

Digital acceleration for business resilience

3 steps to secure your place in the
digital future



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Foreword



ANAND BIRJE

Senior Corporate Vice President and Head, Digital & Analytics, HCL Technologies

Welcome to HCL's Digital Acceleration Report 2021, our survey of 400 forward-looking business and technology leaders from enterprises around the globe and from across industry verticals. While a lot is being written about the immediate impacts of the COVID-19 pandemic, we wanted to learn more about what it takes to successfully move from 'digital transformation' to 'digital acceleration'.

As global businesses rapidly transform to adapt to the new normal, it's clear that we're entering a new chapter in the adoption of enterprise digital transformation. Over 88% companies that we surveyed plan to invest heavily in digital technologies, and yet, 89% reported that they faced barriers ranging from budget allocations to culture alignment in enabling digital transformation. The report reveals interesting perspectives and ideas on key actions business leaders must take to keep their organizations competitive in today's uber-dynamic and volatile business environment.

It's no secret that the pandemic has unveiled some unique weak spots across industry ecosystems. To emerge as a winner, integrating these signals into your transformation initiatives will be the key to speeding toward the right outcomes. I am confident this report will serve as a valuable guide in reshaping your digital efforts and accelerating holistic digital adoption at your organization.



DAVID ROGERS

Author, "The Digital Transformation Playbook" & Faculty, Executive Education at Columbia Business School

I've spent the last several years advising businesses leaders on the challenge of digital transformation: how should an organization started before the internet evolve, in order to grow in the digital economy? In many cases, this started with persuasion—getting the board and others aligned on the signature importance of digital to their own future. Today, that conversation is decidedly different. In the new normal, digital is no longer a question of "if," but "how fast?"

Digital has been the big winner in the COVID era. Our new reality has forced a pivot to digital operating models in industries as diverse as healthcare, retail, education, automotive, banking, and more. But transforming any large and complex organization for this era is an immense leadership challenge. It encompasses new strategy and business models, but also profound shifts in organizational process and culture. In order to lead the kind of agile, customer-focused, bottom-up organization demanded by today's rapid pace of change, leaders need to invest in the right technology and business architecture. In this research study, we bring together the insights of business leaders from four continents and dozens of industries—who shed light on the leadership road ahead for all of us.

Executive Summary

As global businesses transform to adapt to the new normal, one thing is clear: we won't be returning to business as usual.

For forward-looking organizations, the pandemic has presented a new call to action for digital acceleration. **92% of enterprises feel digital transformation is currently a priority**, and these businesses are leveraging the momentum to identify weak links in their value chains in pursuit of superfast transformation with an eye toward business resilience.

Today, most sectors are seeing disruptions in supply and demand. In this environment, speed, flexibility and bottom-up decision making are becoming the new measures of digital success. Digital acceleration is the only way forward for businesses to achieve these pillars of excellence that define the enterprise of tomorrow. **Over 88% of companies plan to invest more heavily in at least one next-gen technology as a direct result of the pandemic** – but accelerated technology investment alone does not equal digital acceleration.

Synchronizing business and IT decisions toward an outcome of business architecture modernization calls for a board-level focus on your transformation strategy. Customer centricity remains a core driver of enterprise digital transformations, and this golden ticket is closely linked to the real gold in today's

value chains – a robust data strategy. In fact, **our survey of over 400 IT and business decision makers** confirms the correlation between having a clear data strategy and delivering a consistent omnichannel experience.

Customers today are going digital, and so are your employees. It is no wonder then, that **94% of survey respondents reported reliance on a public cloud to some extent**. Taking a cloud-native approach is the need of the hour, however **only a third of the respondents indicate that their organization is fully cloud native**. Throw a robust data strategy into the mix, and businesses can perfect the recipe for bringing speed, accuracy and optimal end-to-end delivery to their core offerings.

While digital acceleration will define our world's future economic leaders and laggards, **over 35% of companies lack in-house expertise to shoulder an organization-wide transformation**, and more importantly, nail the ultimate outcomes of such a massive process. **Over 60% of respondents expect higher profitability and increased efficiency from their transformation strategy**. While companies invest in upskilling and reskilling internally, building and leveraging a healthy partner ecosystem will be as critical to navigating an otherwise overwhelming business landscape.



Digital acceleration for business resilience

Introduction

Enterprises need no further convincing on digital transformation. With 88% of organizations reporting that they have a formal digital transformation strategy in place – and 50% having a tactical execution roadmap to follow – the case for digital transformation is largely understood (Figure 1).



Figure 1: To what degree has your organization formalized its strategy for digital transformation? [420]

The COVID-19 pandemic has created a new call to action: digital acceleration.

Digital acceleration means turning that three-year roadmap into an iterative implementation with priority from every level of the organization. It means ingraining agility in your business architecture. It means forging strategic partnerships to bring external capabilities and perspectives inside your (virtual) walls. Noted author and Columbia Business School faculty David Rogers says, “Digital is no longer a question of if, but how fast? In the COVID era, everyone is racing to accelerate.”

Digital acceleration is the only way forward, and it will mean something different for each industry. In a global survey of leading executives, we asked respondents to rate the level of impact their organization experienced from COVID on both demand and supply sides of their business. Responses underscore that no industry was left untouched by this pandemic.

Those most impacted:

The **Manufacturing** sector has been most negatively impacted on both supply and demand sides, with

68%

of that sector's respondents reporting a decrease in demand and

89%

reporting a disrupted supply chain.

Professional Services is heavily impacted with

60%

reporting a decreased demand for services and

69%

reporting a disrupted supply chain.

But the disruption has not been uniform. Many businesses, for example, have struggled to meet surging customer demand amidst disruptions in their operations or supply chain.

The **Retail & CPG** sector has benefitted from the greatest positive change in demand, with

60%

of respondents reporting increased demand for products and services. But disruption in their operations/supply chain was reported by

60%

of those respondents as well.



Demand-Side Disruption Caused by COVID-19

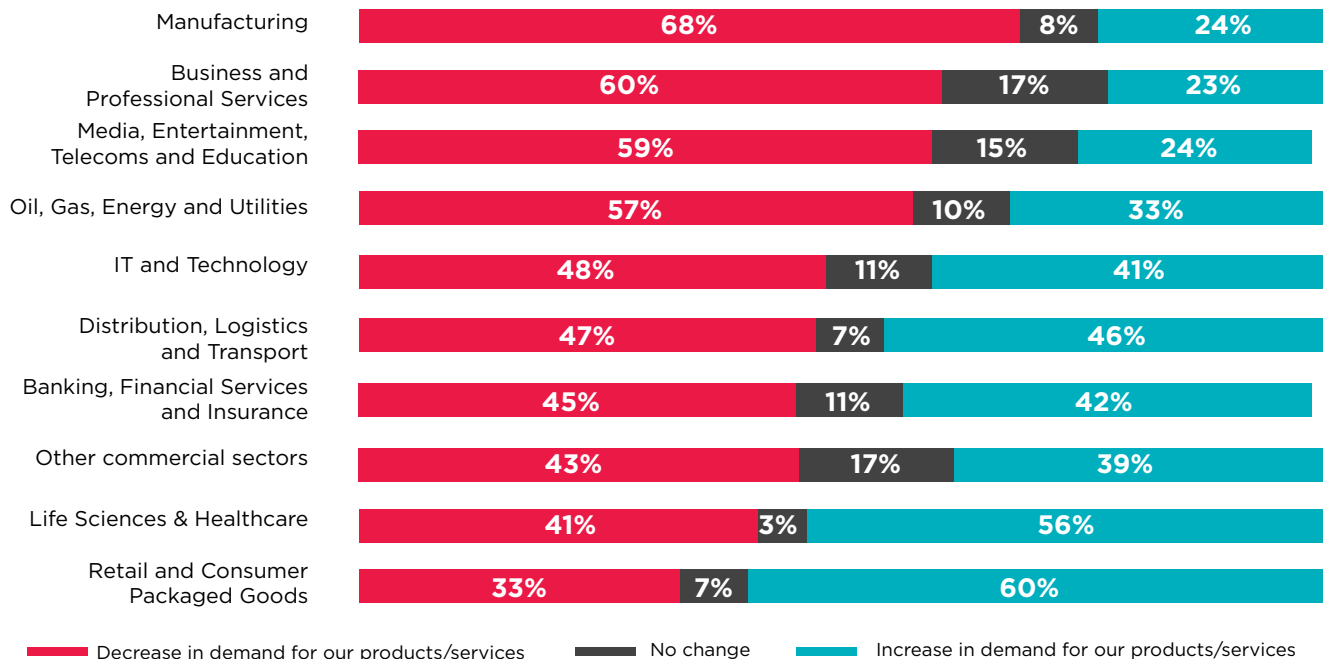


Figure 2: What is the overall nature of demand-side pressure (across your products & services) that your organization is facing due to COVID-19? [420]

