

DIGITAL TRANSFORMATION

LESSONS LEARNED FROM EARLY INITIATIVES



Produced by



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Contents

Introduction.	3
Key findings.	4
1 Broad diversity of current projects and maturity levels observed	4
2 The digital transformation skills gap	6
3 The quest for competitiveness.	7
3 Measuring the value to the business	9
Key Takeaways	10
If you don't have a Digital Transformation strategy, get one.	10
Get everyone on board in building your roadmap.	10
Consider an external partner to help fill the skills gap.	11
Further Information	11

Introduction

In a recent survey by Kable commissioned by Sopra Steria, 84% of UK enterprises surveyed believe that they could be making better use of digital technology to transform their organisation.

WHY?

Organisations today are using Digital Transformation techniques to update systems and processes as a means to achieve various desired goals for the business. From cost reduction or elimination, to front-office innovation, to increasing competitiveness, enterprise leaders are finding that IT-led business transformation can be a powerful tool for moving the business forward.

But as with any tool, a certain amount of familiarity and practice is necessary before Digital Transformation can be deployed by business managers with confidence. Some enterprises possess these skills today, and others are still acquiring them, according to a June, 2016 survey by analyst firm Kable, which gathered input from 120 FTSE 500 organisations to enquire how they are moving forward in their Digital Transformation journeys.

The survey showed a broad diversity in enterprises' maturity with regard to the use of digital to drive business transformation. Businesses use differing approaches to Digital Transformation projects, govern them in different ways, and measure their return on the investments differently.

While not all Digital Transformation projects have borne fruit, or not as anticipated, the study shows that there is sufficient evidence today for many digital initiatives to warrant further investment from

the business. Indeed, many of the firms surveyed now plan to expand their investment from isolated pilot projects to more ambitious programmes with the aim of transforming the entire enterprise.

Another key theme from the survey was general agreement that Digital Transformation, while potentially hugely beneficial to moving the enterprise forward, still remains somewhat of a mystery to many of those who would be piloting transformation programs: 84% of those surveyed believed that they could exploit digital technologies more effectively. So while there are some early results and lessons learned from the Digital Transformation pioneers, it's still early days.

With that as a backdrop, then, let's look at some of the key themes that emerged from the study.

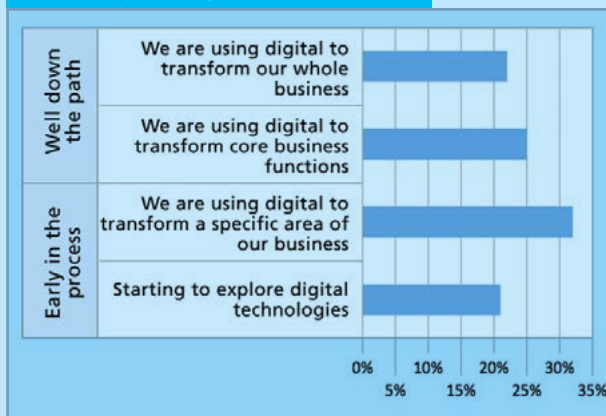


KEY FINDINGS

1 Broad diversity of current projects and maturity levels observed.

The Kable survey showed that enterprises diverge widely today with regard to the maturity of their Digital Transformation initiatives. 53% of enterprises are relatively early on in the process, whilst 52% of firms have only a single transformation project underway.

HOW IS YOUR ORGANISATION APPROACHING THE ADOPTION OF DIGITAL?



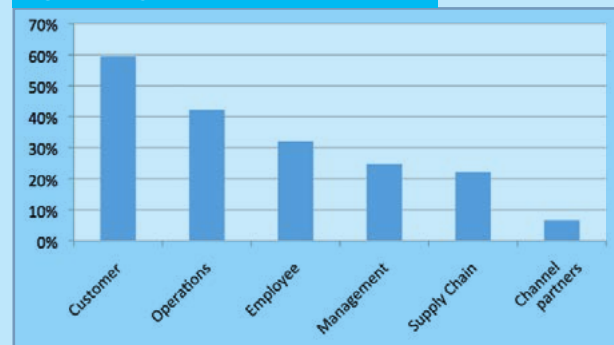
However, 47% of enterprises surveyed are already well down the path on their transformation journey, using digital technology to transform either their core business processes, or the entire organisation. A similar number, 48% are investing in multiple transformation projects across the business. So nearly half of the market are starting to commit

larger-scale resources to Digital Transformation initiatives today.

