



Digital Transformation Report 2017

What is digital transformation?

The technology sector has been discussing digital transformation since the 1990s, with leading consultancies and major IT vendors highlighting their digital transformation services and credentials in earnest from the turn of the century onwards. However, like so many other technology trends, its evolution has roots that stretch back over decades.

To help make sense of the current landscape, the SoftServe Digital Transformation Report 2017 provides insights based on an examination of the digital transformation strategies planned over the next 12 months by a range of businesses and enterprise organizations. Most findings support earlier research, while some statistics were surprising. Chief among them, security concerns are stopping 55 percent of organizations from committing to a digital transformation project.

The SoftServe Digital Transformation Report is based on a recent survey completed by 300 respondents, made up of 100 UK and 200 US decision-makers. One hundred and fifty participants represented companies with 1,000 to 3,000 employees, while the remaining participants represented companies with more than 3,000 employees. Respondents were broken down into six key industries: business and professional services; manufacturing; financial services; retail; distribution and transport; and other commercial sectors.

Conducted in November 2016, the research asked a cross-industry panel of industry leaders about the risks, challenges, and opportunities surrounding digital transformation for modern businesses.

The Digital Transformation Landscape

Build understanding to drive implementation

Awareness of digital transformation and the benefits that it delivers are high across all verticals. However, the landscape is fragmented in terms of who has ultimate responsibility for digital transformation strategies and where the true value lies. All this uncertainty could account for the relatively low levels of complete adoption.

According to IDC, the percentage of enterprises creating advanced digital transformation initiatives will more than double by 2020, from 22 percent in 2015 to almost 50 percent by 2020¹. While Gartner expects CIOs are typically already spending 18 percent of their budget in support of digitalization, that figure is set to increase to 28 percent by 2018².

Indeed, just one percent of organizations surveyed by SoftServe were unable to provide any kind of definition when asked: “What does the term ‘digital transformation’ mean to you?”

On the surface then it looks like digital transformation is well underway everywhere. When asked: “To what extent has a digital transformation strategy been implemented in your business?” just two percent of respondents said they did not have a strategy and had no future plans to implement one.

A total of 27 percent of businesses claimed to have implanted a digital transformation strategy across their entire organization. This figure seems healthy at first glance. However, if we dig into the data, we find some big differences in adoption level - particularly across different regions.

