

Digital Transformation: Crossing the Chasm from IT to the Business



NEW RESEARCH REVEALS THE ISSUES BOTH DRIVING AND IMPEDING A DIGITAL-FIRST APPROACH AND POINTS TO FIVE KEY STEPS THAT BUSINESSES CAN TAKE TO ACCELERATE THEIR TRANSFORMATION JOURNEY.

Within a few short years, technologies such as advanced analytics, mobility, social media and the cloud have introduced powerful new ways for businesses to streamline processes and better engage with customers, partners and employees. Companies that have seized those opportunities by embracing a “digital-first” approach to everything they do are creating innovative new services, collecting double-digit revenue gains and radically reducing both operational expenses and time to market.

Few companies, however, fit that description at present. Indeed, an exclusive new survey of business and IT executives from IDG Research reveals that although organizations are pursuing digital transformation in significant numbers these days, most of them have focused their initial efforts chiefly on the IT department and a few associated operational functions.

That comes as little surprise to industry analyst and digital transformation expert Michael Krigsman, who says that transformation efforts often begin in isolation with a few targeted projects in areas such as IT. “There are very few organizations that want to completely upend what they’re doing,” he notes.

But at some point, companies need to make the leap beyond operational improvements—what Krigsman calls “departmental transformation”—to capture the profound opportunities today’s digital technologies make possible. The kind of full-scale enterprise transformation capable of producing exponential growth requires bigger, bolder, more strategic thinking that’s aimed every bit as much at increasing revenue as it is at decreasing overhead. Data from the new IDG survey reveals the obstacles standing in the way of such thinking at present and points the way to a five-step action plan for overcoming them.

Progress and Problems

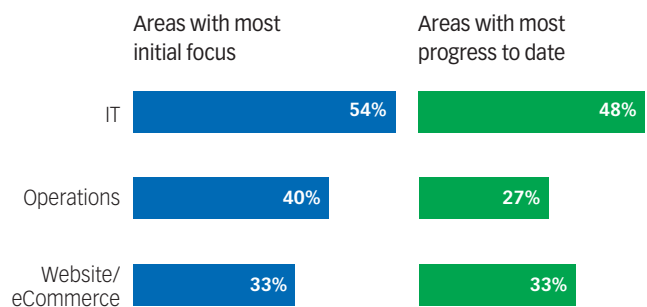
Results from the IDG Research study make clear that decision-makers fully appreciate the benefits that digital transformation offers. When asked to name the most important drivers of their transformation efforts, 83 percent of the surveyed executives cited greater operational efficiency, followed by enhanced business agility, higher employee productivity and stronger competitive advantage.

Art Krylovetsky, a solutions architect at The Walt Disney Company, is among the many poll respondents excited by digital transformation’s potential—and fearful of what not transforming could mean for the future. Consumers these days want access to films and TV shows everywhere they go on every device they use, he notes, and no media company that wishes to remain relevant can afford to disappoint them. “We’re in a space where if you don’t transform, you don’t survive,” Krylovetsky says.

These new digital realities have businesses investing heavily in a range of transformation-enabling technologies. Nearly 8 in 10 respondents to the IDG Research survey are currently making



CURRENT FOCUS OF DIGITAL TRANSFORMATION INITIATIVES



TOTAL BASE: 166; Q6. WHERE DID OR WILL YOUR ORGANIZATION FOCUS ITS DIGITAL TRANSFORMATION INITIATIVES FIRST? (SELECT ALL THAT APPLY)
 Q7. IN WHICH OF THE FOLLOWING AREAS HAS YOUR ORGANIZATION MADE THE MOST PROGRESS TO-DATE IN TERMS OF ITS ABILITY TO TRANSFORM AND IMPLEMENT A “DIGITAL-FIRST” APPROACH? (SELECT ALL THAT APPLY)



moderate or significant investments in mobile technology, whereas 76 percent and 73 percent are spending similarly on analytics technology and cloud-based services, respectively.

Those efforts appear to be paying off, at least in terms of IT process improvements. Some 54 percent of the survey respondents called IT one of their company's first digital transformation focus areas, and 48 percent said IT has seen the most progress to date. Another 33 percent reported similar progress on remaking their websites and e-commerce platforms.