This finding points to an interesting competitive dynamic that underlies the growing interest in Digital Transformation in recent months: once an individual company establishes a successful transformation initiative, they raise the bar for other companies they compete with in the marketplace. So other companies are forced to respond, else remain a step behind holding a higher cost base, less effective customer experience, less streamlined operations, etc. We will revisit this theme later in this paper.

The main orientation of transformation efforts at most organisations surveyed is in improving the customer-facing systems and processes in the front office. The goals of these projects are to transform the customer experience, increase customer satisfaction, improve customer engagement,

IN WHAT AREA(S) ARE YOU FOCUSING YOUR DIGITAL INVESTMENT?

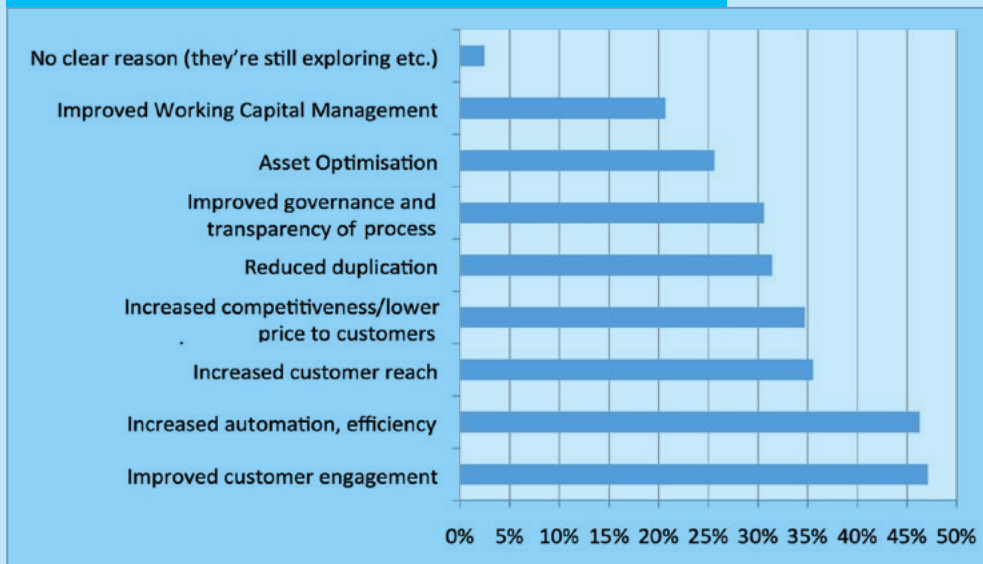


and increase customer reach – all areas where new technologies, such as mobile IT and social media, provide expanded capabilities over traditional systems and processes.

However, Digital Transformation is about more than just upgrading the front office. Enterprises are also using new technology to increase efficiency, to drive cost out of the business, and increase overall competitiveness. So innovation is happening at all levels in the enterprise, with all kinds of technologies. Part of the driver for this is the fact that IT, rather than simply supporting the development and delivery of products and services for the business, increasingly is an integral part of the product or service being delivered. An example of this is the proliferation of “apps” being used by a wide range of businesses today: the result, as the saying goes, every company is now a software company.



WHAT ARE YOU TRYING TO ACHIEVE WITH YOUR DIGITAL TRANSFORMATION

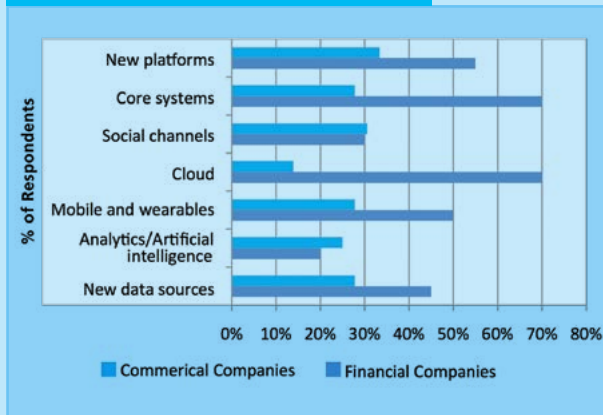


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2 The digital transformation skills gap

Enterprises are applying a full breadth of digital technologies in their transformation efforts today as innovation at every level of digital technology brings new capabilities to enhance and improve the key processes that underlie business competitiveness.

