Report: Acceleration '21:
The State of Digital Transformation

New data shows digital transformation is about more than just digital

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Methodology

The study was conducted by Sapio Research, in collaboration with CTG, in February 2021 using an online survey. 755 digital transformation decision makers in mid-size companies (250 to 5000 employees) were surveyed across the US (201), UK (202), Western Europe (352).

Results of any sample are subject to sampling variation. In this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 3.6 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

Full speed ahead

It's no secret that, in 2020, businesses were forced to hit the accelerator on digital transformation.

A year later, we have an opportunity to find out how that went, what those businesses have realized, and what that means for others on similar journeys.

On behalf of CTG, Sapio Research interviewed 750+ digital transformation decision makers working in mid-size companies (250 to 5000 employees) in four regions – the US, UK, France, and Belgium.

The biggest takeaway: digital transformation is about so much more than digital.

In practice, it's about culture transformation, process transformation, and in a very real sense, business transformation.

Remote working may have been the catalyst, but it's not the point.

With the pandemic forcing millions into remote working, companies had to adapt quickly to make sure business could continue.

According to our study, 72% of companies accelerated their digital transformation initiatives.

In fact, 71% grew their investment, especially in Cloud technology (65% of respondents).

Most important, 65% of respondents report that senior leadership have increased their support of digital transformation.

In this report we'll explore how leaders are adapting to the changing landscape.

Full speed ahead

By the end of 2020, the most important reasons to invest in digital transformation were to:

- Improve business performance (80%)
- Improve customer engagement (80%)
- Improve data-driven decision-making (77%)
- Take advantage of new business opportunities (77%)

This shift – from digital-transformation-to-keep-the-business'-lights-on, to digital-transformation-to-change-the-way-the-business-works – is critical.

In fact, 85% of our respondents think the alignment between digital transformation and achieving business objectives will be more difficult in 2021.

The chart shows how many companies think aligning digital transformation and business objectives will be more difficult in 2021

85% more difficult

63%

15%

19%

3%

Not at all

Somewhat more difficult

A lot more difficult

Close to impossible
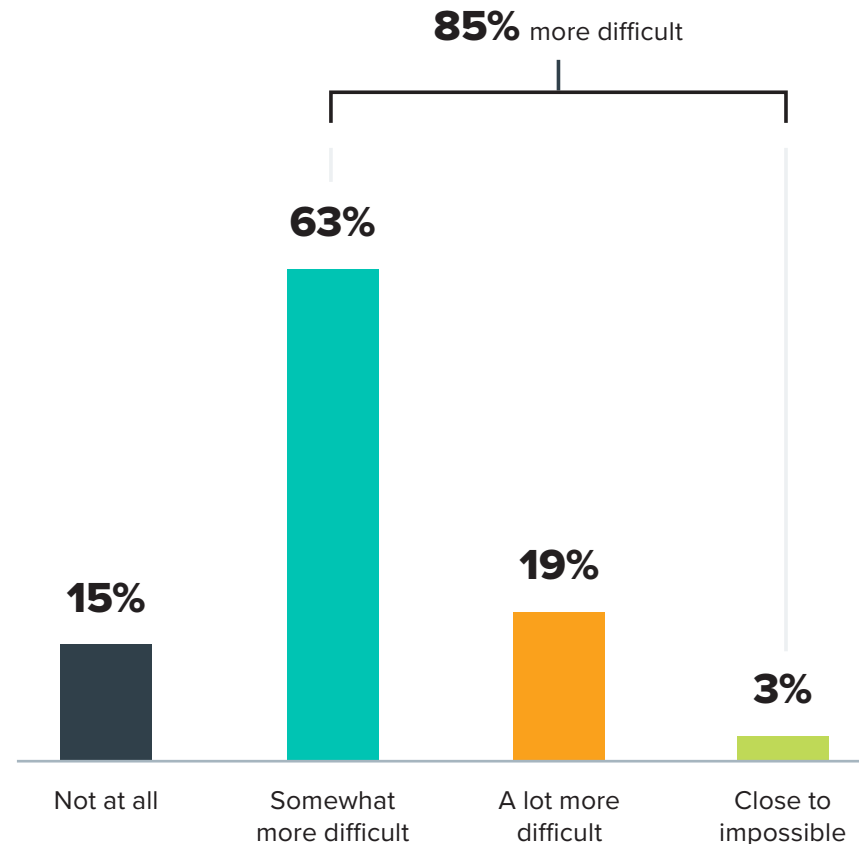
Digital transformation means business transformation

Across all geographies and sectors we analyzed, decision makers are realizing that digital transformation has to be aligned with the business' wider strategy to make sense.

