

# Key Findings

The Digital Transformation PACT



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# Key Findings

Today, realizing an organization's digital vision isn't only about deploying the right technology.

Businesses are struggling to truly make the most of the transformative impact of digital because a mind-set shift is often needed – one that acknowledges the importance of the technology itself in this process but also understands the importance of having the right skills, processes and partnerships in place.

Without dedication and focus on all four pillars of digital transformation, projects simply won't live up to expectation and business leaders are likely to be disappointed in the outcome (delivered).

People, Actions, Collaboration and Technology: it is this PACT that serves as the basis of successful digital transformation today.

The right combination of these four factors creates a powerful force when aligned effectively with a digital strategy. And as digital disruption continues to transform the world, every organization needs to address all four areas equally to succeed.

To investigate how organizations are dealing with their own PACT, we surveyed more than 1,600 businesses with a focus on five key areas: their approach to digital strategy generally; their people, talent and skills; their actions and processes, or the behaviors they encourage around digital; collaboration and co-creation; and, finally, the technology they use.

Here are some of the key findings – and our recommendations on addressing some of the challenges highlighted.

# Digital Strategy

Before we started to explore respondents' views around the four PACT factors, we wanted to gain insight into their approach to digital strategy more generally; where they think they are on their digital journey, for instance, and how they manage digital projects and programs.

The good news is that for almost half of the companies we spoke to, digital transformation has already delivered results. This is massive progress compared to a [study](#) we conducted two years ago, in which many business leaders told us that digital projects were still seen as a gamble internally.

**'Not surprisingly, things don't always go to plan, and a third of organizations have had to cancel a digital project within the past two years.'**

Customer demands will have served as the inspiration for many of these projects - respondents citing them as having the biggest influence on their digital transformation strategy. Accordingly, the majority of projects taken forward are focused on overhauling the customer experience, as opposed to refining internal processes, or creating new business models or revenue streams.

## Key findings at a glance

- 46% of organizations have already seen results from digital transformation.
- 58% see customers as the most influential factor on their digital strategy.
- 33% have cancelled a digital transformation project in the past two years.

On average, business leaders expect digital transformation projects to deliver operational and financial benefits within about 18 months. Not surprisingly, things don't always go to plan, and a third of organizations have had to cancel a digital project within the past two years. Doing so is not without cost: the amount of money spent on a failed digital transformation project typically exceeds €500,000.

## Implications for organizations

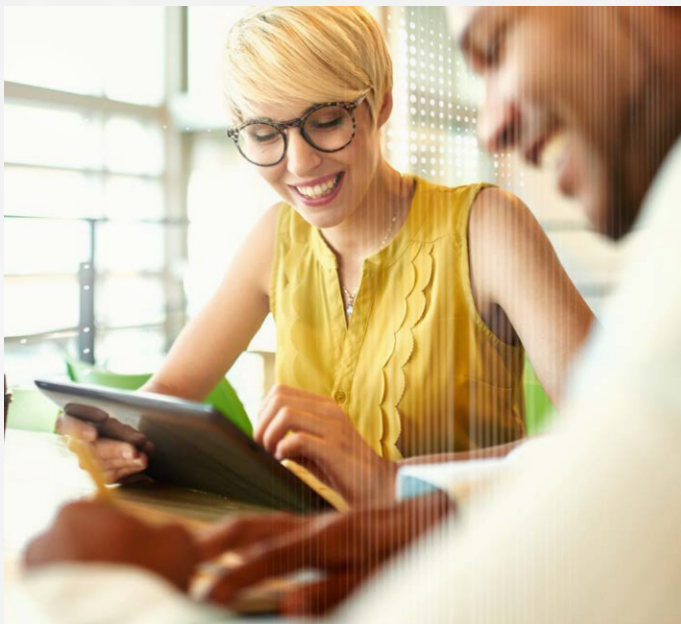
- Focusing on the customer is good, but organizations need to carefully draw a line between being led by them and delivering genuine innovation.
- There needs to be a reversal in the rate of failed projects and the associated cost. Organizations need to strive to have higher volume, lower-cost digital programs running that they can learn from.
- There needs to be a shift in business culture and mind-set to reduce the number of cancelled projects. There is such a thing as 'the right sort of failure' whereby the original plan and intentions of a project may not be fully realized but challenges faced help organizations get to the solution without scuppering the whole program and leave people disillusioned with digital. While a clear digital strategy is vital, so too is the ability to adapt it to ensure digital projects are coming to fruition.



# The Digital Transformation PACT Key Findings: Focus on People

31% of respondents told us that people – “having the right skills in the organization” – are the most important ingredient for their digital transformation. With that in mind, it’s little wonder that nine out of ten businesses are taking some form of action to broaden the base of digital expertise within their organization. Training and new hires are amongst the most favoured ways of doing so.

