

RESEARCH PAPER

Developing a digital transformation strategy

Being the best means embracing the new

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Executive summary

Digital strategy is being driven by the rise of cloud computing, big data, mobility, open-source software, in-memory computing and the API economy. These are all areas which organisations are looking towards in order to shape their own futures in order to compete with a new breed of contenders. But the number of options can be bewildering for companies deciding on how best to become 'digital'.

Being digital means having a laser sharp focus on the customer. It means getting the right information to the right people at the right time and in the right format. It is a movement that's led by the consumer and all organisations need to consider their policy towards mobile devices and cloud. More than just technology, though, it requires a culture which demands constant improvement.

Too strong a focus on technology can take away from other important factors such as people and processes, which are equally critical if not more so when it comes to digitally transforming the business. Those driving the change must achieve and retain the backing of senior management, turn IT from a back-office function into a business enabler, and ultimately ensure that the strategy is a full-business transformation, rather than a departmental initiative.

In this research paper we look at the current aims of organisations when it comes to digital transformation, the prerequisites for making change and the challenges to overcome in order to get there.

Introduction

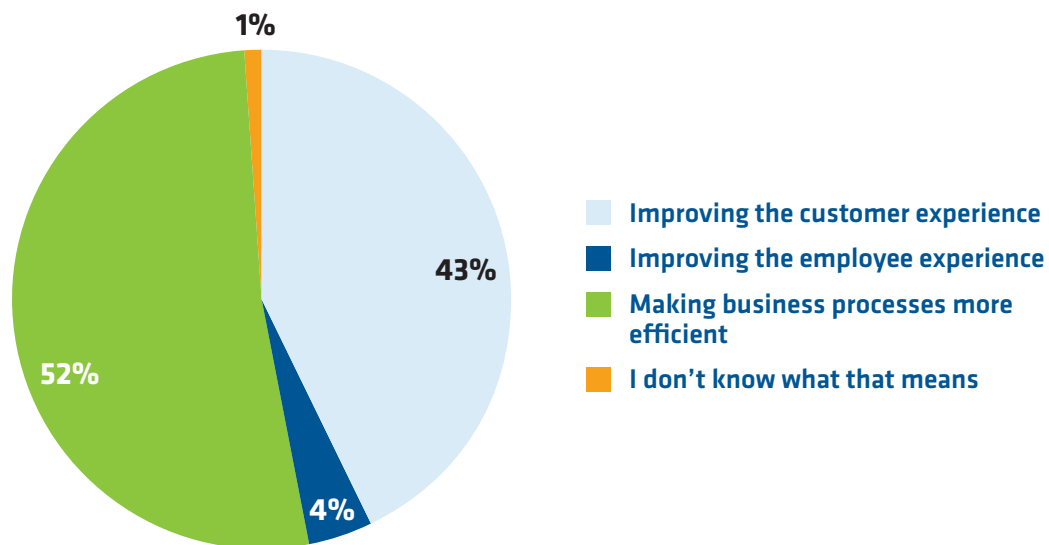
There are various definitions of digital transformation, and each enterprise is at a different stage of the digital journey. However, the general consensus is that it is a change that enables the company to react quickly to customers' needs, to innovate quicker, to make decisions on new services based on data and analytics, and enables siloes and barriers to be broken down.

Computing recently polled 100 UK IT leaders in organisations with 100 or more employees on the issue of digital transformation.

The first thing to note is that there appeared to be a broad split in regards to the ultimate aim of digitally transforming; making the business processes more efficient (52%) and improving the customer experience (43%) were the key reasons given (Fig. 1, *see next page*).

In truth, however, a successful digital transformation should enable both of these aims to be reached: they are mutually inclusive. A good digital strategy usually begins with the target customer in mind, but by becoming more efficient and improving the employee experience (the main aim for a minority 4 per cent), the organisation would likely improve the customer experience anyway. Likewise, ensuring a consistent customer experience should mean streamlining business processes, which in turn can lead to efficiencies.

Fig. 1 : Digital transformation in my organisation is mostly about...

