where you want to be? What will be the impact on process? Are all functions in your organization aligned/supportive?

According to those we surveyed, confidence in the levels of digital transformation is questionable—only around 25% of businesses are extremely confident in having access to the right third parties (28%), appropriate technologies (28%), appropriate metrics (28%), leadership buy-in (28%) and the best people in the right places in the organization (25%).

How confident are you that your company currently has the following in place to drive digital transformation?



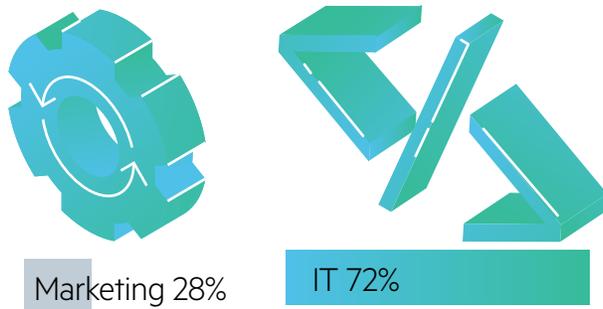
⁴ “Disrupting Digital Business,” published by Harvard Business Review Press, R “Ray” Wang, 2015

Organizations that tend to approach their digital effort in the siloed ways of the past will not achieve the desired result. Transformation is a collaborative process where all functions need to come together. Survey respondents agreed, with 78% saying their IT and marketing teams could be better aligned to deliver on their digital transformation efforts. Moreover, respondents feel the key advocates for digital transformation should be CEOs (49%), CIOs (46%) and CMOs (42%), yet these same leaders are also the most reticent to take on that advocacy role (48%, 45% and 37% respectively).

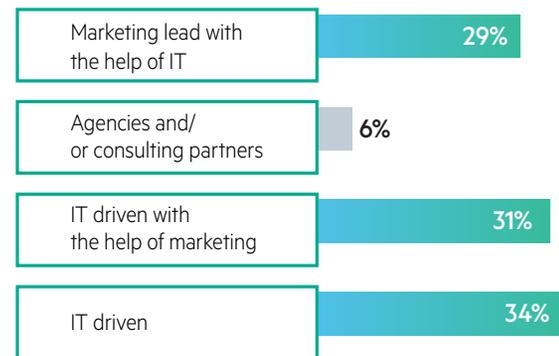
The breakdown in alignment at the CIO/CMO level is opening new opportunity for the Chief Digital Officer, a role that may not be completely welcome in an already overly complex hierarchy of decision makers—where roles and responsibilities are becoming less clear and an added silo brings additional confusion and complexity.