Supply-Side Disruption Caused by COVID-19

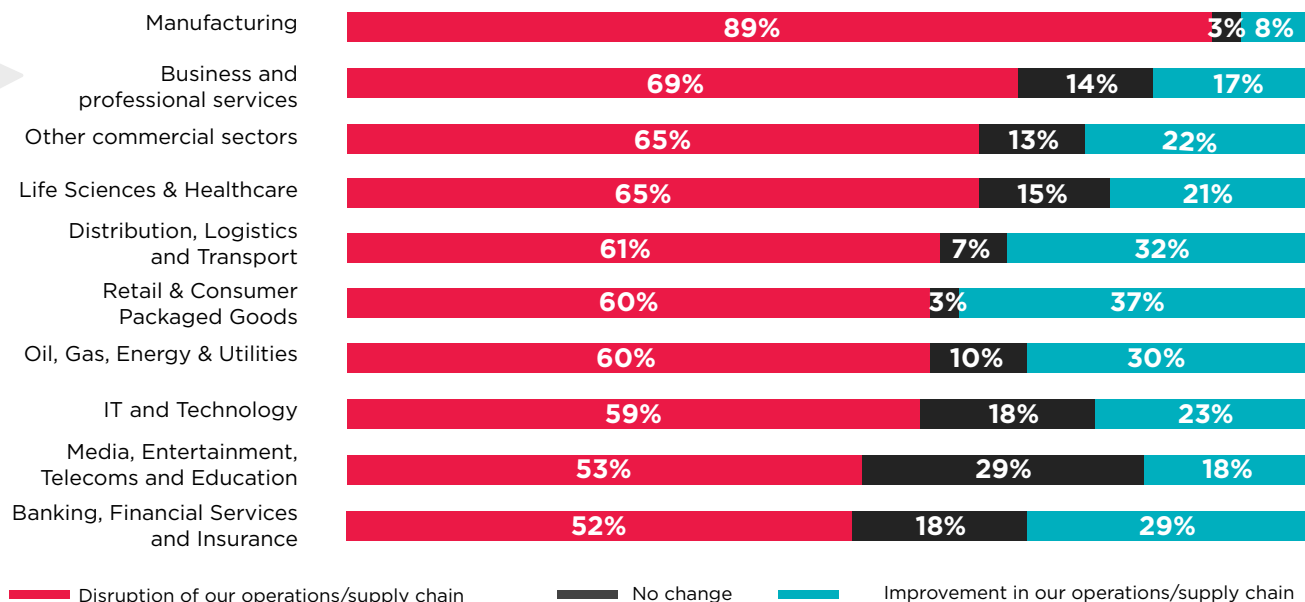


Figure 3: What is the overall nature of the pressure on your business operations and supply chain that your organization is facing due to COVID-19? [420]



Digital acceleration for business resilience

The nature of this impact is indicative of the different types of digital investments each sector now needs to make. For example, retailers will need to reassess their omnichannel sales experience and rethink some aspects of supply chains to handle increased or changed consumer demand. Logistics organizations will be reworking transportation routes in response to supply and demand changes across locations. Business services will need to rethink their offerings to address the drastically changed needs of their client base.

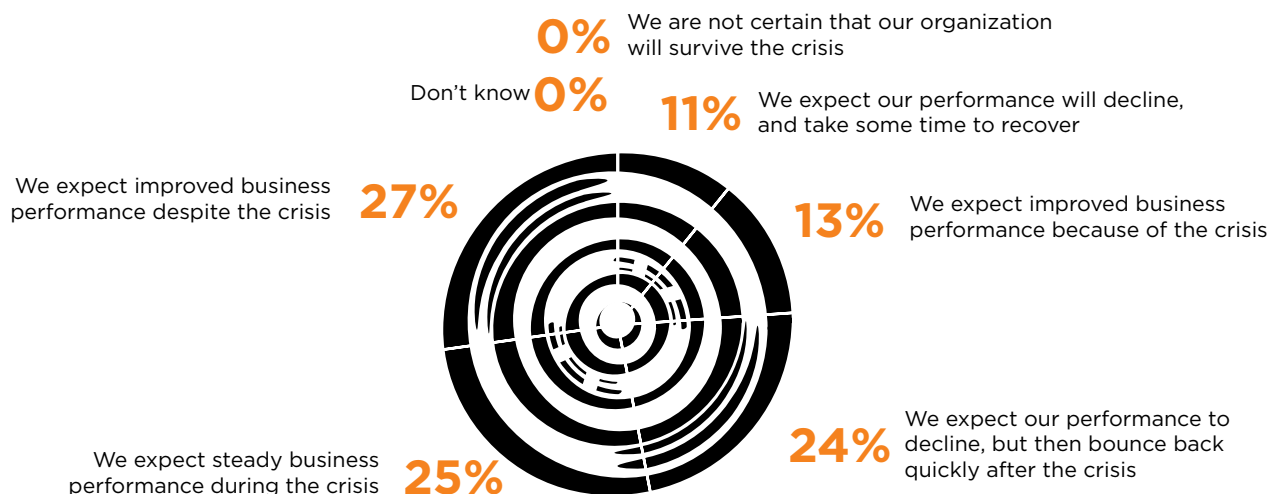
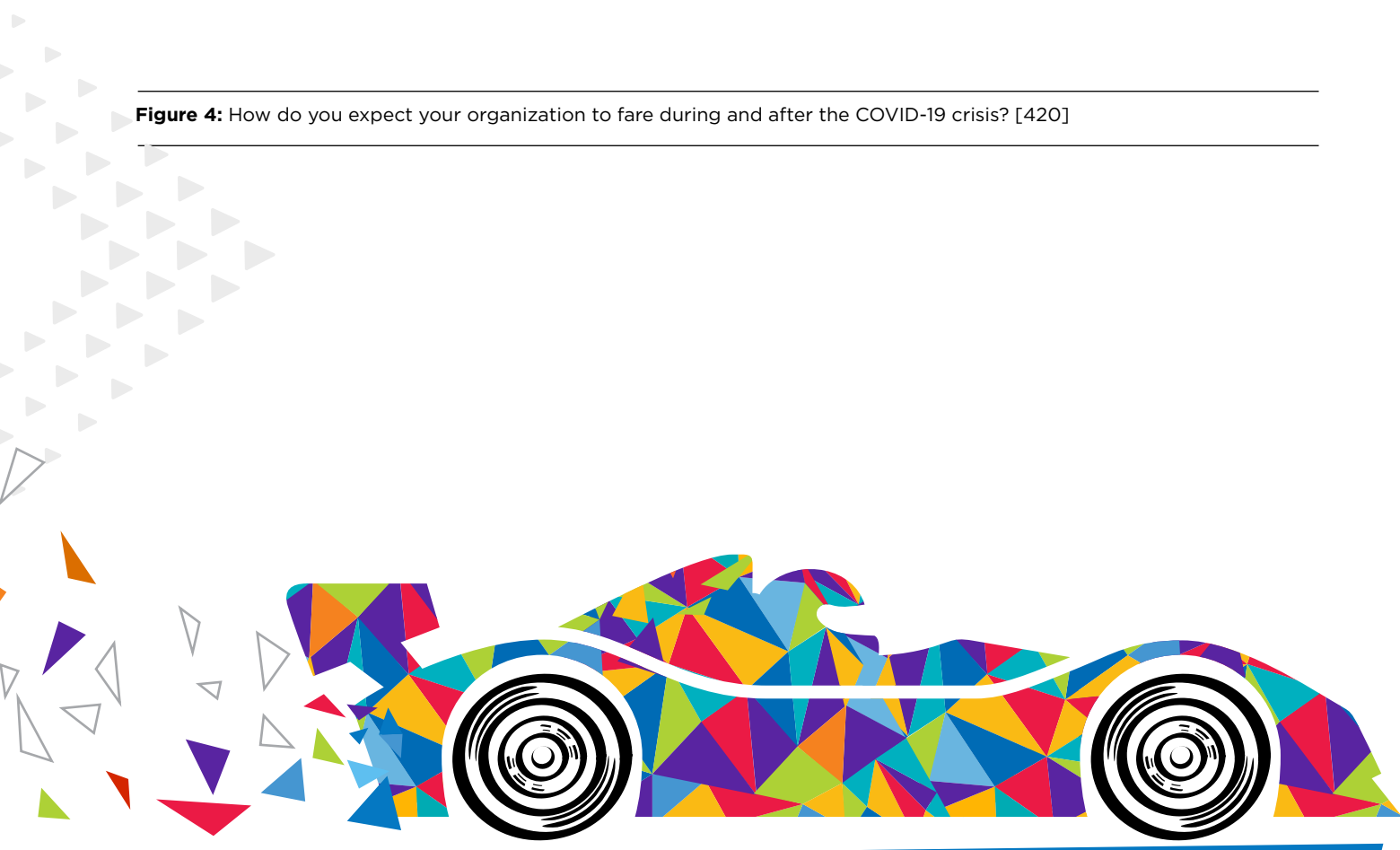