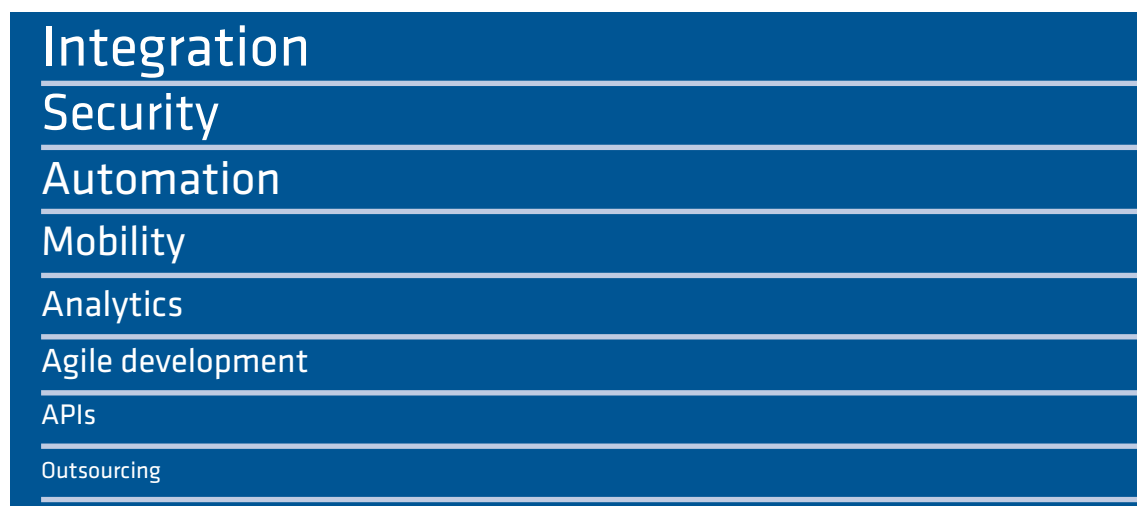


In order to focus on the customer, employees need access to the right tools and data to make decisions in real-time, rather than relying on gut instinct. This requires a rethink about how technology can support their goals – and as our research shows, it is about a combination of technologies rather than an all-encompassing solution.

Integration is integral

Digital is a cross-functional, multi-domain, all-encompassing process. While it can start small, the ultimate aim is to change the way the whole business operates. The key importance of integration between applications and data repositories found by the research should therefore come as no surprise (Fig. 2).

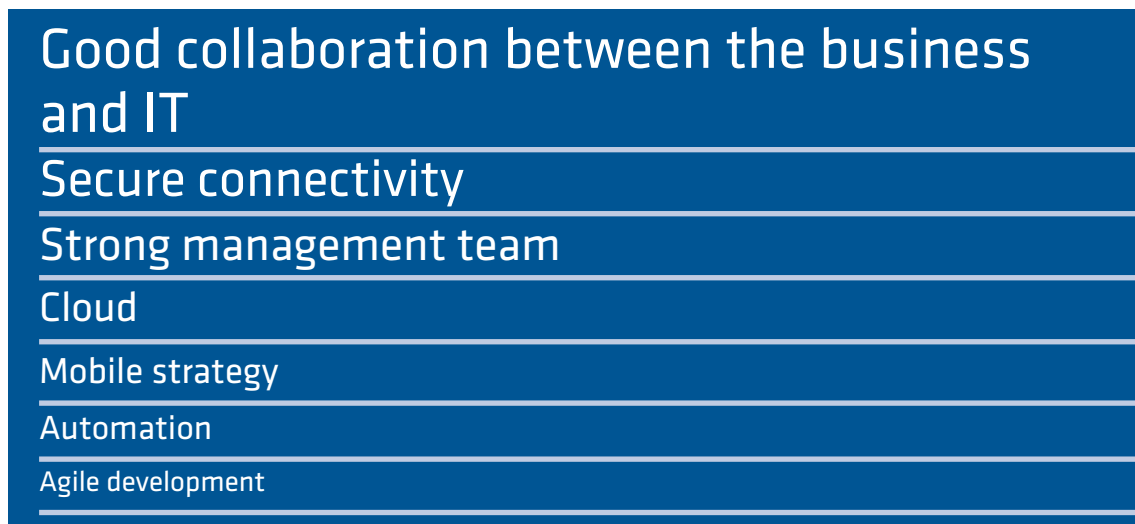
Fig. 2 : The most important areas of technological focus for digital transformation are...



The emphasis on the importance of integration is two-fold. Firstly, organisations are clearly aware that to get a 'single view' of the customer, they need to integrate their technology accordingly. Secondly, it shows that while different parts of technology are important such as security, automation, mobility and analytics – it is the way that these elements are combined that are of greater importance. Security will suffer if there is not full visibility throughout the stack, and – and likewise there is little value in introducing analytics if the data isn't retrievable from every useful source (Fig. 2).