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Decision Maker/Budget Owner



Management of Digital Effort

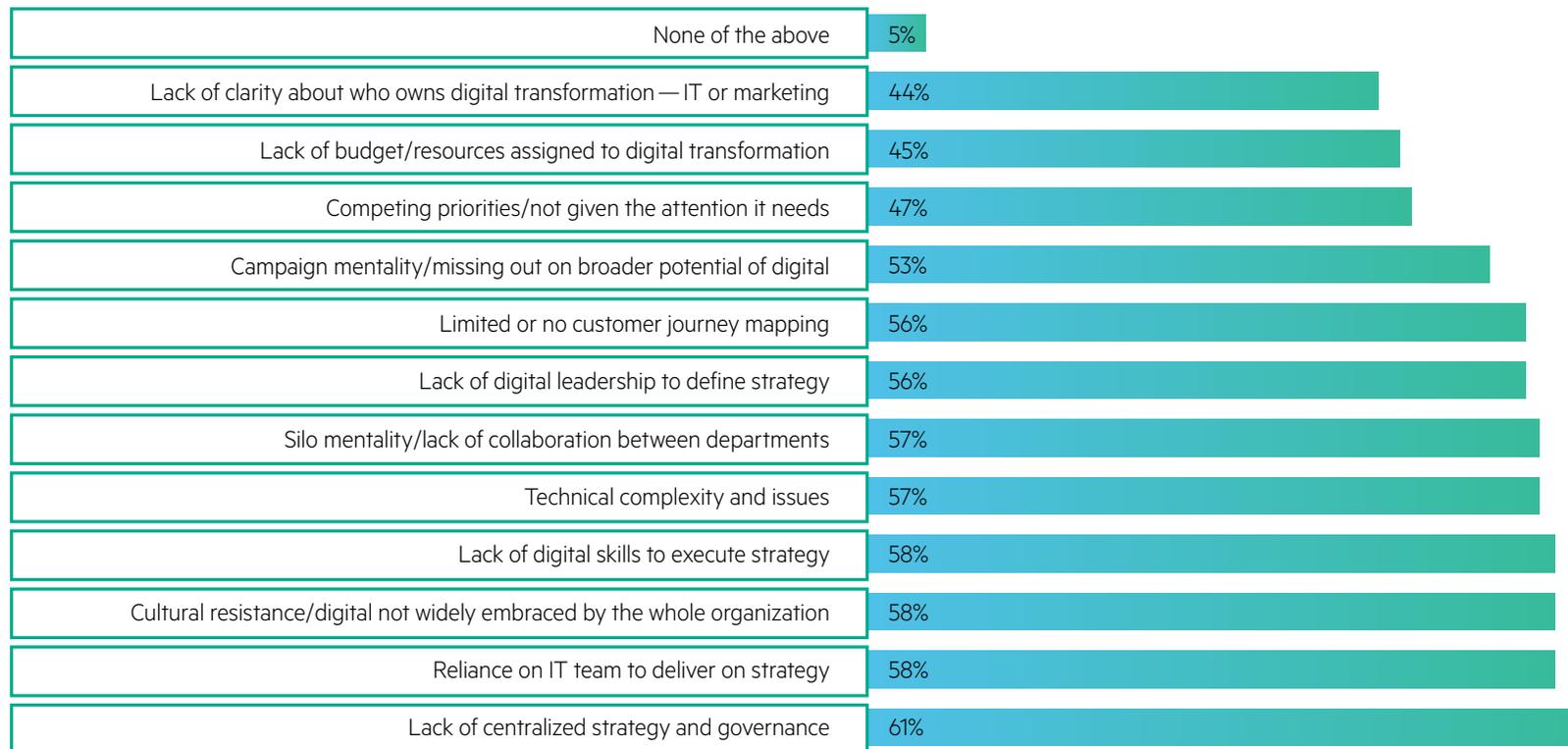


The unclear delineation between the CIO, CMO and new CDO begs the question of ownership: Who owns this strategy? Who pays for it? Who measures it? What exactly are the priorities? According to those surveyed, 72% consider IT as the more likely decision makers and budget holders for digital initiatives versus marketing (28%). Consistent with this finding, respondents also noted that high reliance on IT teams to deliver strategy (58%), lack of digital skills to execute strategy (58%) and lack of digital leadership to define strategy (56%) are the key barriers to deliver improved customer experience through digital transformation.