Progress beyond IT has been slower. Although 40 percent of the survey participants have sought to digitally revamp some aspect of operations, only 27 percent have made significant headway and 25 percent named it one of the toughest functions to transform. Similarly, 28 percent of the respondents called finance one of the hardest functions to transform and only 14 percent have achieved serious progress there.

Surveyed executives blame multiple factors for those roadblocks, including familiar ones such as lack of time and resources (cited by 68 percent of the poll participants as a very or extremely challenging issue) and acquiring needed skills and expertise (cited by 61 percent). Two-thirds of the survey respondents—and fully 73 percent of those in IT roles—called changing the company's culture and mind-set equally difficult. Krylovetsky was among them. He and his IT colleagues often find themselves caught between millennial-generation workers looking to digitize media content as quickly as possible and a more wary, older generation of content owners. "You have hyperactive youngsters who are pushing technology, and you

also have brilliant minds protecting the content they created 10 years ago who are cautious of technology from a cultural perspective," Krylovetsky says. "It's a constant challenge."

So too is driving business/IT alignment on digital transformation strategy, cited as a barrier by more than half of the new survey's respondents. That's a problem with significant implications, Kringsman notes. "Digital strategy requires a very close coming together of the business side and the technology side of the company," he says. Organizations that fail to achieve that harmony risk sluggish progress and disappointing results.

Efficiency Bias

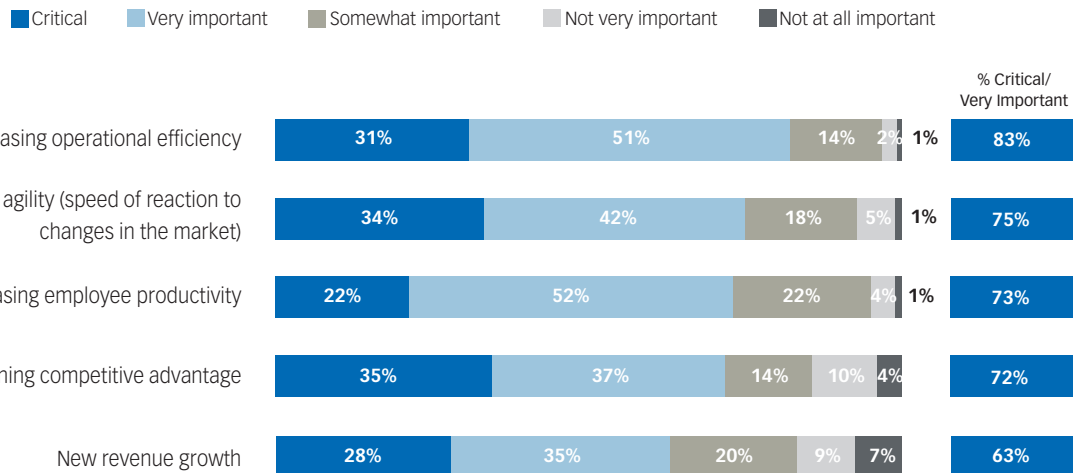
Surprisingly, given the steep impediments they face, 52 percent of the surveyed business managers and 34 percent of the surveyed IT managers rated their company's digital transformation progress above or well above average. Yet the study suggests that in their zeal to boost efficiency, many businesses aren't yet pursuing the most-lucrative transformation opportunities.

"Digital transformation is a powerful business enabler that can do much more than increase efficiency," says Raman Sapra, executive director and global head of Dell Digital Business Services. "It disrupts business models, generates new revenue opportunities and enhances customer and employee engagement."

For example, leading-edge retailers are using the cloud, mobile apps and social media to create "omni-channel" buying experiences that fuel customer acquisition and retention by



IMPORTANCE OF KEY DIGITAL TRANSFORMATION DRIVERS



TOTAL BASE: 166 QUALIFIED RESPONDENTS; Q3. HOW IMPORTANT ARE THE FOLLOWING AS DRIVERS OF DIGITAL TRANSFORMATION AT YOUR ORGANIZATION?

putting consumers firmly in control of how, when and where they shop. “We’re seeing such strategies produce significant revenue growth and new market opportunities,” says Akhil Uniyal, director and global head of digital transformation consulting for Dell Digital Business Services. Yet only 20 percent of the survey respondents named sales an early digital transformation focus area and only 13 percent reported significant progress there. What’s more, although 56 percent of the survey participants’ organizations are making moderate or significant investments in social media, Uniyal finds that figure distressingly low. “Consumers increasingly expect businesses to engage with them through social media, and doing so delivers invaluable customer intelligence,” he says. “Every company should be embracing it.”