Figure 4: How do you expect your organization to fare during and after the COVID-19 crisis? [420]



When it comes to recovering from these impacts, organizations are largely optimistic, with only 11% expecting a long-term decline in performance and 65% predicting steady or improved performance (Figure 4). But recovery is not the same as acceleration. What will separate the post-COVID winners from the pack?



David Rogers

“Those firms already well along on their digital journey before 2020 are leaning into their newer business models, like Disney reorganizing to focus more on its streaming service,” observes David Rogers. “Businesses that have been sitting on the digital sidelines working on their strategic plan are now scrambling to find their best path forward.”

This paper outlines the three most important actions for organizations to take now:

Reprioritize digital investments and shorten implementation cycles

Rework business architecture for operational and functional agility

Audit your partner ecosystem to ensure you have the right external expertise (technology, execution, market extension)


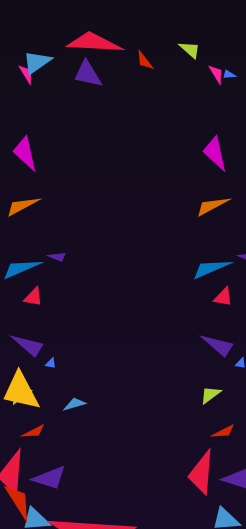




Part 1

Reprioritize Digital Investments

We have entered the new normal; don't treat 2021 as another normal year. The organizations that will fare best are those that restart their planning and budgeting from scratch when it comes to digital investments.



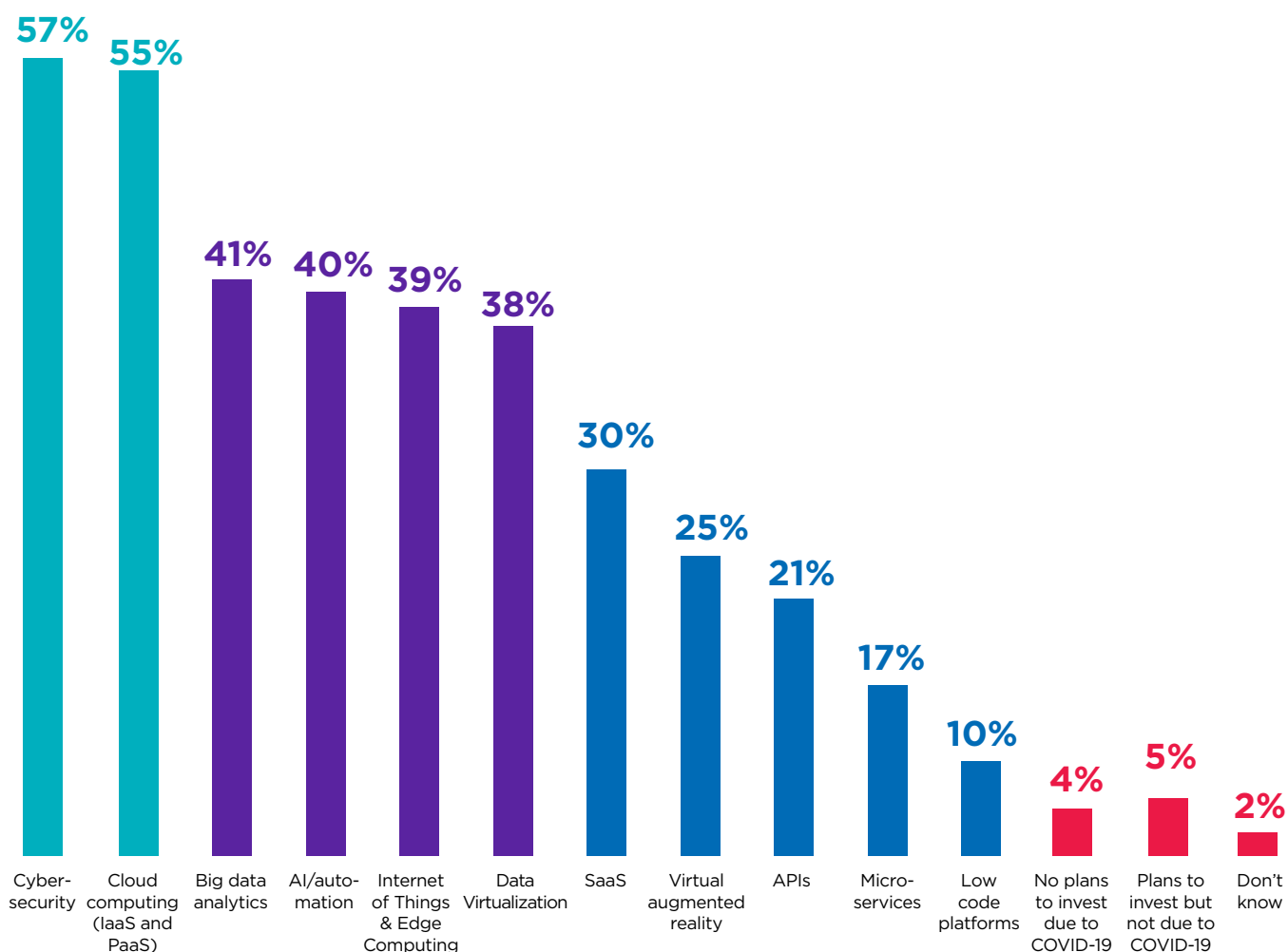
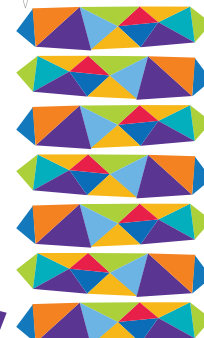
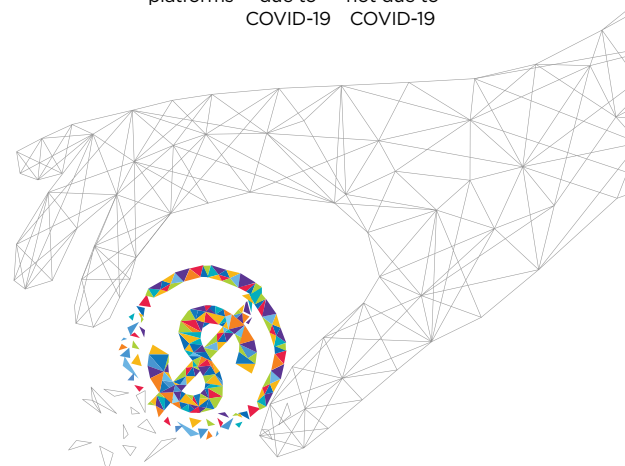


Figure 5: Does your organization's leadership plan to invest more heavily in any of the following digital technologies as a direct result of COVID-19? [420]

To set these restart plans in motion, 89% of those surveyed plan to invest more heavily in at least one digital technology due to the pandemic, with investment in four technologies planned on average. This demonstrates a clear understanding of the role technology plays in recovery, as well as a commitment to digitally accelerate into 2021.

Cybersecurity (57%) and cloud computing (55%) are nearly tied as first-priority investments for enterprises (Figure 5). The next tier of investments includes a cluster of technologies that each show a 38-41% investment rate: Big Data & Analytics, AI/Automation, IoT and Edge Computing, and Data Virtualization. It stands to reason that many of these organizations already had some level of investment planned for these technologies and enacted quick leadership decisions to redirect their investments in order to meet the needs of the business.