1. Predictions About The Future Of Digital Transformation; [Forbes](#), Dec. 15, 2015.

2. Gartner Survey of More Than 2,500 CIOs Charts the Rise of the Digital Ecosystem; [Gartner](#), Oct. 17, 2016

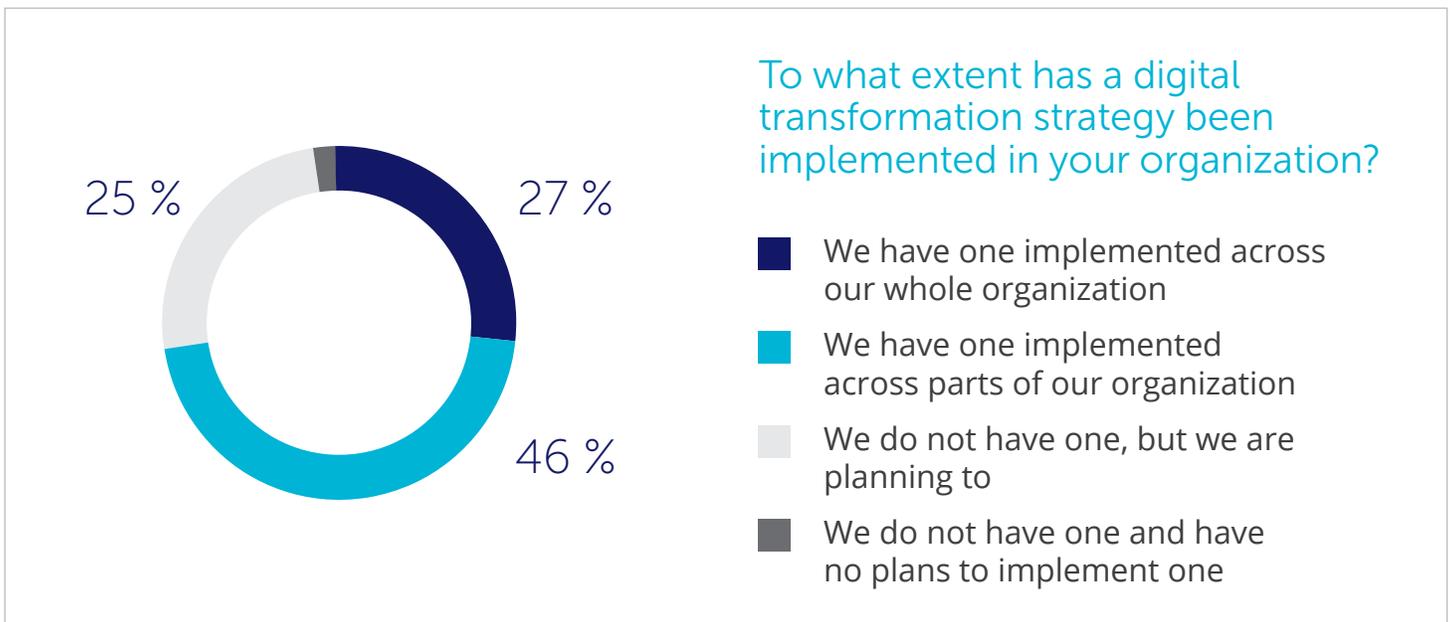
In the US, the number of organizations that claim to have adopted complete transformation stands at 33 percent. But in the UK that figure is just 10 percent. The difference between the levels of adoption in the US and UK likely speaks to regulatory and cultural differences between the two counties.

Starting a business in the US comes with significantly less red tape than in the UK. New businesses are more likely to use disruptive technologies. They are not burdened by legacy solutions or opinions. In order to keep pace with start-ups, established businesses in the US are more likely to turn to transformative solutions.

Things are a little different in the UK. With fewer start-ups chipping away at the establishment, businesses are less inclined to adopt transformative technologies or practices.

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When it comes to digital transformation, competition drives innovation.



If we look across verticals, 'retail, distribution and transport' leads the way in terms of complete adoption with 38 percent of businesses in this sector claiming to have adopted digital transformation across the whole organization - while just 18 percent of manufacturers claimed complete adoption.

The reason manufacturers find themselves behind the curve when it comes to adopting digital transformation may come down to a lack of agility.

Companies operating in the manufacturing sector are heavily siloed and have relatively high capital and operating expenses compared with businesses working across retail, distribution, and transport. Manufacturing is, therefore, a lot less agile than more software-centric verticals such as financial services or IT - which stand at 25 and 30 percent respectively. Rather than transform, manufacturing is more likely to offshore work to regions that enjoy lower overheads.

The business and professional services vertical reports that 22 percent of organizations have adopted digital transformation across the board. This vertical is reliant in human capital. With incremental improvements in artificial intelligence we can expect to see this sector increasingly turning to digital solutions.

Piecemeal adoption

The headline figures relating to complete adoption tell only half the story. The fact that nearly 50 percent of respondents have implemented transformation across parts of their business shines a light on the piecemeal approach that many are taking.

It has parallels with the “bring your own device” trend that shaped the enterprise mobility space in the years that followed the advent of the smartphone. Individuals or smaller business units are more agile than entire organizations, it makes sense then that parts of the business will start to adopt disruptive technologies before the business at large.

As individuals or smaller parts of the business enjoy the benefits delivered by digital transformation, we can expect to see it being more widely adopted. In this way, we’ll see transformation happening from the bottom up (or from the inside out) rather than the more traditional command and control method. But this approach runs the risk of becoming chaotic or haphazard. Ultimately, someone in the organization needs to take responsibility. So who will businesses turn to in order to make that transition a success?