Many respondents seem to feel that they are playing catch up in this area, with more than two-thirds stressing a “clear lack” of digital skills within their organization today. Those concerns don’t seem to stretch to the boardroom however; most respondents are highly confident in their own digital expertise and that of their leadership team.



**‘It’s little wonder that nine out of ten businesses are taking some form of action to broaden the base of digital expertise within their organization.’**

Change is coming, however. Organizations are acutely aware that the rapid growth of technologies like Artificial Intelligence and the Internet of Things will radically alter the skillsets needed within the next few years. The sourcing and recruitment of ‘digital natives’ is seen as a key factor in their ongoing business success, as a result.

From a cultural standpoint, many businesses seem frozen between two points. The vast majority attest to having a culture of innovation within their company, but many also say that a fear of failure is preventing digital transformation from moving as fast as it should. Solving this conundrum should be a priority.

## Key findings at a glance

- 70% of organizations state a clear lack of digital skills.
- 83% say that Artificial Intelligence will transform the skills they need even within the next three years.
- 68% say that a fear of failure is a hindrance to digital transformation.

## Implications for organizations

- With skills shortages already in play and the level of knowledge required about to change again, organizations need external expertise to help them plug the gaps.
- Fear of failure shouldn’t stand in the way of innovation. Businesses need to look at how they can create an environment in which digital projects can fail fast and fail forwards.

# The Digital Transformation PACT Key Findings: Focus on Actions

Actions – “having the right processes, attitudes and behaviors” – are perceived as the most significant part of the digital transformation PACT, with 32% of the vote.

## ‘Business leaders are torn.’

To that end, nine out of ten organizations say that they have a clearly defined digital strategy, one that most respondents believe is well understood by the wider organization. On the surface, confidence in this strategy seems to be high – most respondents feel that the leadership team has full overview of all digital transformation projects within their organization.



### Key findings at a glance

- 90% of organizations claim to have a clearly defined digital strategy.
- But 74% say that digital projects still occur outside of that strategy (Shadow IT).
- 69% of organizations admit that such shadow digital projects - projects pursued without explicit organizational approval - are a serious problem for them.
- Yet 72% admit that shadow digital projects are the only way that parts of their organization can achieve meaningful innovation.

The veracity of this statement is tested by the emergence of ‘Shadow IT’. Three-quarters of those surveyed confessed to the existence of numerous digital programs that aren’t linked to their overarching strategy, something they cite as a serious problem. Once again, though, business leaders are torn; troublesome though these Shadow IT projects may be, many admit that they are the only way that certain parts of their organization are able to innovate.

There are other issues, too. One in ten organizations currently has no way of evaluating ongoing digital programs, undoubtedly a contributing factor when looking at the high cost of failed or cancelled digital programs.

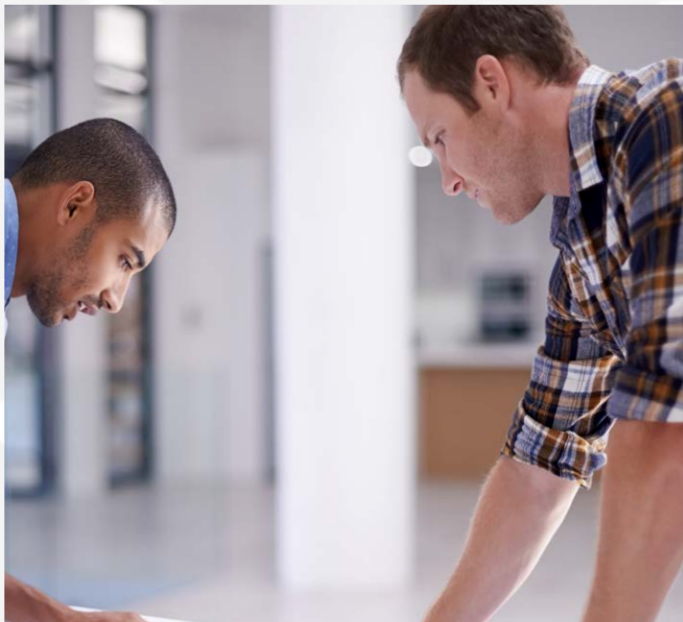
### Implications for organizations

- Despite business leaders’ belief that they have a clear digital strategy in place, that counts for little if Shadow IT projects continue to fly under the radar. Business leaders need to investigate and understand why those rogue programs exist. This isn’t always about shutting down such a shadow project – but we must create an environment in which Shadow IT can be safely leveraged.
- Every organization needs to be able to evaluate a digital program while it is in development or underway. Doing so is the only way to refine and refocus before costs get too high.
- Equally, it is vital that businesses understand that digital projects cannot be evaluated in the way non-digital projects would be. There needs to be more agility in planning and in execution. This ability to adapt and refine a project will vastly improve its chance of success.