WHAT TECHNOLOGY OR PROCESSES ARE YOU USING TO SUPPORT THIS PROGRAMME?



Interestingly, core systems are as involved in Digital Transformation programmes (41% of all enterprises surveyed) as new platforms (41%), therefore indicating that Digital Transformation is impacting the breadth of systems and processes across the organisation.

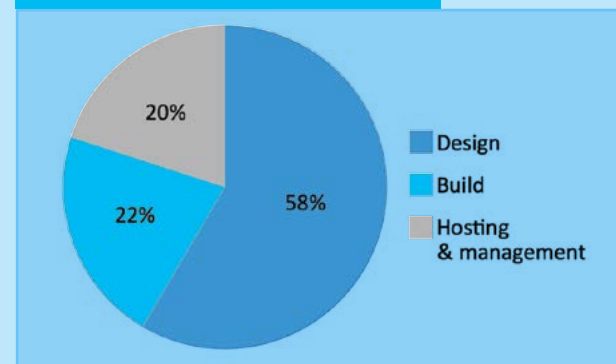
Among new technologies employed for transformation initiatives, mobile (36%), Cloud (34%), new data sources (34%), and Social (30%) were among the most popular, not surprisingly as these technologies directly support the front-office transformation initiative that are high on enterprises' priority lists today.

Leveraging these technologies successfully into Digital Transformation programs requires skills in IT systems and integration. 82% of respondents in the Kable survey reported that they had engaged with the IT department in order to support their transformation initiative. Interestingly, that still leaves 18% of projects that have been solely funded and developed by sponsors in the line of business without any involvement from the IT department, a testament to the growth of cloud-based applications and self-service IT models.

Yet the IT team on its own may not have the requisite skills to design and lead a transformation project. Indeed, 27% of the survey respondents cited the lack of integration between parts of the business or infrastructure, as the main barrier to the realisation of Digital Transformation projects.

For this reason perhaps, over half of enterprises report having engaged a third-party partner to assist with implementing their transformation programme. Of these, the focus of partner activity is primarily on the up-front Design part of the project, as opposed to Build or ongoing hosting and management.

WHAT DOES YOUR EXTERNAL PARTNER DO?

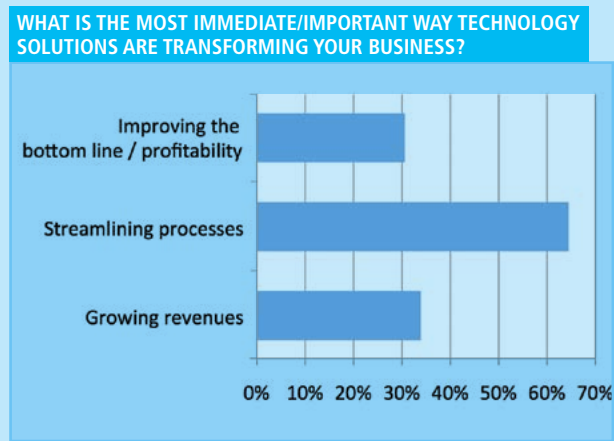


Clearly, enterprises are eager to engage outside partners to help fill the skills gap in the early stages of a transformation initiative. However, the survey also indicated that the longer-term plan for most enterprises is to acquire their own skills to initiate transformation programmes without external help: 84% indicated a desire to bring transformation programmes in-house once they are up and running.

3 The quest for competitiveness

A Digital Transformation programme begins with an idea to transform the business using information and communications technologies. As with any investment by the enterprise, projects of this kind must be funded, and therefore must demonstrate a potential value to the business.