Disruption caused by the pandemic can be a blessing in disguise, uncovering previously unknown or unconsidered weaknesses in value chains and operations. These revelations should help guide digital investment decisions. For example, the Retail & CPG and Logistics & Transportation industries –two of the most heavily impacted by the crisis – are among the most likely industries to report increased investment in Big Data & Analytics (50% and 46% respectively), along with the Life Sciences and Healthcare industry (65%).

Threats to Digital Acceleration

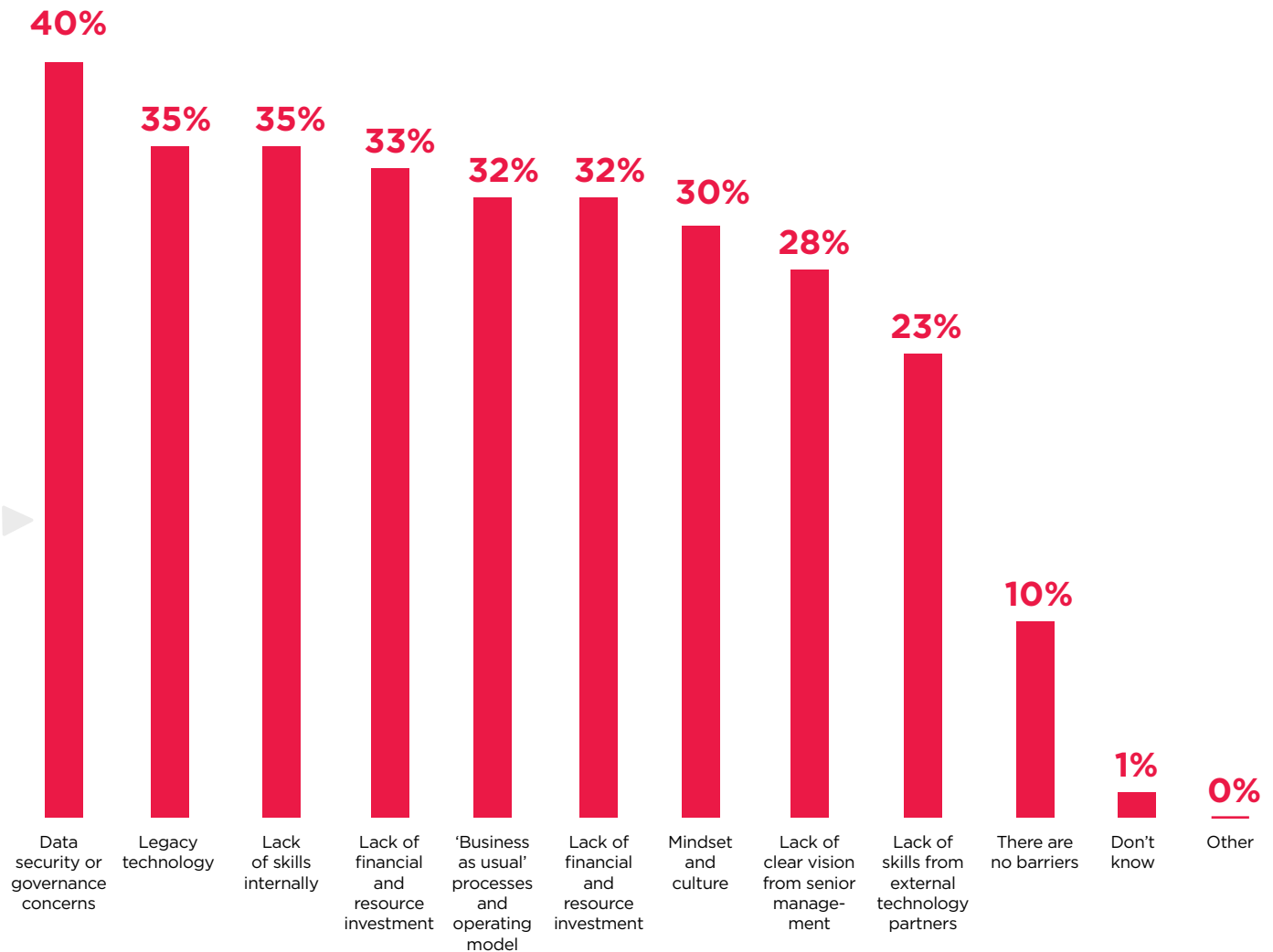


Figure 6: What do you feel are the barriers toward your organization achieving its digital transformation goals? [420]

With speed and flexibility as mandates to digital acceleration, identifying potential roadblocks should be a key part of the digital reprioritization exercise. 89% of respondents indicate their company faces at least one barrier to digital transformation, with those most commonly identified shown in Figure 6.

One way to help conquer these barriers will be for enterprises' CEO & Board of Directors to involve themselves more heavily in the digital acceleration. Fortunately, this shift has already started. Fewer than half (42%) of respondents reported that digital transformation was a board level priority in their organization before COVID, whereas now the share has jumped to 55%.

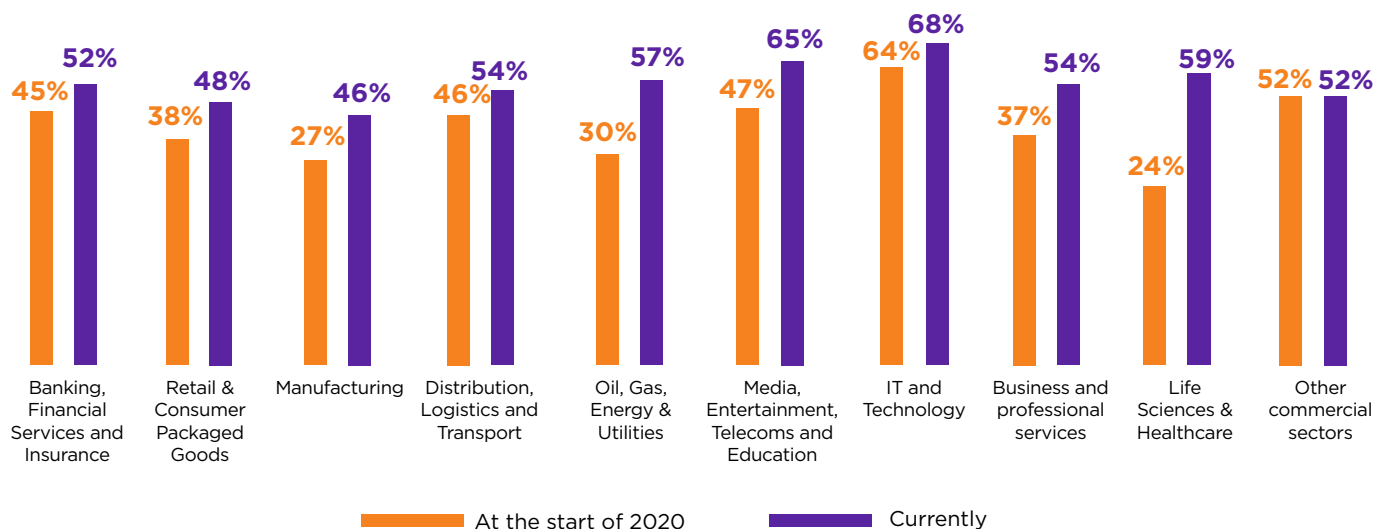


Figure 7: Showing the percentage of respondents who report that digital transformation was “Very much a priority – board level focus” in their organization at the start of 2020 vs. those who say that it is currently [420] split by sector

When viewing board-level focus by industry, we see a clear shift between the start of 2020 and today, with the industries that started near the bottom reporting the largest increases in board-level digital focus. For example, in Life Sciences and Healthcare, the lowest-focus industry at the start of 2020, there was a jump of 35 percentage points (24% to 59%), making it the second highest-focus industry currently. Overall, the gap between the highest- and lowest-focus industries closed from 40 percentage points to only 22 points (Figure 8).

“There has been remarkable levelling between industries’ attitudes towards digital since COVID,” observes David Rogers. “This is a truly telling data point in the shift to digital acceleration: no longer will we see entire industries where digital is not on the board’s agenda.”