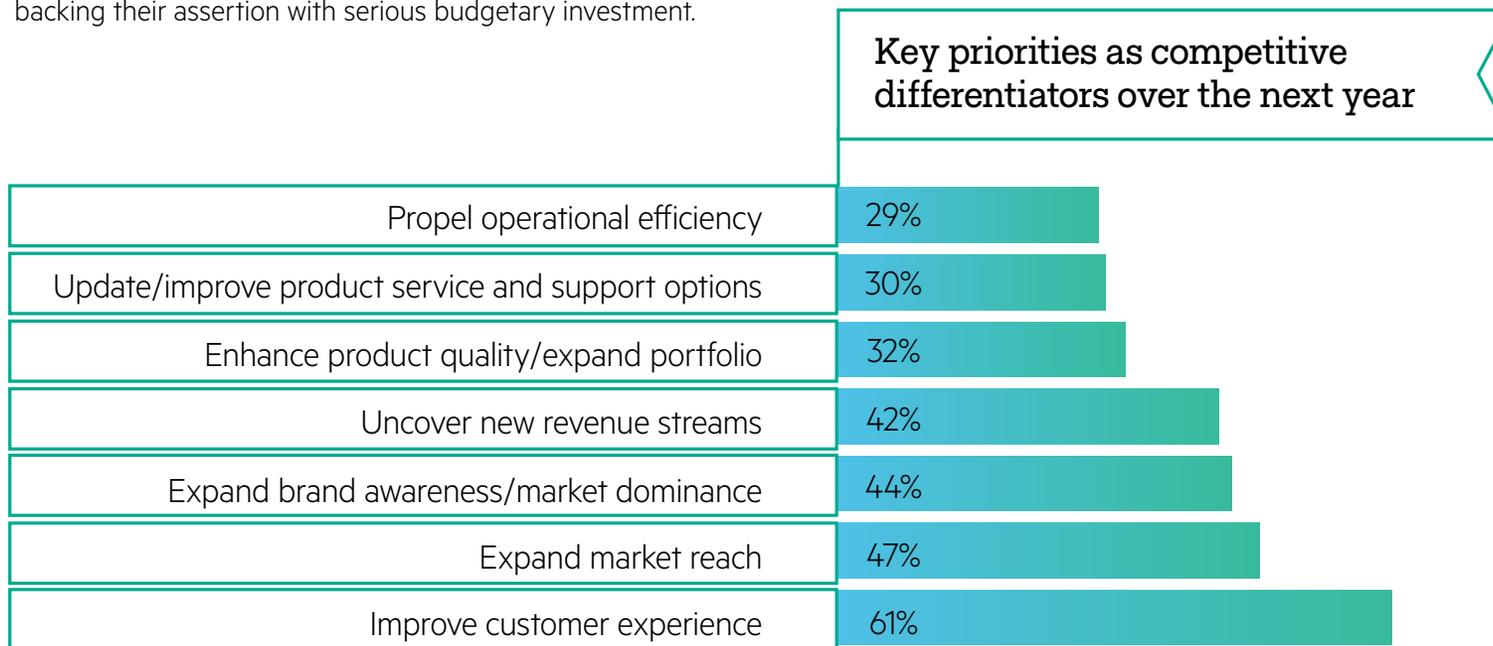
Only about 25% of businesses are very confident in their ability to execute, whether integrating all sources into a comprehensive digital business strategy, managing the entire application lifecycle, mapping the customer journey or the ability to pull initiatives together into a cohesive digital transformation strategy.