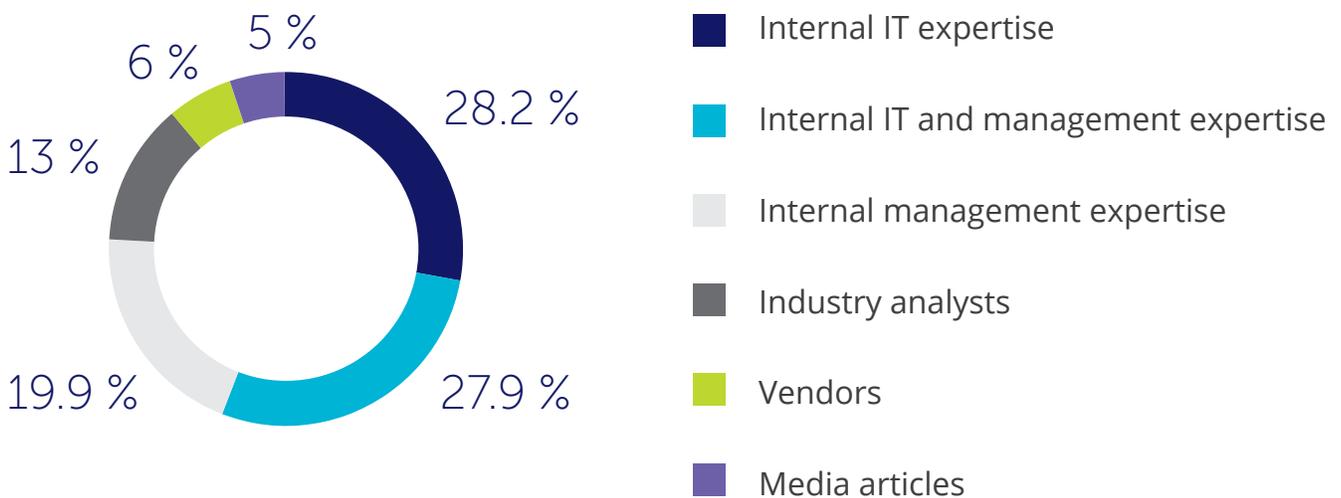
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Call in the experts

Most businesses, it seems, are very inward looking when it comes to digital transformation.

When asked: “When planning a digital transformation strategy in your organization, which resources do you/would you turn to for guidance and advice?” 76 percent of respondents stated that they would seek advice from experts within their business.

When planning a digital transformation strategy in your organization, which resources do you/would you turn to for guidance and advice?



In some ways, this makes perfect sense. These are the professionals who know the business best, are familiar with the IT eco-system, the operational requirements and limitations of the business, and the people who rely on the systems.

And serving the people should not be overlooked as a consideration when it comes to digital transformation. You can probably count on the fingers of one hand the number of times a transformative IT infrastructure project has been implemented where the employees have welcomed the

disruption and changes it brings. There is an almost inherent inertia among human beings when it comes to change.

This touches on why so few businesses are adopting complete digital transformation. The people who are arguably in the best position to drive transformation are not necessarily the people who ultimately benefit. IT doesn't just need to keep the ship afloat; it also needs to keep it moving forward at full steam. More often than not, that results in businesses taking the approach that if things are not broken, they do not need to be fixed. This is especially true at times of economic hardship. Even now, the global economy is only just showing signs of recovery and IT budgets are set to stay flat in 2017³.

Solutions, not products

Just six percent of respondents felt that vendors would be the best people to speak with for guidance or advice about digital transformation. This doesn't mean that people don't trust vendors; rather, it means they trust their internal experts more. That said, consumer trust in brands is at an all-time low⁴. The fact that respondents trust vendors over the media speaks volumes.