This isn't simply so that IT buyers can gain buy-in.

It's because **digital transformation isn't simply the implementation of digital technology.**

Analytics initiatives don't simply determine what tools are used to manage data. They fundamentally change the way leaders talk to each other and make decisions.
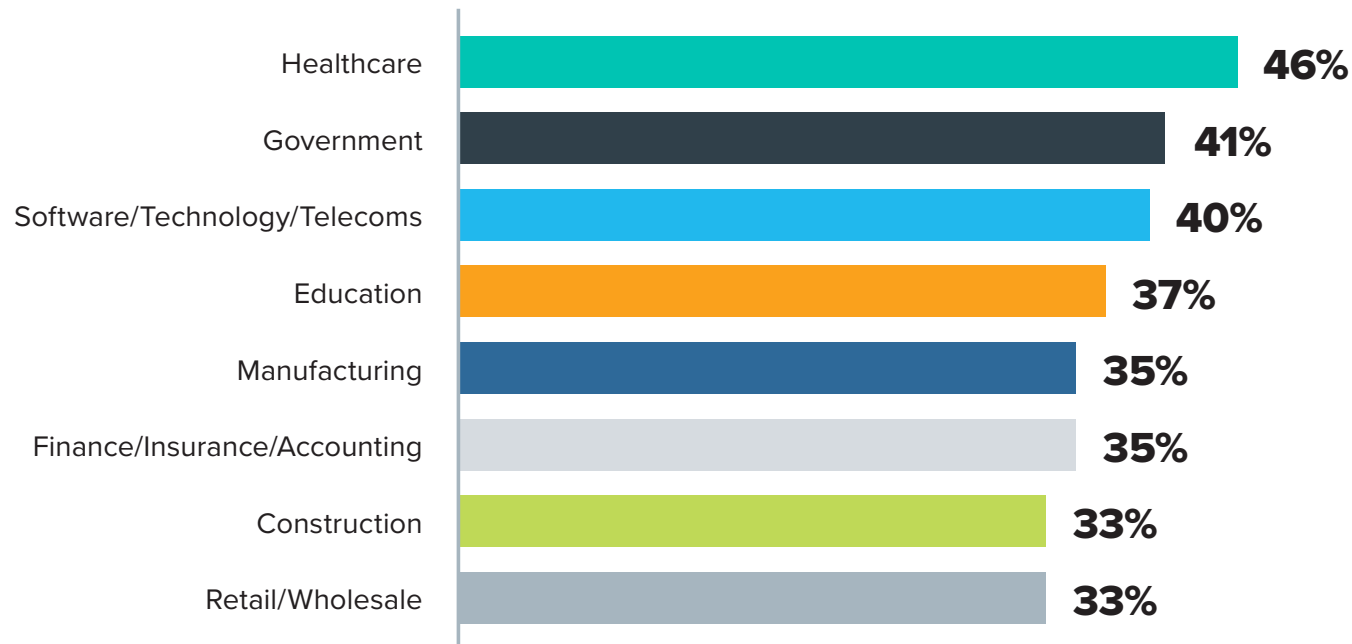
DevOps transformations don't just set environments up for Continuous Integration/Continuous Deployment. They change the way engineering teams organize and produce.

Platforms for contact center technology certainly make it easier to work remotely. But without a review of processes and working practices, you can't expect an improvement in customer retention.

Invariably, digital transformation influences a business' products and services, their customer experience, and, perhaps most crucially, their culture.

Digital transformation can mean business transformation

The chart shows the percentage of companies that selected changing company culture as a challenge, divided by sector.

Sector	Percentage
Healthcare	46%
Government	41%
Software/Technology/Telecoms	40%
Education	37%
Manufacturing	35%
Finance/Insurance/Accounting	35%
Construction	33%
Retail/Wholesale	33%

The culture challenge

Businesses that are trying to evolve their culture are most interested in DevOps tools and Artificial Intelligence (43% of respondents in both cases).