Barriers to delivering compelling customer experiences



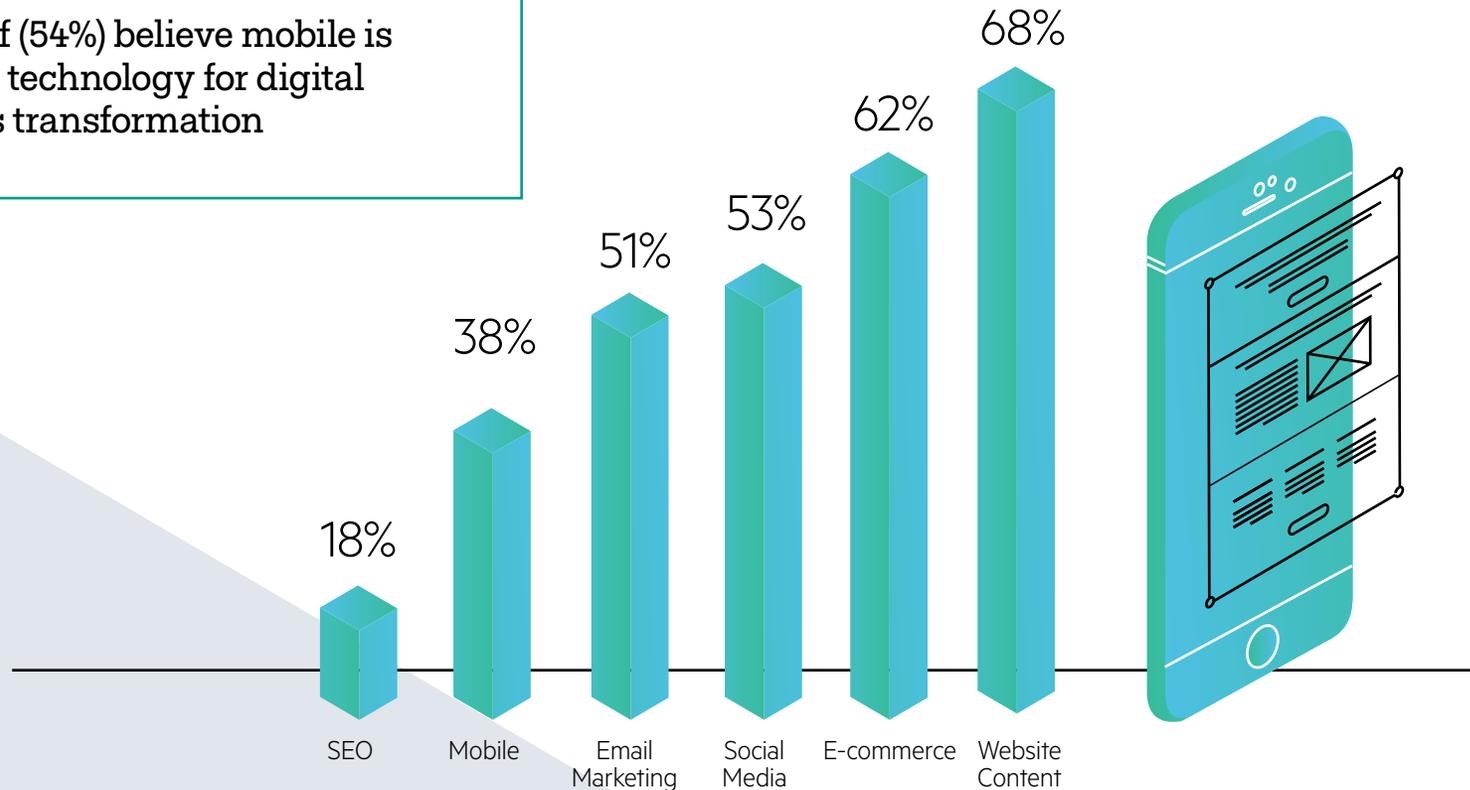
Setting Priorities and the 4 Es of Success

Despite the reticence clearly demonstrated by survey respondents, many are working to push through these challenges in a meaningful way. Optimizing customer **experiences** and **engagement** (59% critical, 40% important) are the main drivers for digital transformation efforts, followed by improving **efficiency** (46% critical, 50% important) and achieving organizational **excellence** (44% critical, 50% important). 61% see improving customer experience as the #1 priority for organizations in the next 12 months and are backing their assertion with serious budgetary investment.