Internal stakeholders, while trusted, will however need to turn to someone for advice. Those third parties are much more likely to be organizations that are not selling products in the space. Industry analysts and consultants that can help develop a solutions framework are well-placed to fill the knowledge void that internal stakeholders might have.

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3. IT Budgets Expected to Remain Flat in 2017: CEB Survey; [The Wall Street Journal](#), Oct. 26, 2016

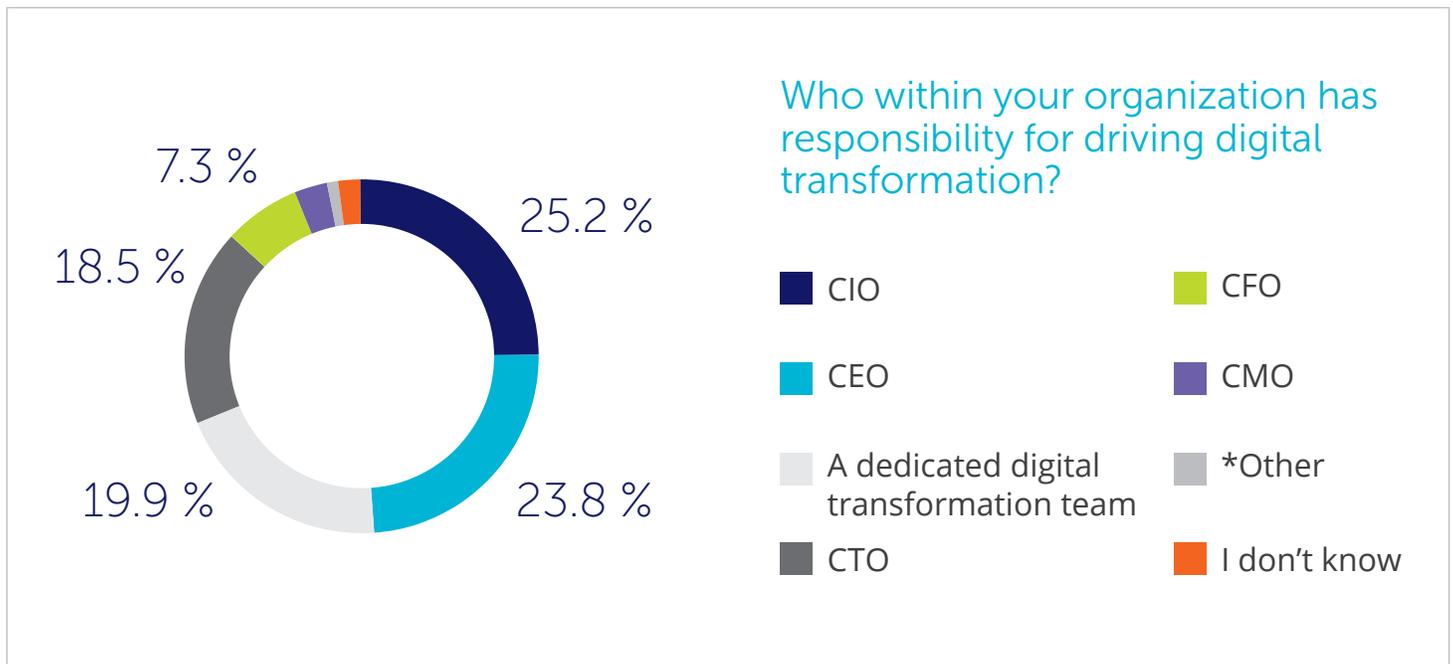
4. Lies And The Declining Trust In Brands; [Brand Strategy Insider](#), Jan. 4, 2016

Calling the shots

Digital transformation is a C-suite issue with almost half of all respondents choosing either the CEO or CIO as the person with ultimate responsibility. And when we factor in other C-level executives, the figure rises to 80 percent. So while IT budgets are not set to rise in the immediate future, we can at least be sure that the people who hold the purse strings will be looking closely at digital transformation initiatives when they consider how those budgets will be allocated.