By geography, the businesses struggling with this the most are in the UK (45%). But globally the challenge is greatest in the healthcare sector (46%).

Managing change

It's fair to say culture change is a challenge for all businesses undergoing digital transformation and so these initiatives need to be conducted with some sensitivity.

To that end, leaders found that the ideal digital transformation partner should have good problem solving skills (49%), business knowledge, (48%) and communication abilities (48%).

In fact, those businesses that see themselves as leaders in digital transformation value emotional intelligence (42%) and communications skills (40%) the most.

Three key challenges for leaders

Now let's look at what advice these decision-makers have for leaders like you

The chart shows what the overall sample thinks the top digital transformation challenges will be in 2021.

Challenge	Percentage
Keeping up with the speed of change	41%
Changing the company culture to support a more digital way of working	38%
Convincing senior leaders to sponsor digital transformation initiatives	34%
Maintaining relevance/benefits for clients	31%
Lack of technical skills availability and development	28%
Lack of an overall digitalization strategy	26%

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Three key challenges for leaders

According to our study, the main challenges for 2021 are:

1. Keeping up with the speed of change (41%)

You've no doubt been acutely aware of how much faster technology evolves now. But the way we work and serve customers is changing too.

Case in point: working from home poses new coordination and security challenges. This issue is felt the most by the manufacturing sector (53%) and the least in government (32%).

2. Changing the company culture to support a more digital way of working (38%)

For digital transformation initiatives to make a difference, employees at every level need to be involved in the process. They need to be heard first and educated second.

At the end of the day, it doesn't matter how much you invest in technologies if the people using those technologies don't want to or understand how to.

3. Convincing senior leaders to sponsor digital transformation initiatives (34%)

Our respondents found that support from senior leaders has increased in the past year. But that doesn't mean it can be taken for granted.

Companies, especially in the retail and wholesale sector (44%), will need to keep leaders involved and convince them to support and champion these initiatives.

Strategy is still critical

The other challenges leaders emphasized had to do with maintaining relevance and benefits for clients (31%), lack of technical skills (28%), and, lastly, the lack of an overall digitalization strategy (26%).

As you can already tell, this means an evolution of customer experience, hiring strategy and, most important, a vision for the business.

So once again we see how, when it comes to digital transformation, the technology isn't necessarily the hardest part.

Three key challenges for leaders

More than a third (35%) of the companies we interviewed believe they are leading in their sector in terms of digital transformation maturity

The chart shows the proportion of companies that are leading and lagging in terms of digital transformation maturity

2%	18%	45%	27%	8%
Very Lagging	Somewhat lagging	Equal	Somewhat leading	Very leading

35% leading
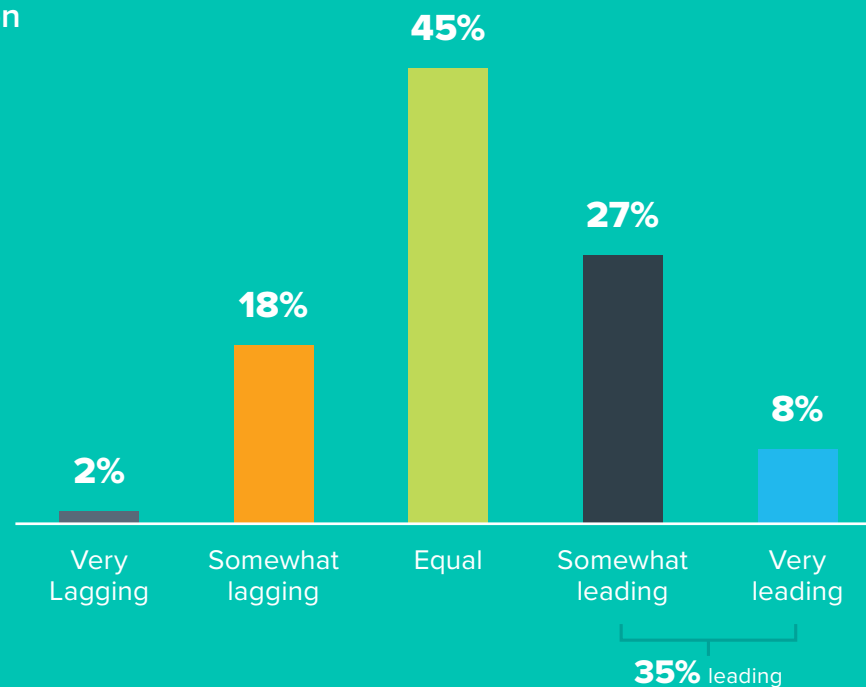
The leaders represented are more likely to be from the US and the UK (both 41%), and many come from the manufacturing industry (46%), investing mostly in RPA (45%) and DevOps (41%).