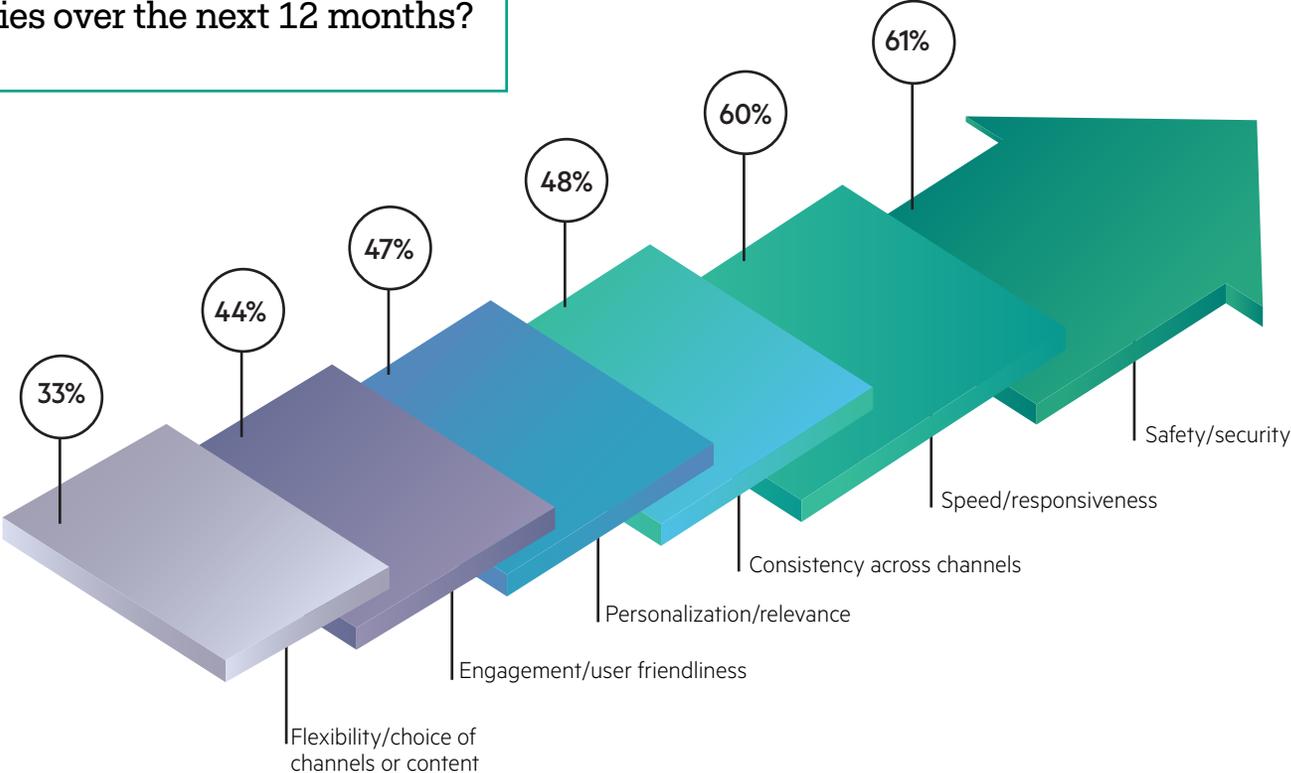
Current approaches for digital transformation strategy are typically focused on website content (68%), e-commerce (62%), social media (53%), email marketing (51%), mobile (38%) and SEO (18%). 74% say they are looking for flexibility where they can leverage a combination of digital solutions and services that make sense for their organization. Organizations are also looking to deliver safety and security (61%), speed/responsiveness (60%), consistency across channels (48%) and personalization/relevance (47%).

Over half (54%) believe mobile is a critical technology for digital business transformation



These findings are similar to those outlined by Forrester during their March 2016 report cited above, “When we asked executives to identify the most important factors in determining success as a digital business, they didn’t pick one single factor, but rather multiple success factors, each dependent upon the others. For example, delivering a superior experience for customers (64%) and creating new sources of customer value (61%) depend upon the ability of the company to protect customer data from security breaches.”

What are you ultimately looking to deliver to customers using digital technologies over the next 12 months?