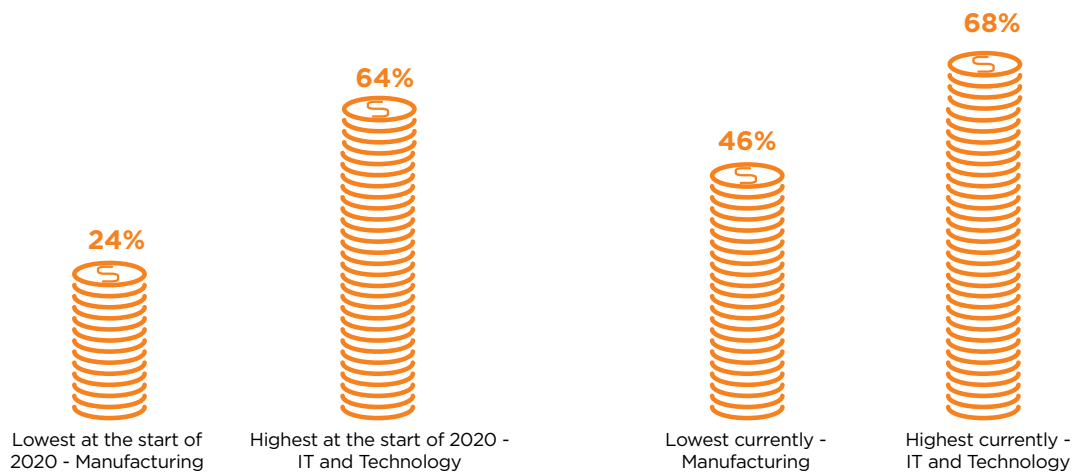


Figure 8: Showing the change in the sector gap between the highest and lowest proportion of respondents who report that digital transformation was “Very much a priority – board level focus” in their organization at the start of 2020 vs. those who say that it is currently [420] split by sector

This shift has also occurred at the regional level – compared to Europe, APAC, and ANZ, respondents from the US were the least likely to report board-level focus on digital transformation at the start of 2020 but have since leapfrogged those regions to become the most likely to report board-level digital focus today. Meanwhile, Europe, while still seeing an increase in board-level focus, has dropped from being the region where this was most likely at the start of the year, to the least likely now (Figures 9 & 10).

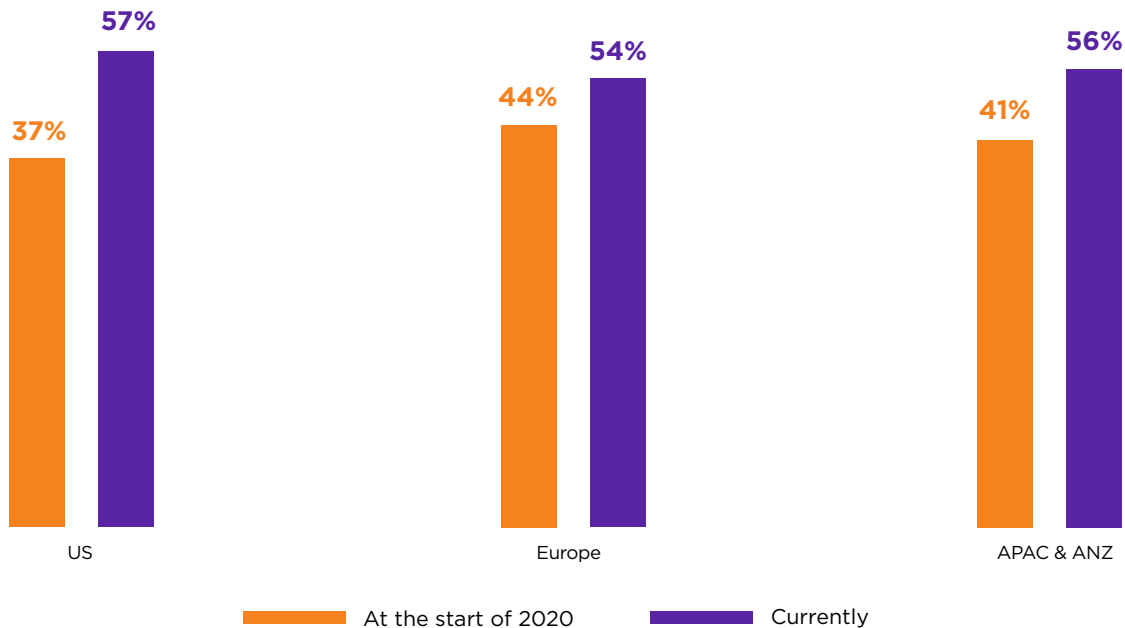


Figure 9: Showing the percentage of respondents who report that digital transformation was “Very much a priority – board level focus” in their organization at the start of 2020 vs. those who say that it is currently [420] split by region

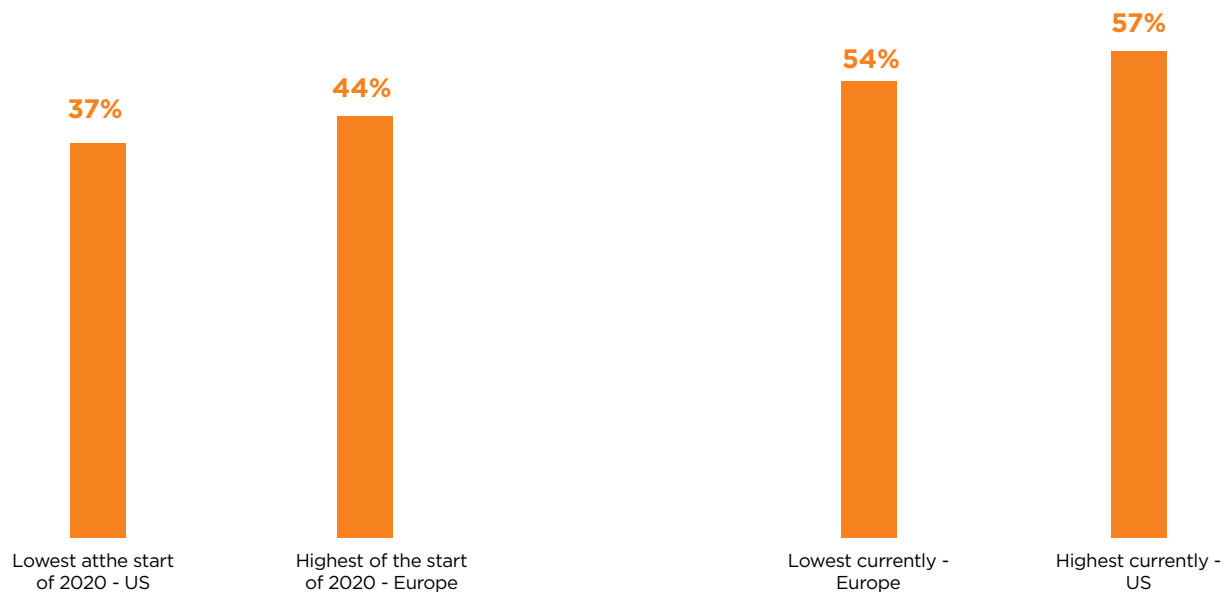
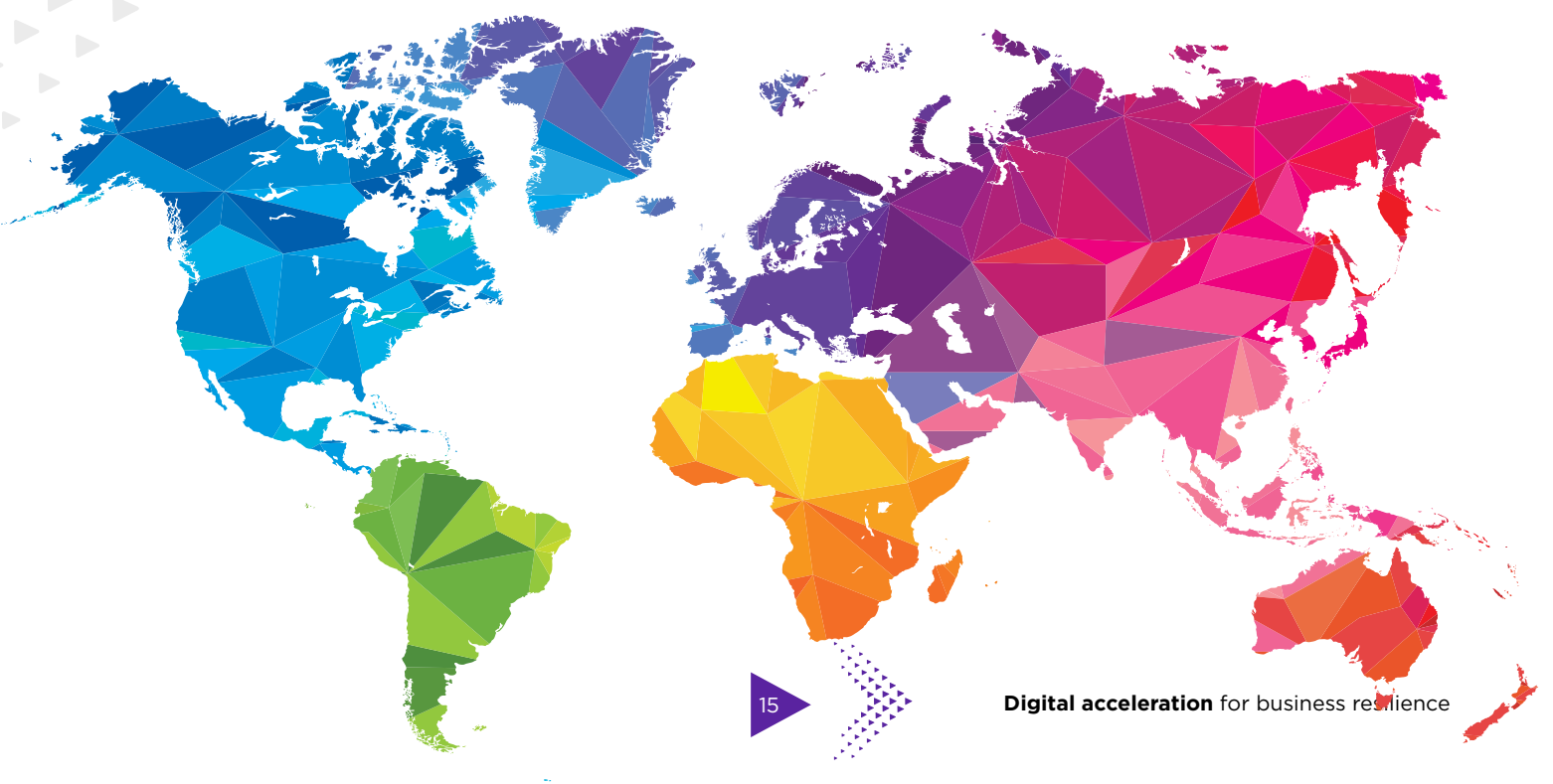