What is more interesting, perhaps, is that when asked about technology pre-requisites for successful digital transformation – two of the top three were not specifically related to technologies but were more about people and processes (Fig. 3).

Fig. 3 : What are the main technology pre-requisites for successful digital transformation?



It is crucial that there is good collaboration between IT and the business – a digital strategy without key players on board, whether that is from an implementation perspective or simply a belief in the strategy, renders the vision little better than a pipe dream.

It requires the involvement of a wide range of people across the business in key stages throughout the process, and this includes both senior management who aren't directly involved in delivering the plan, as well as stakeholders and influencers within the business who can better understand how the goals of the strategy fit their agenda.

From a personnel perspective, a strong management team provides the necessary momentum to keep things moving forward while providing a clear understanding of who is responsible and accountable for meeting goals.

The emphasis on people and processes shows that there is a strong understanding among IT professionals that there is more to digital transformation than technology.

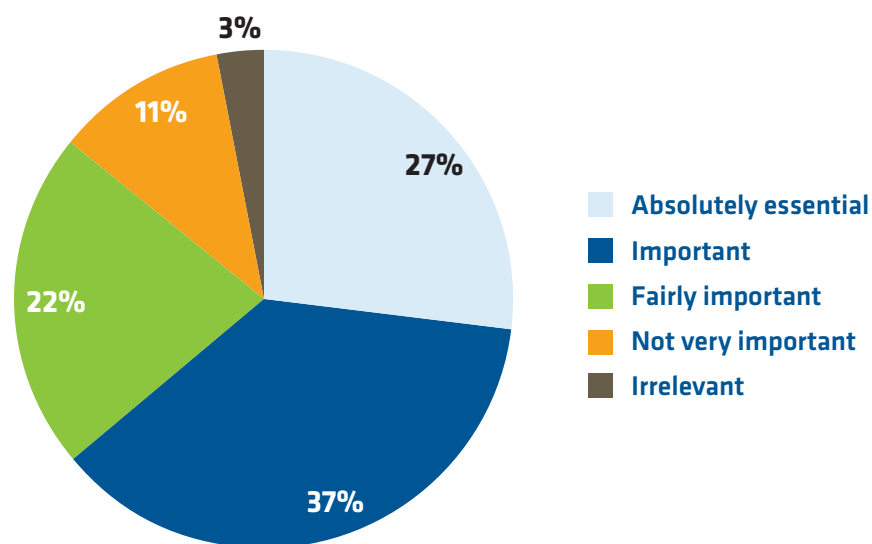
However, as the label 'digital' suggests, technology still plays a huge part in the overall transformation process, providing the agility necessary to comply with new regulations, move into new markets, restructure the workforce, or open a new location.

Developing a digital transformation strategy

Security and secure connectivity, ranked second in Figs. 2 and 3, respectively, suggesting that data protection is high on IT's agenda. While data is the driving force behind becoming a more responsive unit, it is also the Achilles heel. At a time when customers are laden with choices, reputations matter more than ever. Few firms emerge from a serious breach with their reputations unscathed, and indeed some may never recover. Ensuring security needs to be dialled into any digital strategy.

Just below these core business essentials comes cloud. As can clearly be seen in Fig. 3, respondents believe cloud computing is critical to their digital transformation efforts.

Fig. 4 : How essential is cloud computing for rolling out digital transformation?



Last year, Gartner published research showing that increases in cloud adoption were saving enterprises money and accelerating IT and business transformation. *Computing's* research certainly supports this view, with the majority of respondents (64%) believing cloud has an 'important' or 'absolutely essential' part to play in rolling out digital transformation.

This fits with the central importance of integration (Fig 2): cloud-based solutions can make integration easier, spanning the whole enterprise and linking the disparate parts together, breaking down silos and allowing employees to access the insight they need, on any device, whenever they need it.

Cloud-based customer analytics solutions allow marketers to quickly see what works and what needs improvement, while cloud-based service desks and customer support functions provide a convenient gateway through which suggestions, queries and complaints may be responded to.

