DIGITAL ROADBLOCKS

6 Roadblocks You Can Help Your Company Avoid
Digital Transformation Roadblocks

In their ongoing efforts to pursue digital business transformation, companies worldwide will spend more than $2.1 trillion on digital change technology in 2019. Despite the massive investments, nearly half of C-level executives believe they are at least five years away from achieving true digital transformation, and many feel they are facing obstacles too debilitating to even start business transformation.

Digital Transformation is complex, and most companies find several roadblocks along the way. Compunnel Digital has identified, analyzed, and prioritized the most undermining roadblocks that businesses face while embarking on their digital transformation journeys. Assist your company plan and implement successful digital business transformation through a proactive and comprehensive strategy.

In short, these roadblocks include:

1. Incomprehensive Digital Strategy
2. Poor Context of Customer Behavior
3. No ROI Model to Justify Value
4. Cultural Resistance
5. Talent Constraints
6. Outdated IT infrastructure
Incomprehensive Digital Strategy

Although nearly 8 out of 10 business leaders realize that not having a digital strategy will eventually have a detrimental effect on the success of their digital business transformation, more than 70% of the digital transformation projects are currently executed as standalone initiatives without being tied to a larger strategic roadmap.

Visual: Approaches of Digital Transformation Implementation

On the following five-point scale which option best describes the highest level your company has reached in driving new digital capabilities?

1. Pilot projects are used in areas where the business case is not yet proven
2. Each project is the result of seizing an opportunity to improve a specific area
3. All projects follow a set of repeatable processes
4. All projects lie into a larger technology roadmap
5. Every project connects to both the technology roadmap and the business strategy

<table>
<thead>
<tr>
<th>Approach</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Stand-alone</td>
<td>4%</td>
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<tr>
<td>Pilot projects are used in areas where the business case is not yet proven</td>
<td>26%</td>
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<tr>
<td>Each project is the result of seizing an opportunity to improve a specific area</td>
<td>49%</td>
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<tr>
<td>All projects follow a set of repeatable processes</td>
<td>11%</td>
</tr>
<tr>
<td>All projects lie into a larger technology roadmap</td>
<td>10%</td>
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This lack of strategic planning has significant downstream effects. Thirty-eight percent (38%) of companies undergoing digital transformation reported that conflicting priorities are the main obstacles in implementing successful digitalization initiatives.  

Even more worrisome is the fact that when asked whether or not their companies have a digital roadmap in place, business and IT decision makers provided diametrically opposite answers. While 61% of business leaders said their companies have a strategy in place, only 39% of their IT counterparts agreed.

This statistic reveals a significant disconnect right from the get-go; organizations develop digital transformation plans in silos and, consequently, fail to identify all internal and external dependencies.

In the end, there is no digital strategy to tie everything together. A comprehensive digital strategy and roadmap is essential to successful digital business transformation.

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24 Marketing technologist study (SapientNitro, MarTech)
25 Digital transformation and strategy: Getting it right (Amdocs research)
Poor Context of Customer Behavior

It should come as no surprise that understanding and contextualizing customer behaviors can be a formidable roadblock to digital transformation. It’s viewed as one of the most common challenges faced by businesses engaged in digital transformation initiatives.

More than 7 out of 10 businesses see it as such, and that figure is up 30% from the year before. Linear and single-channel interactions between customer and business have evolved into a multi-channel or omni-channel customer engagement models that requires much more thorough analysis to understand and even more so to monetize.

In a study of over 500 digital strategists and executives, only 52% of companies had instituted a customer research program to better understand digital customer behaviors. Perhaps more concerning, only about 54% of companies have even begun to map out their customers journey, and only about 20% of digital transformation leaders say they are analyzing the mobile customer journeys.  

A company attempting to digitalize customer-facing or back-office components of its infrastructure without having mapped the customer journey is the equivalent of an interior designer attempting to remodel the interior of a house without having any context of how the owner will use the space.

In the end, businesses that don’t contextualize improvements will be largely unable to realize the full return on transformation-related investments.

Visual: Initiatives to better understand customer behaviors

Only about 20% of digital transformation leaders say they are analyzing the mobile customer journeys

The 2016 State of Digital Transformation (Altimeter)
Lack of ROI model

As companies move up the digital maturity ladder, funding, and resourcing needs intensify, prompting decision makers to request ROI models. Nearly 70% of digital transformation leaders are challenged with justifying the value of digitalization, mostly due to lack of required data.  

Just the year prior, the same statistic stood at 34%, which reflects the increasing pressure digital transformation teams find themselves under. A deeper look at the maturity of ongoing customer experience measurement programs sheds light into what could be the main root cause of the ROI shortfall: immature Customer Experience measurement programs.

Visual: Adoption of Customer Experience Metrics Best Practices

- **Continuous**
  Customer Experience metrics need to become an ongoing tool used to run—not just to measure the business.

- **Consistent**
  Using a Consistent set of Customer Experience metrics helps to build a clear vocabulary, which allows an organization to have more productive discussions about CX.

- **Impactful**
  Companies need to identify metrics that are meaningful enough to drive decisions and then actually act on them.

- **Integrated**
  Companies must integrate Customer Experience metrics into their discussion making processes.

