

# Successful digital transformations are Future Ready. **Now.**

Research findings identify key ingredients to complete your transformation journey.



Today, many organizations are somewhere on a digital transformation journey. However, "Gartner found that 66% of leaders have plans for digital business transformation, but only 11% have achieved it at scale."<sup>1</sup> Finishing that journey is worth the effort. MIT Center for Information Systems Research (CISR) finds that companies that substantially complete their transformations tend to enjoy margins 16 percentage points higher than their industry's average.<sup>2</sup>

Findings from Avanade's new survey of 1,150 global decision-makers, conducted by Vanson Bourne, expand on MIT CISR's perspective and provide insights into the potential impacts of digital transformation, as well as core intersection points such as intelligence, strategy, efficiencies, experiences and innovation. This report provides recommendations on shoring up these intersection points to reap the anticipated ROI.

<sup>1</sup> Gartner, "4 Starting Points for Digital Business Transformation," Kristin Moyer, Don Scheibenreif, June 2018

<sup>2</sup> MIT CISR, "Four pathways to 'Future Ready' that pay off", Peter Weill, Stephanie Woerner, Nick Van Der Meulen as seen in [www.europeanbusinessreview.com](http://www.europeanbusinessreview.com), March-April 2019

# Key takeaways

**While digital transformation is a core focus, there are signs of fatigue.** Most organizations are planning and executing their digital transformation strategy, but the emphasis is on translating to bottom-line results.

- 96% of all respondents in the survey say they have a transformation strategy.
- 71% say global economy concerns are pushing them to turn digital transformation initiatives into bottom-line results.
- 43% say their organization is becoming fatigued with its digital transformation efforts.

**Intelligence is critical to digital transformations, but many organizations struggle to apply it effectively.** Organizations are investing in intelligent technologies, and most of those that are not currently doing so, plan to in the future.

- 89% agree that becoming an intelligence-driven enterprise is a big part of the digital transformation journey.
- 94% of organizations that have invested in intelligent technologies believe intelligent automation will provide the greatest business impact.
- 85% agree that integrating AI into their systems and processes will help them become a more intelligent enterprise.

**A number of barriers contribute to digital transformation fatigue.** Many organizations suffer from digital transformation fatigue and bewilderment at the lack of realized impact.

- 46% cite hiring and training people with the skills to transform the business as the number one challenge with their digital transformation initiative.
- 40% have invested in new technologies and innovations without integrating them into existing systems.
- 35% are struggling to modernize legacy systems and processes.
- Over 80% struggle with making the most of data and insights to benefit the business.

**Efficiencies, experiences and innovation are integral to digital transformation success.**

Many organizations see intelligence as the key to driving efficiencies, experiences and innovation.

- Over 38% say that insufficient in-house skills are keeping them from optimizing efficiency.
- 83% say employee engagement and customer experience solutions should have equal priority when planning for digital transformation.
- 88% agree that they need to add innovation to their business systems to enable agility and continual improvement.

**The potential upside of digital transformation is significant.**

- On average, respondents expect to see a return on investment of 17% as a result of their digital transformation efforts.
- 81% agree that continual improvement from business process innovation is one of today's desired outcomes from transformation, as improved productivity from business process simplification is not enough.
- Organizations expect digital transformation to impact their business in a number of ways, including:
  - Reducing costs by **10%**
  - Increasing productivity by **11%**
  - Increasing business growth by **10%**

# Looking beyond the numbers

Our study reveals that senior decision-makers across the business have digital transformation squarely in their line of sight with an eye towards business outcomes and impact. It's also clear from the research that digital transformation needs to be considered holistically as it cuts across strategy, integration, intelligence, talent and skills.

## **Strategy, talent and skills are closely linked in digital transformation.**

Almost all organizations in our survey have a digital transformation strategy but many of the respondents are challenged with where to start and how to sustain their strategy. The people agenda needs to account for the skills of today and talent needed for the future, as well as the connected experiences that empower employees in their roles. The majority of respondents see culture and people as the largest potential success or failure points.

## **Applying intelligence is a big part of the transformation journey but it needs to be connected to systems and processes.**

Our respondents see the connection between intelligence and the transformation journey. They are investing in technology areas like intelligent automation and predictive analytics and perceive great improvement in business results from the effort. Respondents did caution that intelligence needs to be integrated with processes, systems and experiences to be effective in the digital transformation journey.

## **Operational efficiencies require the acquisition of skills and the integration of data and business-critical systems.**

Our research showed that most organizations understand the need to integrate existing systems and data to build operational efficiencies. Upgrading business-critical systems and integrating them with existing processes is seen as a core element to building intelligence across the organization. Most organizations recognize the work needed between systems and data sources. Three-quarters of organizations also recognize the cloud as a path to help them realize the benefits of integration and to drive efficiencies.

## **Customer and employee experiences are the key drivers of digital transformation focus.**

Organizations see employee and customer experiences as the biggest factor driving digital transformation initiatives, even over the technology and innovation agenda. Most organizations see employee and customer experiences on equal footing for investment. Connecting employees and customers to intelligent technologies is dependent on integrated and accurate data, an area that most organizations recognize needs attention.

## **Innovation is needed for continual improvement.**

Driving innovation is not a one-time thing. The majority of respondents agree that they need to add innovation to their business systems to enable agility and continual improvement. Some see the cloud as the enabler of innovation, but most recognize that business process simplification is not the same as innovation.

## **Making it happen**

The promise of business improvement from digital transformation efforts remains great, although many organizations face mounting pressures to land results and are feeling fatigue. The need for intelligent technologies and tools like AI and automation to help organizations take digital transformation efforts to the next level is clear. Ultimately, organizations need to continue to evolve their strategy to infuse intelligence effectively across three dimensions – efficiencies, experiences and innovation – to accelerate their transformation. These ingredients enable organizations to be future ready now.