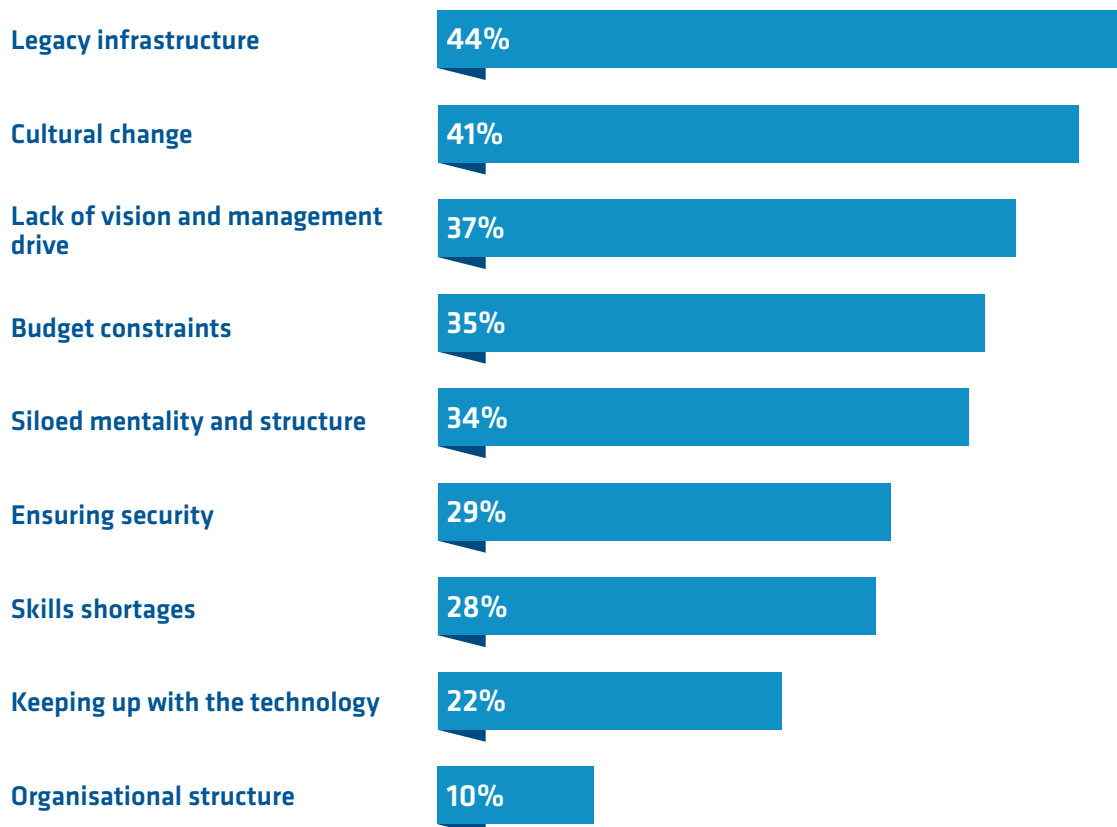
The CIO working closely with the business can also use the collaborative nature of cloud platforms to build a flexible architecture that can withstand any shocks to come.

Some of these shocks will come in the form of the IoT. It could be that tomorrow's 'customer' is not a human at all, but a robot, a connected car or some other device. Nevertheless, the same rules apply: the focus must be on delivering the right data securely to the customer at the right time. A firm's digital strategy and technological underpinnings should be able to take such changes in its stride.

Overcoming obstacles

Those companies that were 'born in the cloud' take its agility for granted, but for larger, older, more Earth-bound firms there are known challenges to contend with, even before they press forward with their digital strategies. Legacy infrastructure (44%) and budget constraints (35%) are regularly cited as issues with any IT-related strategy, just as they are here (Fig. 5).

Fig. 5 : Which are the biggest challenges with digital transformation?



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Of the top three concerns, legacy infrastructure presents the most immediate barrier to digital. The past decade has seen servers, storage and networking becoming virtualised and hosted as private cloud infrastructure. Elsewhere many services that used to run in house have found a more convenient home in the public cloud. However, many mission critical applications remain married to purpose-built bespoke infrastructure that is difficult to bring up to date. Digital implies flexibility and portability and the immovable nature, the need for ongoing management and resource, and the host of customisations and integrations required to make disparate systems 'talk' to each other can make digital transformation a non-starter.

There may be cost savings by biting the bullet and finally shelving aging infrastructure. According to Gartner, ROI was one of the main reasons for the huge growth in cloud adoption, with organisations saving an average of 14 per cent through cloud migration.

The challenge of lack of vision and management drive is one that some organisations are tackling by hiring a chief digital officer (CDO), to ensure that digital transformation remains a boardroom issue.