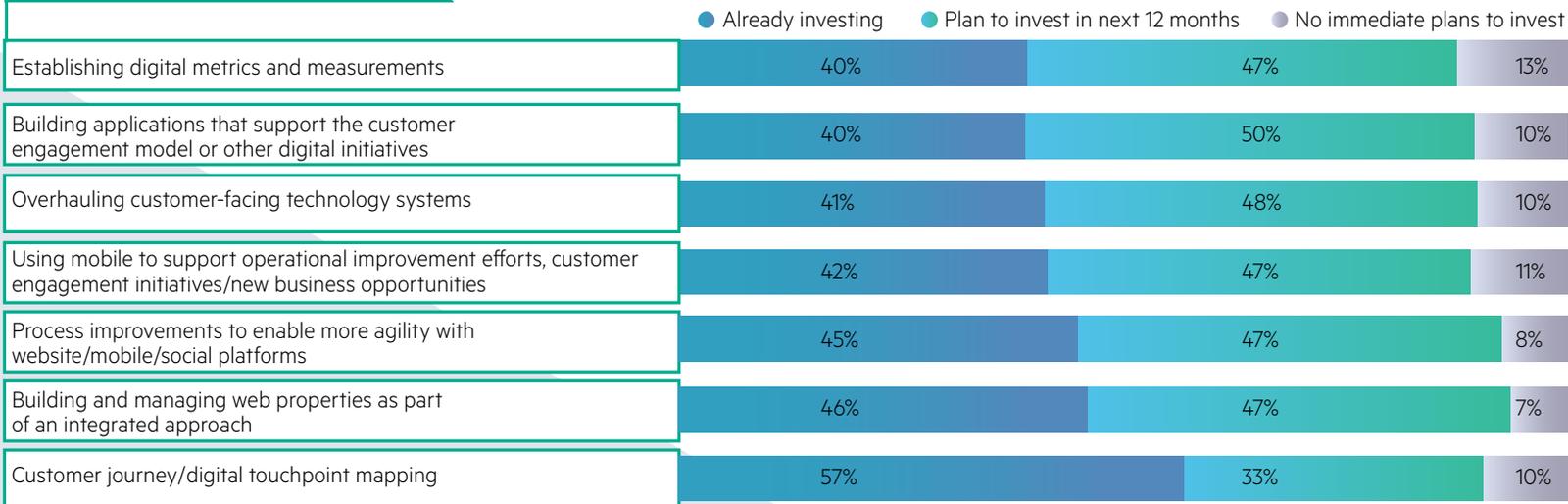


When inquiring about investment opportunity, 50% of respondents we surveyed plan to invest in building applications that support the customer engagement model in the next 12 months. In addition, 47% plan to invest in mobile methods to support operational improvement, customer engagement and process improvements—agility with web, mobile and social platforms.

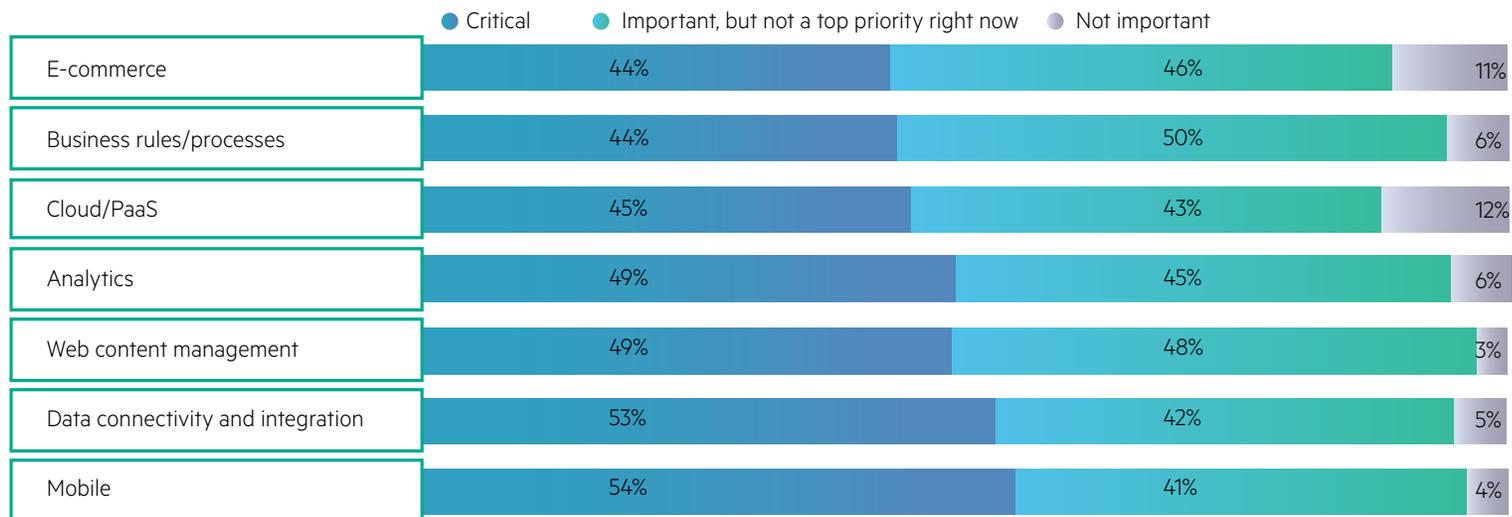
From a technology perspective, along with mobile (54%), data connectivity and integration (53%), web content management (49%), analytics (49%), Cloud/PaaS (45%), business rules/processes (44%) and e-commerce (44%) are viewed as critical for digital transformation success.