Nearly one fifth of respondents reported that their organization has a dedicated digital transformation team.

Looking outside the C-suite, nearly one fifth of respondents reported that their organization has a dedicated digital transformation team. It is a reassuringly high percentage and chances are good that the digital transformation team reports into either the CIO or CEO.

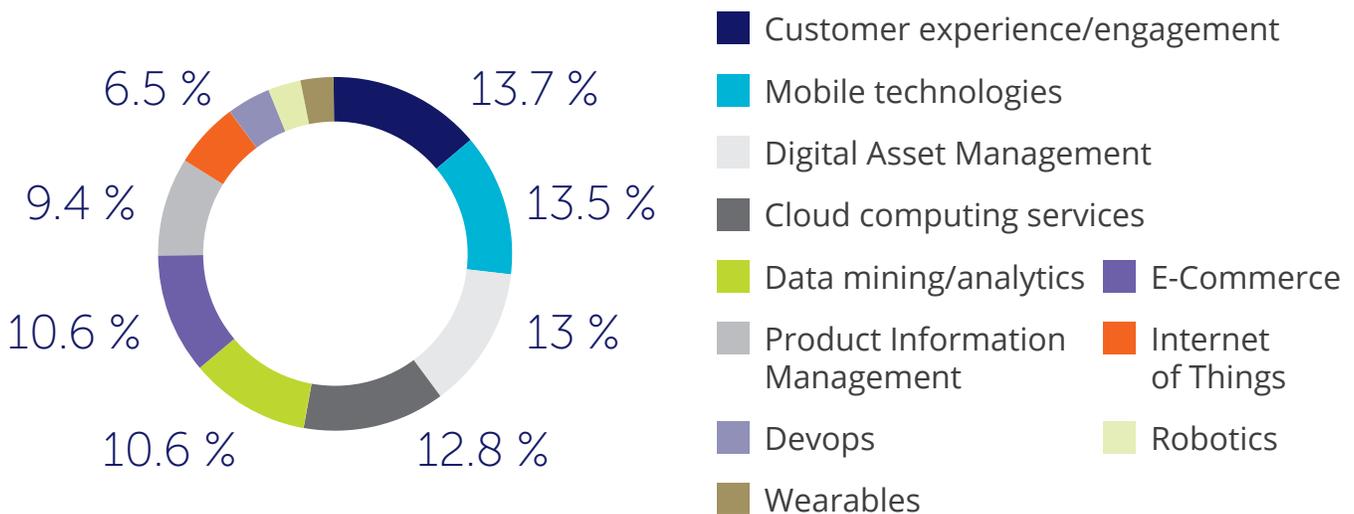


Where is the value?

Given the scope of digital transformation, it should come as no surprise that respondents believe that it will deliver value to a wide range of business areas, with almost equal weighting given to customer experience, mobile technologies, digital asset management, and Cloud computing. Digging into the data, retail showed a marked desire for customer experience, but that is to be expected.

There will always be certain areas that benefit more than others from the digital transformation. But the fact that it promises to add value across the board suggests that businesses should concentrate on delivering wholesale adoption.

Where do you see digital transformation providing value to your organization?



Security challenges

Digital transformation promises to deliver greater levels of connectivity and more data than ever before, and businesses will also come to rely absolutely on that connectivity and data. So, it is with good reason that organizations cite security as the number one challenge. In fact, security