According to the 2016 Harvey Nash/KPMG Survey there was a small but significant rise in the numbers of CDOs over the preceding 12 months. This role is tasked with managing digital transformation efforts. In other cases, CIOs or other C-level executives manage the transformation, but what is telling is that the same survey found that CDOs are twice as likely to report to the CEO as to the CIO. By having a direct line to the uppermost stratum of the company, a dedicated digital leader will therefore have more of an influence on the overall direction of strategy.

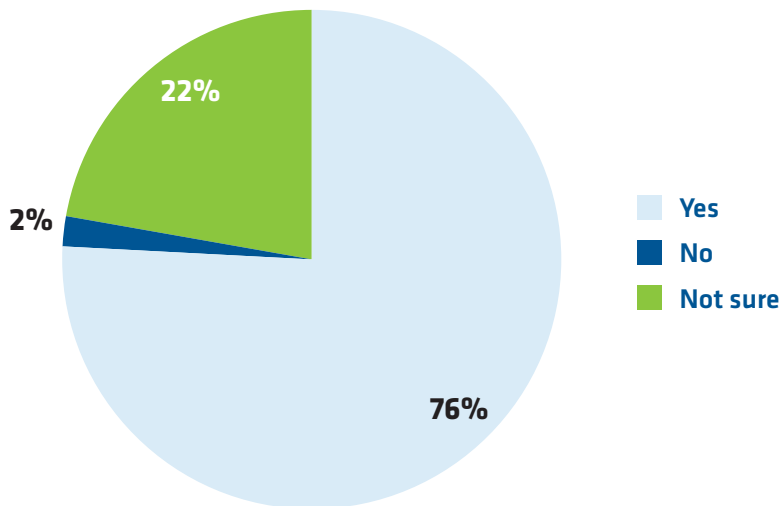
There needs to be a shift in the way of thinking that transformation needs to be an expensive project, and that legacy infrastructure cannot be replaced by cloud services. There also need to be clear leadership, strategy and vision for what digital transformation will look like and this may require a change in company structure, reporting lines and ways of working.

Culture clash

Ultimately to address the challenge of legacy infrastructure, lack of management and vision, and budget constraints, organisations need to tackle the need for cultural change. All roles need to be more customer facing, more adaptable, and willing to step outside of their traditional boundaries. Digital transformation is a long-term project that is helped by being able to attract and retain the right people. Here digital can be a virtuous circle: the brightest and best are likely to be attracted to a forward-looking firm which values the latest technology and offers it to staff; in turn they will drive the change forward.

Perhaps the most significant cultural shift that digital transformation can enable centres on the IT department itself.

Fig. 6 : Do you see digital transformation as a way of helping the IT department become a business enabler?



While 40 per cent believe that the business sees IT as a cost centre, therefore undervalued as a transformative agent, more than three quarters (76%) see digital transformation as a way of helping the IT department become a business enabler, therefore cementing its place in the heart of the strategy.

While technology may not be absolutely central to digital transformation, it is certainly an essential component, so it's surely better to have those that understand technology, and the pros and cons and the best fits of the options at the table, rather than hunkered down in a basement room.

Of course, this means that the IT department needs to undergo a change of its own, and be prepared to broaden its outlook and embrace the new, rather than sticking to tried and tested solutions which many not be best suited for the company's future.

Conclusion

While the majority of IT leaders seem to have a clear view of what digital transformation is for their organisation – whether it is to be more efficient or to improve the customer experience – they're faced with several big obstacles. It's clear that for digital transformation to be successful, they need to overcome these challenges by helping the business instil a new culture into the organisation – the old ways of working, legacy tools, and longstanding processes need to change so that companies can thrive and offer new services and ultimately ensure they can continue to compete in their respective industries.

In part, this culture can be instilled by an enthusiastic digital leader– be it the CIO, CDO or another C-level executive. This person can also take accountability, make clear what the company's goals are, and plan and execute the digital strategy accordingly. They can also dispel myths; that transformation is expensive (it doesn't need to be), and that cloud services are not the right replacement for legacy apps and infrastructure.

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The enterprise must be released from its legacy infrastructure. Applications and data need to be able to operate as an integrated whole, which is where cloud-based services can step in, breaking down silos and creating a flexible consistent data and management layer. This will enable enterprises to exploit data to its full potential. In turn, this will enable the company to provide improved customer and employee experiences.

However, none of this is possible unless there is buy-in from the entire business. By getting the full backing of all employees including senior management, IT departments will be able to overcome their toughest challenge – to change the business's perception of the department from a cost centre to a business enabler.

About the sponsor, Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. More than 1,500 organisations, ranging from medium-sized businesses to Fortune 50 enterprises, have selected Workday.

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