# Recommendations to help your business become future ready

Ultimately digital transformation initiatives need to deliver business outcomes and impact in areas like sales, revenues, reduced costs, and improved customer and employee satisfaction. These outcomes are driven through a cohesive strategy, vision and plan with a roadmap of subprojects.

[MIT CISR](#) contends that organizations realize digital transformations through focus on customer experiences and/or operational efficiencies. Those organizations that achieve the highest levels of transformation are considered future-ready and are both low cost and innovative. Avanade sees innovation as a third dimension based in part on insights in this report. Following are key recommendations to help your organization become future ready, including the infusion of intelligence across the three dimensions of efficiencies, experiences and innovation.

You need a digital transformation strategy that is regularly visited and iterated over time to be able to adjust to market conditions.

## Create a living strategy that considers talent and skills.

While the data shows that most organizations may have a digital transformation strategy, many don't know where or how to get started to drive the most impact and establish short wins. You need a strategy that is regularly visited and iterated over time to be able to adjust to market conditions. A living strategy also needs to consider the people involved from both a skills and development perspective, as well as the acquisition of new talent where needed. Including intelligence for your strategy will yield a future-looking view of what your organizational success is tracking towards with your technology roadmap and people.

# Future-ready organizations infuse intelligence across three key dimensions.

## Build operational efficiencies.

Building operational efficiencies demands deep levels of integration across business-critical systems and process levels to reduce costs. Fusing intelligence deeply into systems requires potentially lifting or rethinking old processes with automation so your people can focus on outliers and issues to be solved. Efficiencies also convert into organizational agility and the ability to respond faster to market conditions.

## Invest in both customer and employee experiences.

Customer experiences require equal investment with employee experiences. The future-ready organization looks at every point of interaction

between its brand and the customer and optimizes it with user-centered, engaging and designed interactions. You also need to consider the entire customer experience lifecycle and infuse intelligence at the right moments. Removing friction points across the experience lifecycle helps to maximize revenues and customer loyalty.

## Create continual innovation.

Innovation doesn't happen in a vacuum. Intelligence equips employees to see things in context and with new perspectives that create potential opportunities. Look to ensure that intelligence is opening doors to data connected across business functions. This translates into additional innovations, both large and small, to the business; from process improvements through to realizing entirely new business opportunities.

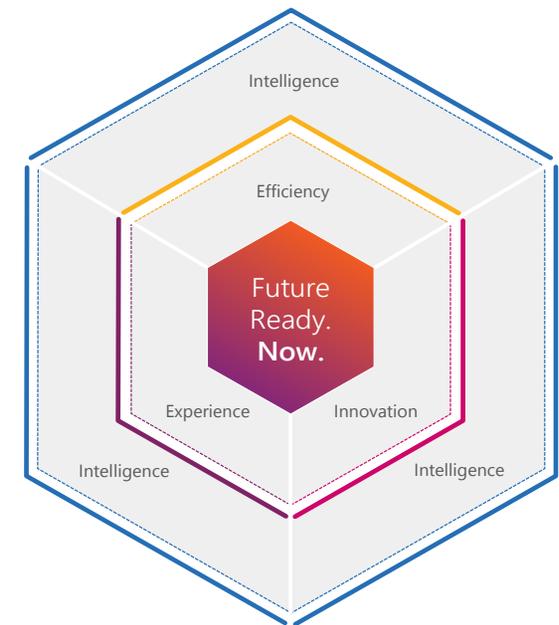


Figure 1: Avanade's Future Ready. Now. Model

# Become Future Ready. Now. And complete your digital transformation.

Universally, organizations are tackling digital transformation as a way to infuse intelligence to improve operational efficiencies, improve customer and employee experiences, and drive their innovation on a continual basis. It's hard work, but the potential payback is substantial. Becoming future ready is key.

## Scope of research and methodology

Avanade commissioned independent technology market research specialist Vanson Bourne to undertake the research on which this report is based. For the study, 1,150 senior decision-makers were interviewed at the end of 2018 and in early 2019.

The interviews were conducted using a mixture of online and telephone interviewing. All were undertaken using a rigorous multilevel screening process to ensure that only suitable candidates were given the opportunity to participate. Respondent companies have global annual revenue from \$500 million to more than \$10 billion, and participate in industries including communications, media and high-tech; financial services; health and public services; resources; and products. Unless otherwise indicated, the results discussed are based on the total sample.

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Figure 2: Country breakdown

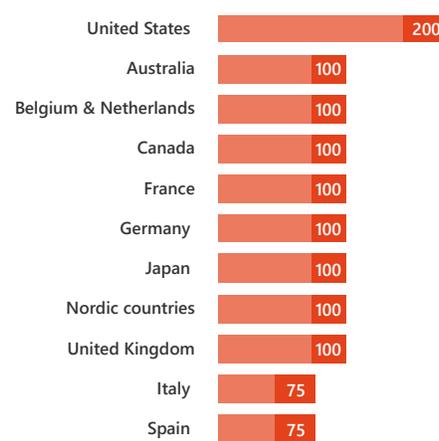


Figure 3: Functional role breakdown





## About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. With 36,000 professionals in 24 countries, we are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation.

Learn more at [www.avanade.com](http://www.avanade.com)

## About Vanson Bourne

Vanson Bourne is an independent specialist in market research for the technology sector. Our reputation for robust and credible research-based analysis is founded upon rigorous research principles and our ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets.

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