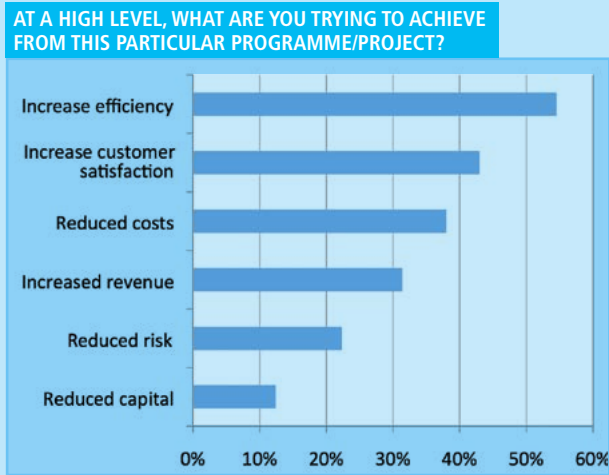
The Kable survey showed that most enterprises are seeking to use Digital Transformation projects to streamline processes. The old adage “better, faster, cheaper” comes to mind here. These are likely to be the types of transformation projects that most likely



“As with any investment by an enterprise, Digital Transformation projects must be funded and must therefore demonstrate a potential value to the business.”

will obtain funding from management. About half as often, the request will be oriented specifically to growing revenues.

Along these same lines, transformation programme leaders in the enterprise say that a primary objective of the programmes underway today is to increase efficiency. This is clearly aligned with the goal of streamlining processes, and applies both to the front-office parts of the business, which aim to increase customer satisfaction, customer experience, etc., as well as the back office where integration with core line-of-business and legacy systems in the supply chain can be major contributors to cost reduction and increased business agility.



*Timelines are, for once,
in line with business
owners' expectations*

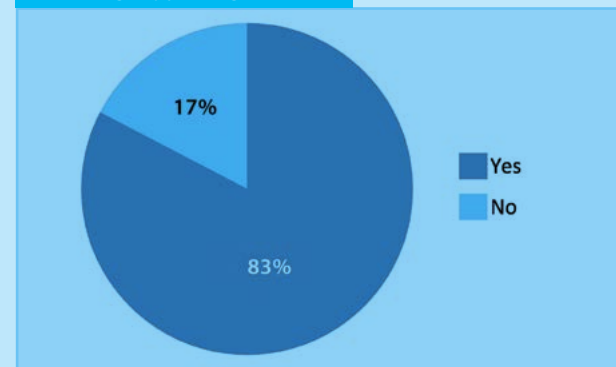
*digital
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“When asked whether the project is being delivered at a pace that meets their expectations, 83% of those surveyed replied affirmatively.”

Speaking of agility, the Kable Digital Transformation survey delivered one result that raised a few eyebrows within the analyst team. When asked whether the project is being delivered at a pace that meets their expectations, 83% of those surveyed replied affirmatively. This was quite a surprise, as for decades it seems, the chief complaint by line of business about their IT projects is the lagging timelines, always being behind schedule.

Not so with Digital Transformation projects, apparently. Perhaps because these projects tend to be built upon new-generation and agile infrastructure and software programming techniques, timelines are, for once, in line with business owners' expectations. That is something of a transformation in itself.

IS YOUR PROJECT BEING DELIVERED AT THE PACE YOU EXPECTED?



4 Measuring the value to the business

It is a classic scenario in IT circles that sponsors with new projects to propose must, in order to obtain funding, first prove their projects' value to the business. Less often, however, are they forced to actually measure the results of their project once they have been funded and implemented.

The Kable survey showed a similar pattern in play for Digital Transformation: measurement frameworks are in place, but are inconsistently practised by enterprises today.