Further results from the IDG Research study help explain why digital transformation efforts so often emphasize efficiency rather than revenue. For starters, IT executives—who head up transformation efforts at 36 percent of the businesses represented in the survey—are significantly less likely than their business counterparts to view digital transformation as a contributor to growth. Indeed, whereas 78 percent of the study participants in business roles called new revenue a key digital transformation driver, only 58 percent of the respondents with IT titles did.

Also, having a chief digital officer who’s wholly dedicated to transformation can accelerate progress and drive cross-functional consensus on strategy. However, only 17 percent of the organizations represented in the survey have a Chief Digital Officer (CDO) or plan to hire one. Furthermore, 39 percent of those organizations that have or plan to hire a CDO will have that role report to the CIO, potentially limiting the CDO’s scope and influence across the entire business.

Five Steps to Successful Transformation

Companies eager to break out of an early transformation beachhead in IT and operations and take their efforts to the next level should consider five important steps:

- 1. Get strong commitment from the C-suite**
Digital transformation has far-reaching implications for everything organizations do and every way they do it. Change that sweeping is all but impossible without active, wholehearted support from CEOs and their top lieutenants.

“Without C-suite buy-in, digital transformation projects tend to fail,” says John DuBois, managing director of global business consulting for Dell’s Digital Business Services unit. “It’s just too difficult to get the necessary companywide support for all the business process, organizational and technology changes you need to make.”
- 2. Appoint a chief digital officer**
Successful transformation requires an enterprise-spanning strategy and close cooperation between business and IT leaders. Naming a chief digital officer removes barriers to realizing both objectives.

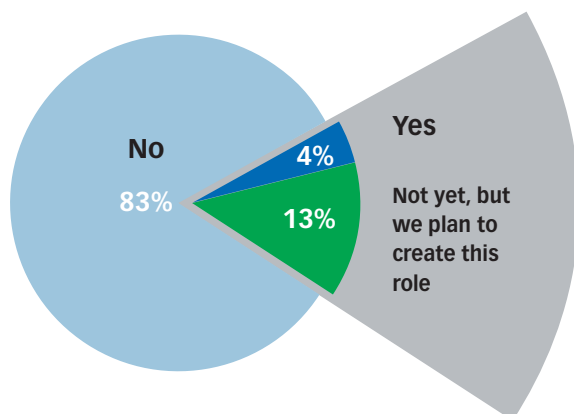
“You need somebody who can help all the organizations and leaders in the company understand what’s possible, centralize decision-making and get everyone working together to achieve what digital can enable,” DuBois says.

Bridging the gap between business and technology executives should also be a critical part of that person’s job. Giving the CDO such responsibilities underscores how important transformation is to the company’s future and makes it clear that setting digital strategy isn’t just another IT function. “It’s a business role first and foremost,” Krigsman observes, “even though it relies on platforms and technologies as enablers.”
- 3. Shift the core focus of transformation initiatives to driving business growth**
Organizations that wish to capitalize fully on digital transformation’s power must re-envision much more than just IT and operations. “Digital transformation leaders should prioritize investments to further a comprehensive digital strategy covering all aspects of their business, including marketing, sales, operations and finance,” Sapra says. Prioritizing those goals will help companies capture new growth opportunities while also improving efficiency, providing the tangible ROI needed to justify further investments.

“Changing course effectively means overcoming an often-entrenched status quo and imagining new possibilities,” Sapra continues. Dell Services helps jump-start that process, by offering consulting workshops in which companies examine existing and new capabilities; rethink the value they provide; and identify new ways to drive