Figure 10: Showing the change in the sector gap between the highest and lowest proportion of respondents who report that digital transformation was "Very much a priority - board level focus" in their organization at the start of 2020 vs. those who say that it is currently [420] split by region

Moving into 2021, we encourage leaders to adapt the mantra: this is business unusual. The playing field is permanently changed, and organizational leadership has the opportunity to reset priorities for the most fruitful path forward.






Part 2

Build Agile Business Architectures

Abnormal environments require agility to navigate. There is plenty of thought leadership emphasizing the importance of adaptive employee cultures and always-learning mindsets. But even the best cultures will be hindered by inflexible business processes and legacy technology. For this reason, we view business architecture agility – comprised of both process and technology architecture – as the key to handling the abnormal.

As David Rogers puts it, “For large and complex legacy organizations, the inability to quickly adapt and test business models in an iterative fashion poses a critical challenge to transformation.”



Rethinking Value Chains for Customer Centricity

To assess agility levels in your process architecture, consider starting with a value chain audit. A value chain is the end-to-end process of how your product or service makes it to market. This process likely includes R&D, sourcing, production, marketing, distribution, servicing, etc. depending on the industry, with each activity adding more value to the end-product.

Organizing your thought around value chains as opposed to functions is a first step in creating organizational agility and consistent customer experiences. Pieces of your value chain that are manual, have blind spots, are not data-driven, or create an inconsistent customer experience all represent opportunities where agile technology and business process can help.

The guiding purpose of performing this audit and creating enterprise agility should be to create customer focus – something that respondents consistently reported as being of great importance to their success. 61% of respondents reported that their organization is using digital to improve customer experiences, and 41% say they are utilizing analytics to better understand customer and market insights (Figure 11).

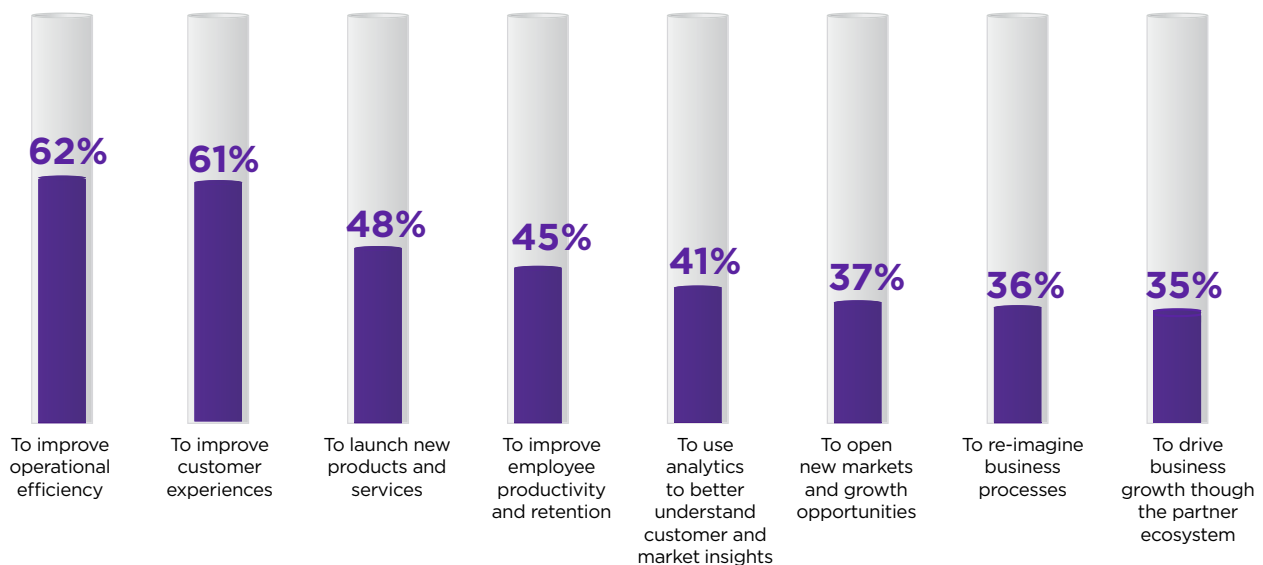
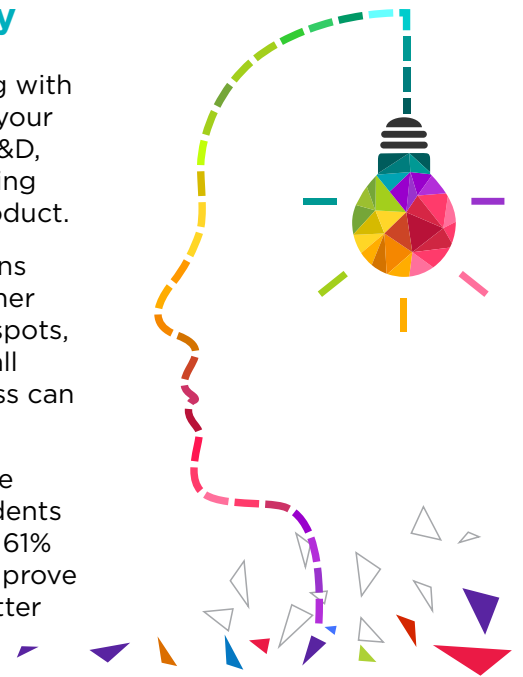


Figure 11: How is your organization currently utilizing its digital capabilities and technologies? [420]

However, we observe a disconnect between the reported focus on the customer and the practices in place, with fewer than half (46%) of respondents saying their organization currently provides a consistent omnichannel customer experience.

But how are inconsistent experiences created? Often inconsistency stems from poor data practices, and, with only 43% of respondents reporting that their organization has a robust data strategy for the entire organization, it seems that this is a common problem. This leaves 56% of respondents admitting that their organization's data strategy is fragmented, partially formed, or completely lacking.