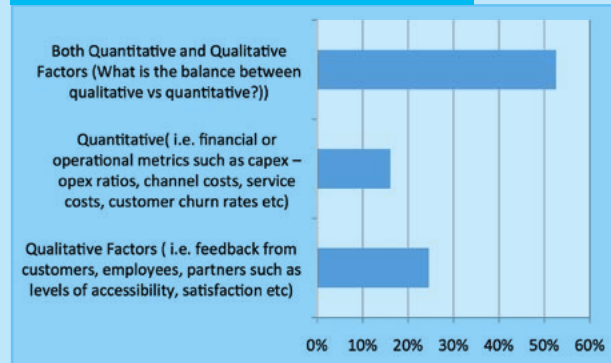
Return on Investment (ROI) calculations are most commonly used to justify investment, particularly when the project is designed to reduce or eliminate costs, or increase efficiency, which are typical justifications for 'Run the Business' type initiatives. But there are many ways to assess an IT project's value to the business, and so a somewhat wider notion of business value can be relevant for projects that aim to 'Transform the Business.'

The survey showed that about half of enterprises with transformation programmes are utilising a combination of qualitative and quantitative measures to assess their programme's success. This is an appropriate approach for IT projects of a transformative nature. 25% of the survey respondents are using qualitative measures only;

“The figures show a need for improvement in terms of measurement disciplines associated with Digital Transformation.”

16% are using quantitative measures only; and 7% are using “other,” which can be interpreted as no measurement at all.

WHAT MEASURES ARE YOU USING TO DETERMINE THE SUCCESS OF THIS PROGRAMME/PROJECT?



These figures are due in part perhaps to the aforementioned skills gap with regard to Digital Transformation. It may well be that enterprises simply don't understand the Digital Transformation process well enough at this point to put a measurement framework in place based on discrete and measurable goals.

Whatever the reason, the figures show a need for improvement in terms of measurement disciplines associated with Digital Transformation. After all, as the saying goes, you can't master what you don't measure. This can be another domain in which external partners bring valuable experience and expertise. In fact, those surveyed who employed an external partner, reported that their projects were well governed.

Turn to the pages 10 & 11 for key take-aways.

KEY TAKEAWAYS

If you don't have a Digital Transformation strategy, get one

- *An array of new technologies and devices are available today affecting all parts of the business process and functions in the enterprise. This is a ideal opportunity to apply these technologies to transform enterprise processes and systems at scale across the whole organisation.*
- *Not every company needs to be a leading-edge adopter of digital; however, enterprises that have implemented successful transformation programmes will start to see structural competitive advantages over those that have not.*
- *In this environment, from a competitive standpoint, enterprises can decide whether*



they want to be an early adopter, or a fast follower. Doing nothing is not a recommended option.

Get everyone on board in building your Digital Transformation roadmap

- *With individuals involved from across the business, projects will emerge to drive the business forward in new and unimagined ways. Leveraging experience from early pilot projects with increasing confidence and sophistication, the enterprise will have established an ability to deploy new IT-driven business initiatives with increasing speed and power – two excellent attributes for competing in today's fast-changing, increasingly digital business climate.*
- *In most cases, Digital Transformation programmes will be based on IT and line of business people working together to identify and deploy high-value initiatives. For enterprises feeling the 'Skills Gap,' partnering with an experienced third party may be fruitful, particularly for the up-front Design and build phase of the project.*

“Enterprises can decide whether they want to be an early adopter, or a fast follower. Doing nothing is not a recommended option.”

- *Successful Digital Transformation programmes require governance disciplines that not all organisations have. This can be another reason to bring in a partner with strong program management disciplines that can help ensure that projects are better integrated within the business. They can also help organisations focus on building the right kind of culture and transformation opportunities.*

Consider an external partner to help fill the skills gap

- *Partners can help to address the skills gap that many organisations report with regard to Digital Transformation.*
- *Partners can bring needed strategic input, implementation skill, and the ability to measure results, bringing operational disciplines to the transformation program and reducing risk for the enterprise*



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Sopra Steria, a European leader in digital transformation, provides one of the most comprehensive portfolios of end to end service offerings in the market: consulting, systems integration, software development and business process services.

Sopra Steria helps organisations intelligently apply digital technologies to drive business transformation. Our outcome-based approach helps organisations identify transformation opportunities, define success, and rapidly develop appropriate technology solutions. Ours is not a digital for digital's sake approach, but rather a thoughtful application of technology to drive sustainable business success.

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