

Organizations struggle to make progress with their digital transformation investments

Despite making progress on evolving their customer experience, most organizations lack the digital and leadership capabilities to make digital transformation a success

Paris, July 3, 2018 – New research from [Capgemini's](#) Digital Transformation Institute highlights that the minority of businesses feel they have the digital (39%) and leadership (35%) capabilities needed to make their digital transformation journey a success. The report, "[Understanding Digital Mastery Today: Why companies are struggling with their digital transformations](#)" reveals that while companies are making progress on evolving their customer experience, they are struggling to transform their back-end operations. Furthermore, businesses are failing to create the strong digital culture needed to bring their employees into their digital transformation agendas.

The report, which surveyed more than 1,300 business leaders in over 750 organizations with the majority (71%) reporting revenues of over \$1 billion, compares digital transformation progress against Capgemini Consulting and MIT Sloan's 2012 report, "[The Digital Advantage: How Digital Peers Outperform Their Peers in Every Industry](#)". The new research shows that despite huge investments in digital transformation initiatives, set to exceed \$2 trillion by 2021¹, organizations today feel less equipped with the right leadership capabilities than they were six years ago (45% in 2012 compared to 35% in 2018), while less than half still feel they have the right digital capabilities to advance their transformations (39% in both 2012 and 2018.)

Organizations make headway on customer experience, but excellence in operations is still lacking

When it comes to digital capabilities, organizations have prioritized customer experience – making the most progress in this sphere. For example, 43% of organizations today are using mobile channels to sell products and services, compared to 23% in 2012. Moreover, nearly 40% are improving their knowledge of markets and customers through devices embedded in products, compared to 17% in 2012. These gains are not surprising given the widespread use of mobile channels and apps among consumers, and advancements in Internet of Things (IoT) technologies.

However, only 36% of organizations said that operations² was an area they excelled in. While there were small gains from 2012 to 2018 in the percentage of organizations that design their products digitally (38% to 40%), only 35% are monitoring operations in real-time (48% in 2012), only 29% modify their operational processes to quickly adapt to external challenges (34% in 2012), and many organizations are not providing the tools and capabilities that their employees might expect. For example, only 38% of organizations say that their employees can collaborate digitally with other employees and just 33% of organizations agree that digital technologies improve communication between senior executives and employees (compared to 70% and 62% in 2012, respectively).

¹ IDC, "IDC Forecasts Worldwide Spending on Digital Transformation Technologies to Reach \$1.3 Trillion in 2018", December 2017

² Operations comprises aspects such as: digital design of products and services, the ability to adapt operational processes quickly, real-time monitoring, and the ability of employees to share knowledge, collaborate digitally and perform their work from any location.



IT and business relationships show decline

While the relationship between the CIO and other members of the leadership team is critical in a digital age, there appears to be a disconnect here. In 2012, 65% of organizations felt that the CIO and senior business executives had a shared understanding of the role of IT in their organization, but this has declined to 37% in 2018. While 59% of respondents in 2012 felt that the CIO and senior business executives have a shared understanding of how IT can be used to increase productivity of the organization's operations, this has declined to 35% in 2018. Six years ago, 53% of respondents agreed that the CIO and senior business executives have a common view of IT investment priorities, but that has also declined in 2018 to 36%. The report concludes that these reductions suggest optimization is still occurring in silos or that business leaders are impatient with the pace of IT and are spinning off shadow IT³ to lead their initiatives.

"Speed of products, solutions and digital innovation development has greatly increased," said Enrico Maria Bagnasco, Head of Technology Innovation at Telecom Italia. "It is therefore important that companies keep an open dialogue with the external ecosystem and find a balance between business and technology to achieve the goals of digital transformation projects."

Low digital culture stalls progress

In addition to the leadership challenges, the report also reveals that organizations have not been able to create the right digital culture for transformation success. Only 36% of companies said that there are possibilities for everyone in the firm to take part in the conversation around digital initiatives – a decline from 49% in 2012 – and just 38% say they have a formal program in place for digital reskilling of existing employees. Additionally, senior business leaders need to engage their workforce in the digital transformation vision, but currently only 36% of organizations believe senior executives and managers share a common vision for transformation.

According to Cyril Garcia, Head of Digital Services at Capgemini, *"Today's technology landscape is much more complex than in 2012. New technologies such as artificial intelligence, machine learning, automation and the Internet of Things are providing businesses with opportunities they have never had before, but critical to their success is the ability to adapt and embed these technologies into their organizations. To take full advantage of the new technology landscape, it's vital that business leaders not only invest in new technology but work together with their employees to advance the digital transformation agenda, putting just as much emphasis on change management as they do in understanding of the technology."*

How to sustain digital transformation journeys

Today, many organizations face the realities of the complexities of their journeys and realize just how challenging successfully transforming can be. Organizations have not moved forward fast enough, states the report. Talent and culture is a major challenge that stands in the way of success. The report recommends that a renewed focus on the key dimensions for success in digital transformation, such as operations and governance and in particular, talent and culture, will help organizations revitalize their digital transformations.

A copy of the report can be downloaded [here](#).

³ Shadow IT refers to devices, software, and services outside the ownership control of the IT organizations



Research Methodology

This research surveyed 1,338 business leaders at the manager level or above at 757 organizations. Seventy one percent of organizations had reported revenue of more than \$1 billion in FY 2017. The global survey took place from April to May 2018.

About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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About the Digital Transformation Institute

The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, the United Kingdom and the United States.