Investment priorities

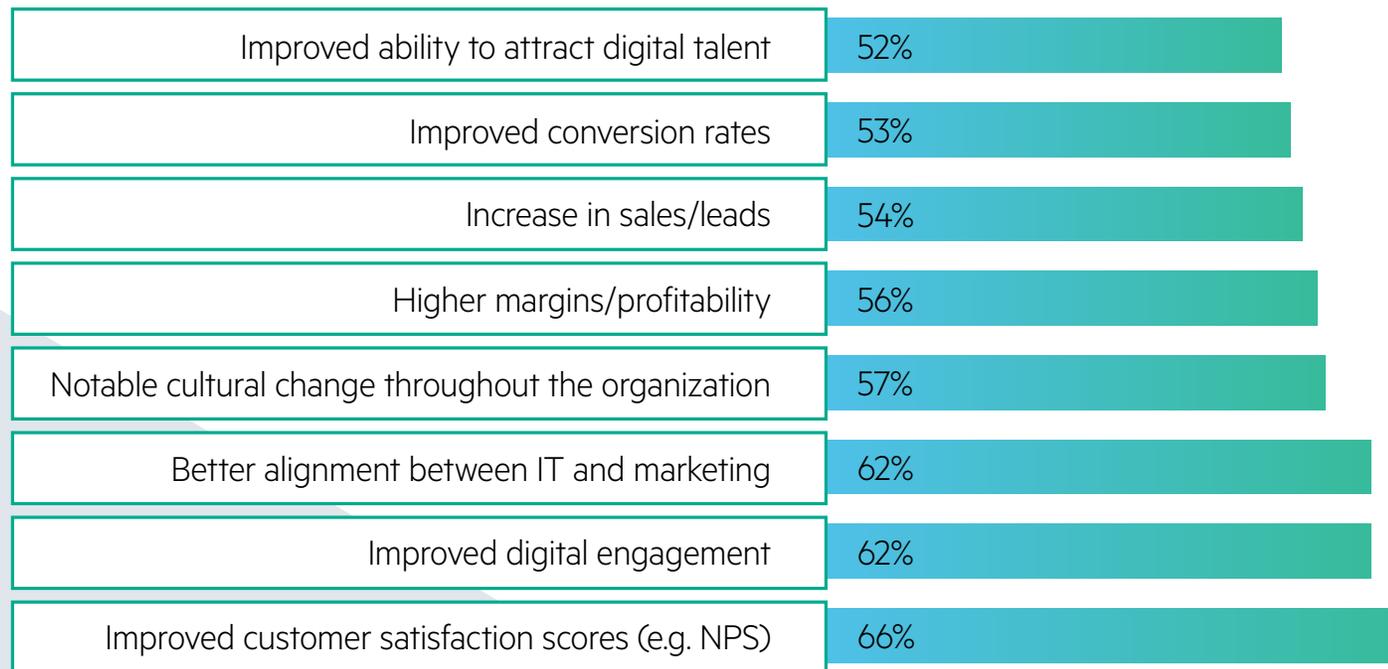


How important are each of the following technologies for digital transformation?