# The Digital Transformation PACT Key Findings: Focus on Collaboration

Collaboration – ‘working openly with partners to innovate’ – takes the smallest slice of the PACT pie according to respondents, with only 16% citing it as the most vital element of digital transformation.

Around two-thirds of businesses are planning or already running co-creation projects with partner organizations, for instance – sharing knowledge, skills and resources to build digital transformation programs. Many of those partners are technology vendors, though customers and small-businesses are also popular choices. Around a third are even working with direct competitors, a striking testament to the growing popularity of co-creation as a viable business model.



## ‘Despite growing confidence around co-creation, issues remain.’

There is depth to those relationships, too. Around four out of five organizations say that they would be willing to share sensitive business information – forecasts, product pipelines, R&D data and the like – with their co-creation partners. A similar number are exploring new commercial models such as benefits sharing and co-ownership of IP.

Despite growing confidence around co-creation, issues remain. Around three-quarters of organizations admit that a lack of success in a short timeframe would quickly put an end to strategic partnerships.

### Implications for organizations

- Co-creation is the way to tackle some of the big challenges that organizations are currently facing around digital, from lack of specific skills to program evaluation capabilities.
- In order to make the most of such partnerships, organizations must accept that this is a true partnership and some benefits may take longer to become clear. Patience and a long-term view are part of a collaborative approach and a ‘cut-and-run’ approach will never pay dividends.

### Key findings at a glance

- 63% of businesses are planning or already running co-creation projects around digital.
- 30% are prepared to partner with industry competitors on those programs.
- 73% say that a partnership would be terminated if it didn’t deliver quick results.



# The Digital Transformation PACT Key Findings: Focus on Technology

Technology may be the cornerstone of digital transformation, but it nonetheless sits below 'People' and 'Actions' on the PACT ladder. This suggests that the world's business leaders do understand that to navigate their way through the challenges of digital projects and ultimately transform successfully, they need more than just great technology solutions.

**'More than four in five say that they would be prepared to adapt their business model.'**

20% of respondents selected technology as the most crucial element when delivering digital projects today. Technology is clearly a crucial element to delivering successful digital projects but perhaps what business leaders are telling us is that while technology is key, the areas they are most focussed on at the moment are Actions and People because it is these areas where most challenges currently lie for them.



## Key findings at a glance

- 84% would adapt their business model to take advantage of new technology.
- But 71% are worried about their organization's ability to adapt to new technology.
- This is especially concerning when you see that 86% of businesses leaders believe that this ability to change will be crucial to their business' survival in the next five years.

But actually, many organizations are starting to leverage new technology which will radically change the way they do business. Over half of the survey respondents are planning to invest in cyber security solutions and Internet of Things related technologies in the year ahead. More than four in five say that they would be prepared to adapt their business model, for example changing internal processes or adapting their sales channels, in order to capitalize on new technologies.

Not everyone is confident that they will be able to take full advantage of these new tools, though. Almost three-quarters say that they are worried about their organization's ability to adapt to new technology despite the fact that they expect them to be vital to their long-term success.

This spells trouble ahead. Respondents know that their customers 'expect' them to offer more in the way of digital services, but most believe that they are already behind their rivals in this field, even when deploying new technology.

## Implications for organizations

- Technology has the potential to open up new revenue streams and improve operational efficiency. Yet it could be completely wasted unless organizations prepare the business to take advantage. Concerns over the introduction and integration of new technology, and an organization's ability to adapt only throw issues like skills shortages must be addressed quickly. Technological innovation will not wait for us to be ready - businesses need to source the right knowledge and expertise now, with the right partnerships and risk skills and training, or risk missing out on the benefits technology will bring.
- Identifying and working with the right technology expert is a way to plan for future technological innovation, assess its potential benefit to the organization, understand how ready the business is for this and then proceed accordingly. Technology is a specialism but business leaders should not feel overwhelmed. They can benefit by drawing on the right external knowledge and partnerships.

# Methodology

Data for this study was gathered from 1,625 business decision makers working at financial services, retail, manufacturing and public sector organizations. Organization size varied, but all had at least 50 or more employees, and had either already delivered a digital transformation project or had expressed an interest in doing so in the future.

Research was conducted by Censuswide, an independent survey consultancy, with respondents taking part in an online study during July and August 2017.

## Sample Sizes by Country

- Australia: 153
- China: 150
- Finland and Sweden: 150
- France: 150
- Germany: 151
- Hong Kong: 50
- Ireland: 20
- Italy: 150
- Japan: 150
- Singapore: 50
- Spain: 151
- United Kingdom: 150
- United States: 150

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