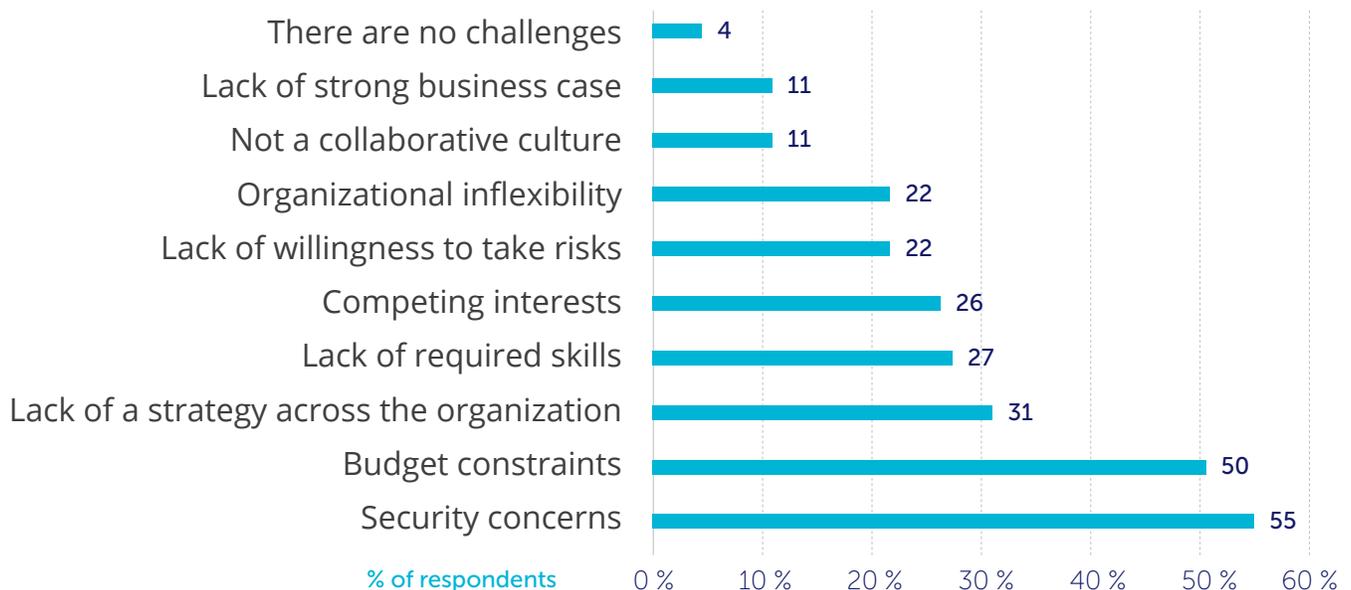
concerns are stopping 55 percent of organizations from committing to a digital transformation project.

Security will always be a key consideration with any new IT initiatives, in fact it should be “baked in.” If there is any doubt about a company’s existing security strategy, then they should address that now. The fact that digital transformation is not always being carried out as part of an overall strategy is a worry for the security conscious. Of course security, like everything else, is linked to budgetary considerations.

So it is little wonder that budget is also viewed as a major challenge that businesses need to address. Unfortunately, as noted, IT budgets are not on the rise. Perhaps then, rather than positioning digital transformation as an IT challenge, it should be considered a business objective, with budget set aside accordingly.

Security and budgetary constraints are the two main challenges organizations must address to take advantage of digital trends.

What challenges are impeding your organization from taking advantage of digital trends?



Conclusion

The findings of the SoftServe Digital Transformation Report demonstrate that while awareness of the need for, and an appreciation about the advantages of, transformative technologies are high, levels of total adoption are relatively low.

The key to driving greater levels of implementation lies in transforming awareness into understanding. Once businesses understand how to deliver transformative technologies, they will move forward quickly.

How SoftServe can help

Most organizations know they need to bring digital transformation strategies on board, but many struggle to envision a path forward. SoftServe helps modern enterprises adopt the disruptive technologies that drive digital transformation with custom technology solutions.

About SoftServe

With over 20 years of experience in digital software development and consulting, SoftServe is a global leader in solving complex business problems, creating industry disrupting technology and accelerating growth and innovation while optimizing operational efficiency. From leading ISV to Fortune 1000 digital enterprises, SoftServe has transformed the way thousands of clients do business with the most innovative technologies and processes in Big Data, Internet of Things (IoT), DevOps, digital commerce, security, and experience design.

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