Finally, measurement of digital transformation success, according to respondents, links back to customers with improved satisfaction scores (66%), alongside better alignment of IT and marketing (62%) and notable culture change (57%).

Which of the following would you use to measure whether your digital transformation efforts have been successful?



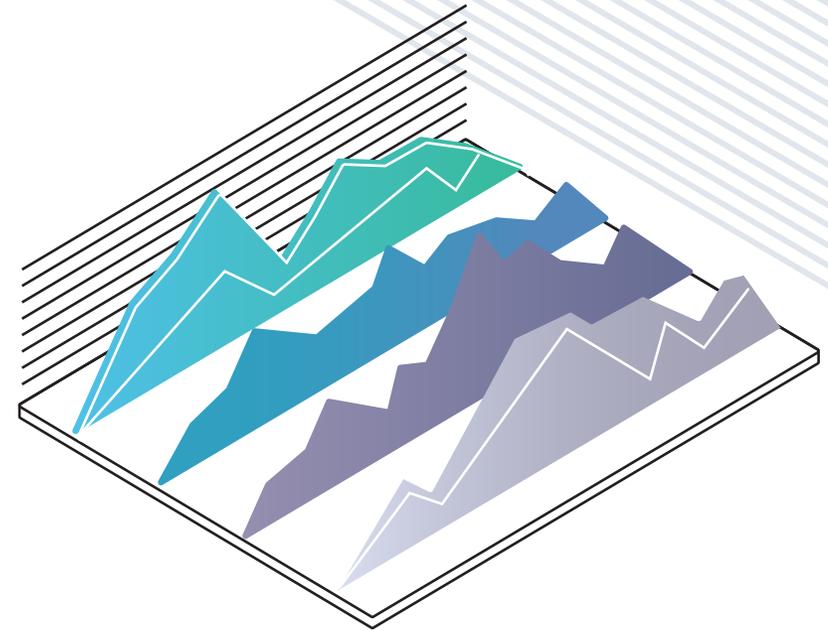
Conclusion

It's easy for an organization to overlook the need for change, but the data is clear—businesses must move toward a digital strategy that will benefit the customer experience and engagement, improve efficiency and increase organizational excellence—or inevitably become a distant memory. With many thought leaders hesitating, digital transformation presents a wide open field to any business looking to advance. The question is: Who will succeed in not only adopting the right technology solutions, but also in leading the organizational shifts necessary to succeed?

Next steps:

- Learn the key consideration factors needed to craft a sound digital future
- Determine how your plan will impact both the business user and IT within your organization
- Prepare for tough technology and cultural conversations
- Arm yourself with data supporting the urgency to act

These basic steps are some of the first towards building a future-proof organization that takes command of its business and leadership within the industries it serves. Digital technologies have already radically transformed every facet of business. The state of anxiety about embarking on digital transformation continues to grow, with some fearing it may already be too late. These findings should serve as a wake-up call. Businesses must act soon, or risk failure.



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Talk to one of our experts about your digital journey. We can help. And we'll get back to you within one business day.

TALK TO AN EXPERT

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About Loudhouse

Loudhouse is the specialist research division of Octopus Group, a sales-driven content marketing agency with a 10-year heritage communicating on behalf of technology brands. Its team is made up of marketing specialists, PR pioneers, design sages, social strategists, content masters, coders and research experts. Octopus Group creates content strategies that connect audiences with brands and transport them through to purchase.

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