The most important fact about them though, is that having made so much progress in 2020, they're less likely to think business objectives and digital transformation will be more difficult to align in 2021 (46% not at all, vs 33% more difficult).

On the other hand, lagging companies are more likely to be in construction (39%), where the top challenge is the lack of an overall strategy (27%).
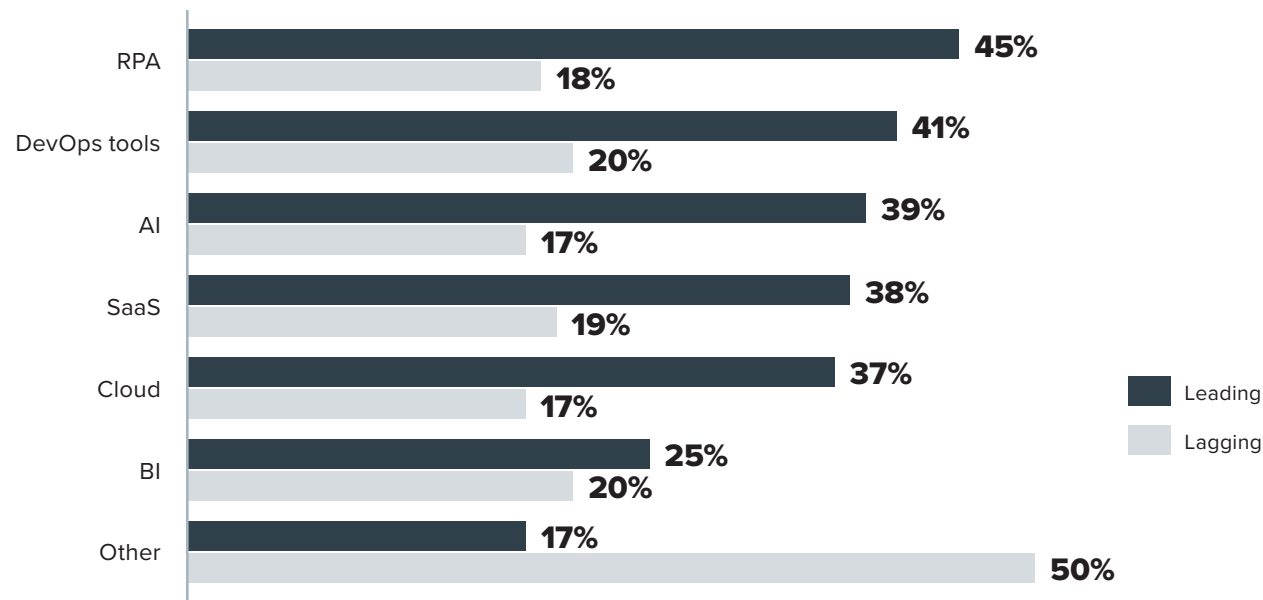
These businesses are investing the most in BI and DevOps tools (both 20%).

Technology investments moving forward

What are the top three technologies you are investing in to drive digital transformation in 2021?

The chart shows what technologies leading and lagging companies are interested in for 2021

Cloud (61%), SaaS (40%), and AI (37%) are the three areas businesses are most likely to invest in for the purposes of transformation.

However, our study uncovered some significant differences between sectors.

For example, the software and technology sector is expected to invest the most in Cloud technology (67%), while construction companies will invest the least in it (52%).

Retail will invest the most in SaaS (50%), and education will invest the least (27%) – a situation that is reversed in the case of DevOps tools.

Looking at it from a regional perspective, the UK is investing slightly more in Cloud (70%) and AI (40%) than the US (62% and 32%).

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We should talk

At CTG, we help companies manage difficult transformations.

So we know just what it takes to change the most important things about your business, and bring everyone along for the ride.

If you want to figure out how to move forward with your own digital transformation, we'd love to talk.

Get in touch:
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