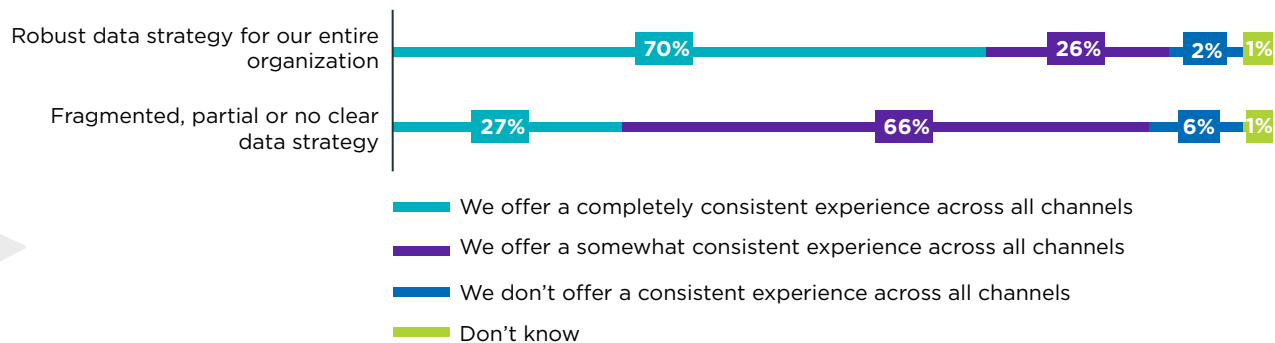


Figure 12: To what extent does your organization currently provide a consistent customer experience across all channels? [420] split by the presence of a defined data strategy.

The link between data and customer experience is best highlighted by the fact that respondents who have a clear data strategy are 2.5x more likely to report delivering a consistent omnichannel experience to customers (Figure 12). Prioritizing the customer inherently means prioritizing a data strategy.

“In the digital economy,” says David Rogers, “Creating connected experiences depends on a coherent view of each customer, and that customer’s data, across every channel of interaction. Lots of leaders talk about the importance of instilling data-driven thinking in their team. But unless they can access the relevant data to see what is happening in your business, and to run experiments and measure their outcomes, data-driven thinking is impossible.”

Building a Flexible Technology Core

Reinventing the technology core is a big undertaking that comes with challenges. Let’s revisit those challenges to digital transformation which we introduced in the previous section, this time broken down by who identified them:

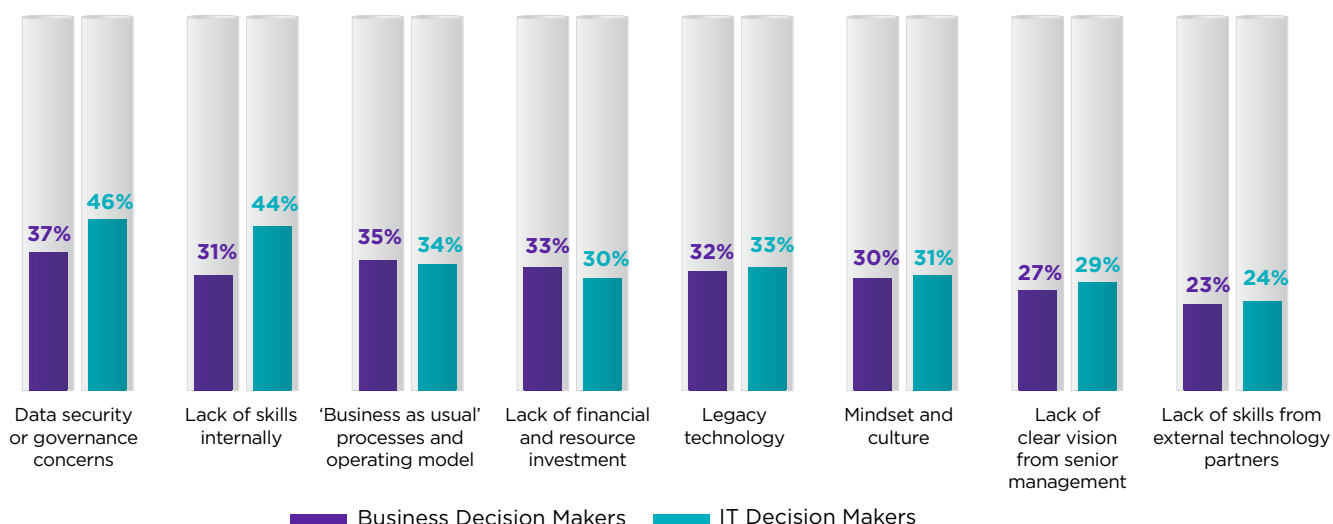


Figure 13: What do you feel are the barriers toward your organization achieving its digital transformation goals? [420]

Both Business Decision Makers and IT Decision Makers agree that data security and governance are the top concerns in adopting modern technology architecture. However, substantially more IT Decision Makers (44%) than Business Decision Makers (31%) identified legacy technology as an impediment to digital acceleration. Legacy technology (applications, infrastructure) was built stateful and monolithic, and hence works against creating a flexible architecture. So if you fall under the Business Decision Maker category, understand that you may have a blind spot to the difficulty the enterprise faces in migrating technology platforms. Now, more than ever, business and IT must work collaboratively as each has fingers on the pulse of different parts of the organization.

Whether a full cloud-native or hybrid approach is taken, organizations appear to recognize the importance of cloud in their digital acceleration – 95% of survey respondents report already using a public cloud to some extent. Within that group, just over a third (34%) of respondents claim that their organization is already cloud native, with the majority of their applications hosted on a public cloud, PaaS or SaaS platform.

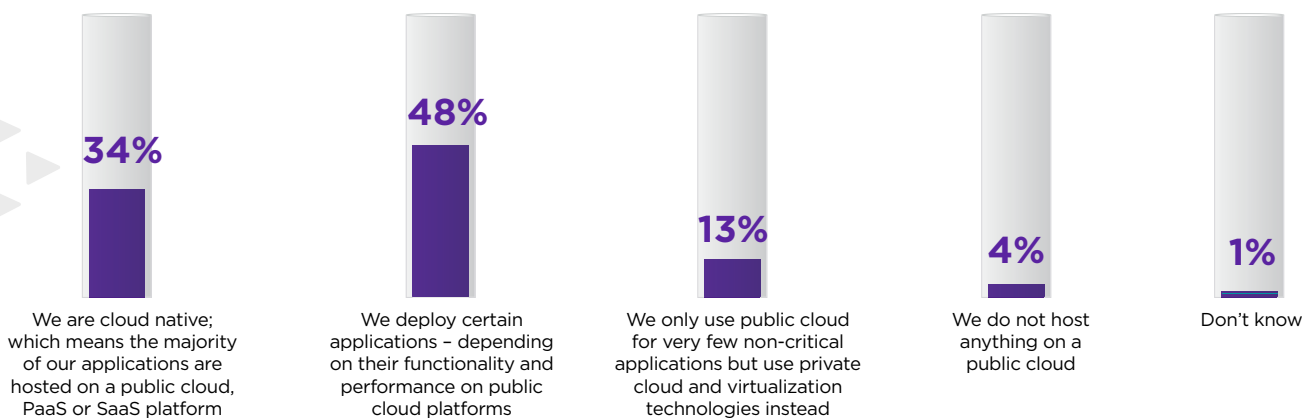


Figure 14: How would you describe your organization's cloud maturity with regards to where its applications and services are hosted? [420]

Implementing a cloud native approach to developing and deploying applications not only assists with the initial development phase; it also enables teams to release updates quickly and consistently across all channels, streamlining the entire process. Says David Rogers: "The business need from technology investments is to, first and foremost, enable the kind of rapid deployment of new digital innovations—large and small—which will be critical to keeping up with the relentless pace of market change."

To reap the full benefits, a flexible technology architecture should be paired with agile and iterative business processes. When combined with methodologies such as design thinking, agile development, and product management, cloud native IT can enable enterprises to unlock real differentiation in end-to-end delivery speed and quality.



Part 3

Have a Strategic Partner Ecosystem

The nature of digital acceleration means you can't do it alone. Enterprises today are increasingly using outside capabilities and knowledge to their advantage. A healthy partner ecosystem includes vendors, technology integrators, strategic partnerships, and industry advisors that collectively enable you to move quickly using best-in-class resources.





Two commonly reported obstacles to digital transformation were lack of internal skills (35%) and mindset/cultural challenges (30%). These challenges are amplified in some industries, such as Manufacturing, with 51% of those leaders reporting a lack of internal skills as a major challenge.

If skills, mindset, or culture are a challenge in your enterprise, consider the benefits of leveraging strategic partners. Your employees can be upskilled in tandem with outside experts guiding key technology-focused work, allowing your employees to learn on the job without delaying necessary technology changes. The sooner that you can help employees understand that change is necessary for evolution, the better. And if they are in any doubt, point them towards the way in which your organization was forced to react in the wake of the pandemic.