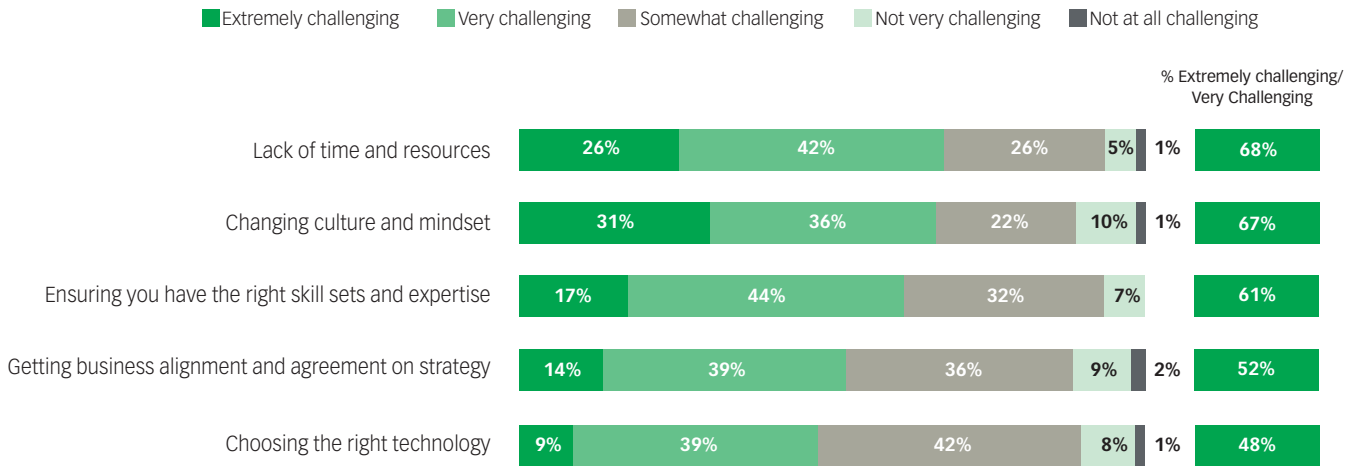
ADOPTION OF THE CHIEF DIGITAL OFFICER (CDO) ROLE



TOTAL BASE: 166 QUALIFIED RESPONDENTS; Q4. DO YOU HAVE A CHIEF DIGITAL OFFICER (CDO) ROLE AT YOUR ORGANIZATION?



TOP 5 CHALLENGES OF DIGITAL TRANSFORMATION



TOTAL BASE: 166 QUALIFIED RESPONDENTS; Q9. HOW SIGNIFICANT ARE THE FOLLOWING CHALLENGES WITH RESPECT TO DIGITAL TRANSFORMATION AT YOUR ORGANIZATION?

revenue, customer engagement and operational efficiency. For example, by helping leaders think more broadly and strategically about the power of business intelligence, Dell Services consultants enabled a major university to develop an analytics solution that increased student retention and graduation rates, delivering significant additional revenue for new program creation and research.

4. *Manage change carefully*

“Digital transformation affects people as well as processes and technology,” DuBois notes. Companies that don’t help employees understand what’s changing and why—or that fail to provide the tools and training they need in order to make those changes effectively—do so at their own peril.

“Organizational change management is one of the key success factors in digital transformation,” DuBois says. “If you don’t address it, your employees aren’t going to embrace the new way they’re being asked to operate.”

5. *Partner with a proven digital transformation expert*

Developing the right digital strategy for your company’s needs is hard when you have only your own experiences to go on and your IT staff is already overworked. A veteran transformation partner can ease the way, by helping you benchmark your digital maturity, envision what is possible and make maximum use of established best practices. The right partner can also fill short-term gaps in your company’s capabilities and transfer those skills to your employees.

Look in particular for a partner with deep industry-specific expertise and capabilities across analytics, mobility, social media and the cloud that can provide not only IT

services but strategic business consulting assistance as well. “You need a solution provider that knows what digital transformation means in your vertical and can help you all the way from strategy through to execution,” DuBois says.

As IDG’s new research makes clear, realizing digital transformation’s potentially revolutionary implications for revenue growth and competitive advantage takes more than just a new approach to IT and operations. “It also requires rethinking how we do what we do and adapting what we do to new methods of production, delivery and consumption,” Krigsman observes. Digital transformation that spans the entire enterprise—not just IT—will lay a solid foundation for sustainable growth, now and in the future.

Learn more at Dell.com/DellDoesDigital ■

Dell Digital Business Services

Take a business-first approach to digital transformation with Dell Digital Business Services. Our robust consulting methodology helps you create digital strategy roadmaps to realize new revenue models, exceptional customer engagement and superior operational excellence. We leverage digital technologies including analytics, mobile, social, cloud and Internet of Things to deliver comprehensive solutions for your organization.