Research shows that less than half of organizations have deployed what we consider to be the cornerstone of successful digital transformations: continuous, consistent, impactful, and integrated customer experience measurement programs. Unfortunately, for the two measurement best practices that tend to matter most when it comes to projecting digitalization ROI, impactfulness (tracking metrics that are meaningful enough to drive decisions) and integration (integrating these metrics into the decision-making process), adoption among companies drops drastically to less than 20%.

In an era where Big Data is proclaimed the protagonist of business performance improvement, companies still struggle to define, track and take action upon foundational quantitative insights, slowing down the pace of digitalization.

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28 The 2016 State of Digital Transformation (Altimeter)
29 State of CX Metrics, 2015 (Temkin Group)
Cultural Resistance

People are one of the six core business enablers. Companies cannot attain digital maturity without building and retaining a digitally-enabled, data-driven, collaborative, innovative, and customer-centric workforce.

This encapsulates one of the top challenges that undermines digitalization initiatives according to 6 out of 10 business leaders 30; company culture that resists digitally-induced change. Further analysis points to the main shortfall that could explain why digital transformation initiatives meet cultural resistance. Companies in early transformation stages do not have culture-enhancement programs in place, which aim at bolstering risk-taking, agility, collaboration and digital acumen.

**Visual: Adoption of Culture Enhancement Initiatives**

- Initiatives in place to bolster risk-taking, agility and collaboration: 80% for leaders, 23% for laggards.
- Initiatives in place to develop digital acumen: 75% for leaders, 14% for laggards.

Building and maintaining a digital culture depends on systematic planning and execution of culture enhancement programs, an area where the gaps between digital transformation leaders and laggards are evident.

Only 23% of early-stage transformation companies have initiatives in place to bolster risk-taking, agility and collaboration, which are three foundational attributes of a digital culture (along with customer centricity and data-driven decision making). When it comes to initiatives to develop digital acumen, the number drops to 14%. The competitive disadvantage of companies providing strong educational development is significant. A study by the National Center on the Educational Quality of the Workforce (EQW) found that a 10% increase in educational development produced an 8.6% gain in productivity.

Companies cannot attain digital maturity without building and retaining a digitally-enabled, data-driven, collaborative, innovative and customer-centric workforce.

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30 The 2016 State of Digital Transformation (Altimeter)
Skills
Constraints

The labor market is currently facing a significant shortage of digital skills, and according to 6 out of 10 business leaders, this absence is directly impacting the advancement of digitalization efforts. The skills shortage has become evident in both the strategic and the executional capacities of digital transformations.

In the strategic capacity, 58% of business leaders claim that their IT executives actually possess the business-related knowledge and skills required to plan for and oversee digitalization initiatives. Unfortunately, only 27% of IT executives agree that their business executives actually possess the technology knowledge and skills required to lead digital transformations.

In the executional capacity, companies face a significant gap in specialized skill domains. Only 17% of business leaders are confident their workforce is equipped with the required skills to successfully carry out digital transformations.

In high-demand digital domains such as big data analytics, mobile technologies and Internet of Things (IoT), the shortages approach 60%.
Outdated IT Infrastructure

Research indicates that outdated legacy systems and processes are the most significant barrier to digital progress within a company. Although 9 out of 10 senior members of IT Ops and DevOps teams believe that IT infrastructure is critical to achieving digital transformation, nearly 60% of companies have not yet completely modernized their IT core in order to make the transition and stay competitive.

18% of companies are currently operating based on outdated systems and applications while another 18% are trapped under hybrid infrastructures, alongside the risks these generate for the entire business. Although legacy systems and business applications may be robust, reliable, and efficient, they are inflexible, hard to scale and, above all, expensive to maintain, which in turn leaves little room for forward-looking technology investments.

The truth is, over the past two decades, companies have been building technology systems and applications with longevity being the primary goal. But the approach of collecting an exhaustive list of business and functional requirements in order to architect and code once and for all is over. In fact, this 20-year old habit has now made a complete circle and come back to haunt those who underestimated the pace of innovation.

In today’s flourishing, platform-based digital economy, legacy architectures’ inability to ‘platform out’ can perpetually trap companies in a struggle against their very own self. When business functions cannot dynamically connect and utilize third-party platform services in order to rapidly add value as required by their customers, they are, in essence, handicapped and unable to compete against more technologically agile competitors.

Visual: IT Modernization Maturity

- Modernized (Digital / Cloud-distributed) 43%
- Traditional / On-premise 18%
- Hybrid (traditional and modern) 18%
- Currently Modernizing 21%

32 Organization structures and resourcing best practice guide (eConsultancy)
33 2016 Digital Transformation Readiness Study (SignalFx)
For more than 25 years, we have strategically leveraged digital technologies to deliver competitive advantage to our clients.

DIGITAL TRANSFORMATION IS A JOURNEY
Take 10 minutes to understand where you are before you make the next investment.

Our Digital Transformation Readiness Assessment delivers you a snapshot of the current state of your business so you can prioritize your digital initiatives.

TAKE ASSESSMENT

MATURITY INDEX (MI)

- REACTIVE: Aware of digital, still learning
- PROACTIVE: In the process of adopting digital and reengineering the business to meet evolving customer needs
- TRANSFORMATIVE: The business relies on digital to deliver value

Score = 4.0 / 10