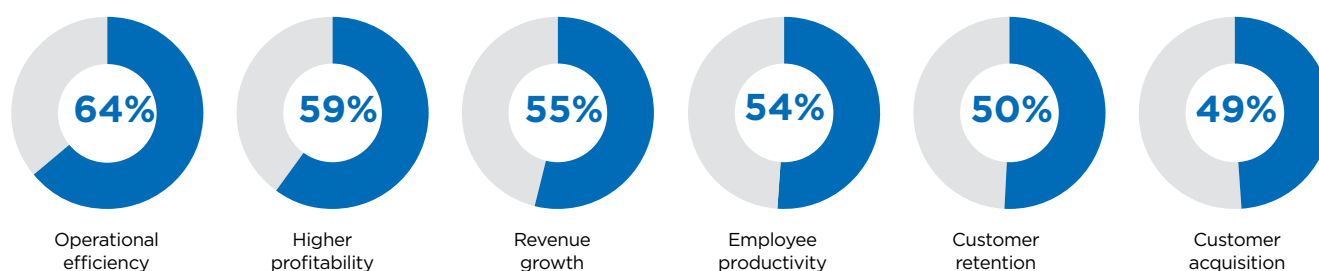


Figure 15: What does your organization expect to achieve from its digital transformation investments? [420]

It is crucial that organizations overcome even the most challenging of barriers if they hope to achieve their business case for investing in digital transformation: efficiency and financial returns. The most commonly reported expectations for digital investments are operational efficiency (64%), higher profitability (59%), and revenue growth (55%) (Figure 15).

These figures do uncover something of a blind spot for surveyed leaders – simply chasing efficiency and financial gains alone will not get employees on your side. Company objectives must be translated into meaningful goals that individuals and teams can buy into if you hope to overcome a mindset barrier.

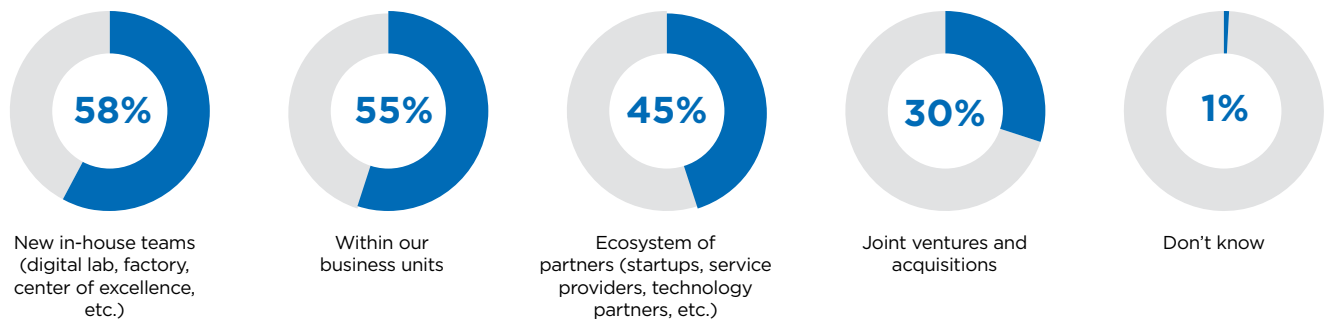


Figure 16: How are you executing your digital transformation? [420]

Aligning all employees and stakeholders behind common digital acceleration goals is the only way to succeed, and many have realized the need for this type of collaborative approach. More than half (58%) of respondents report that they have created new in-house teams to execute digital transformation, and nearly as many (55%) are involving their existing business units (Figure 16). “Cross-functional teams and cross-silo collaboration are invaluable to digital transformation,” says David Rogers. “This will become ever more important as organizations aim to digitally accelerate.”

With internal focus and collaboration heading in the right direction, the next step for forward-thinking enterprises is to perform a mapping process for their external ecosystem of partners. 45% of respondents report using a partner ecosystem to execute their enterprise digital transformation and 48% report that external partners play a role in defining and executing their digital transformation strategy; we expect these figures to rise over the next 5-10 years as the rate of tech innovation outpaces internal capabilities.

Just as digital investment and technology architecture decisions require auditing – the same approach should be taken when determining which partners to keep, ramp up, add, or remove from your ecosystem. Your partner ecosystem should be thoughtfully built to supplement internal inefficiencies, increase your speed to market, and most importantly, provide long-term agility. If you aren’t seeing the level of proactive innovation you need, there are always new market entrants to learn from and consider.



Conclusion

What is the key to digital success?

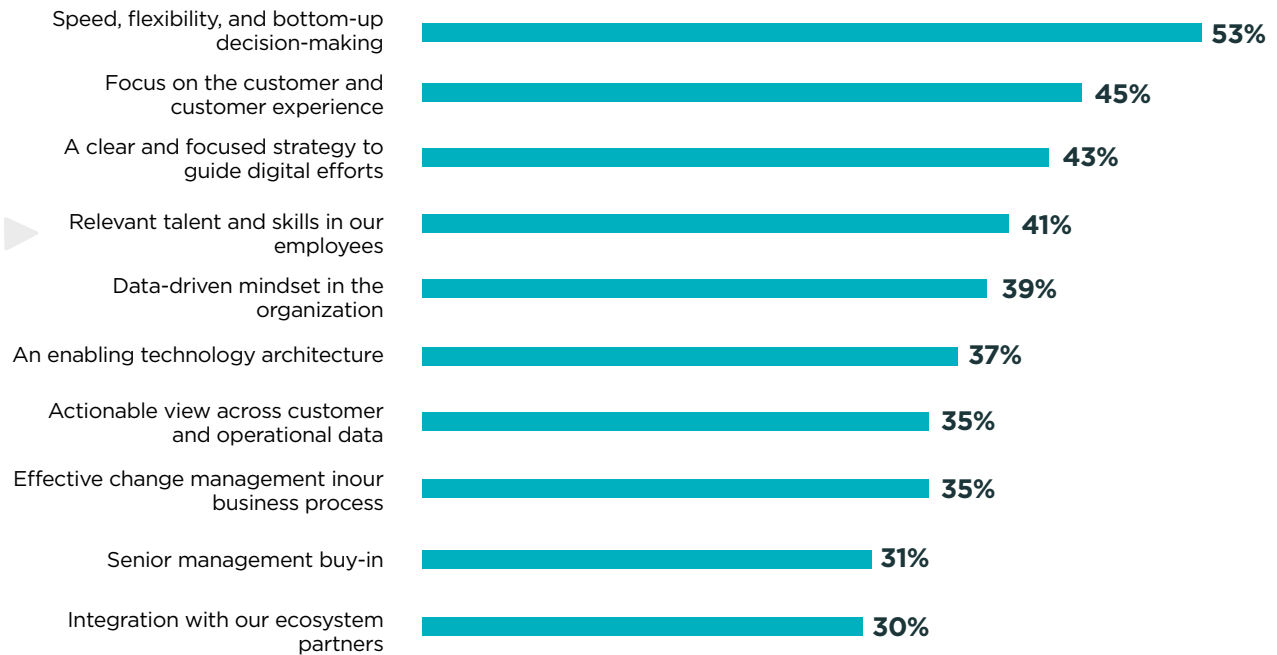


Figure 17: What do you see as key to your organization's future digital transformation success? [420]

According to our survey respondents, it's speed, flexibility, and bottom-up decision-making. Ingraining this flexibility at an enterprise level means reprioritizing digital investments, rethinking business architecture, and re-evaluating your partner ecosystem.



The acceptance of digital acceleration as the only path forward may be difficult for legacy enterprises, but once the commitment is made, it opens new possibilities for innovation, reinvention, and engaging customers like never before. Embrace the challenge. Take pride in being in a leadership position during this turning point in human history. Give yourself and those around you permission to think unconventionally. After all – this is business unusual.

Methodology

HCL Technologies commissioned independent technology market research specialist Vanson Bourne to undertake the quantitative research upon which this whitepaper is based. A total of 420 business and IT decision makers with understanding of and involvement in digital transformation within their organization were interviewed during August-December 2020. **All respondents are from private sector organizations with at least 3,000 employees and a global annual revenue of at least \$2 billion.**

Interviews were conducted online using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.

The research included the following number of interviews from each of the below countries, sectors and respondent types:

Country

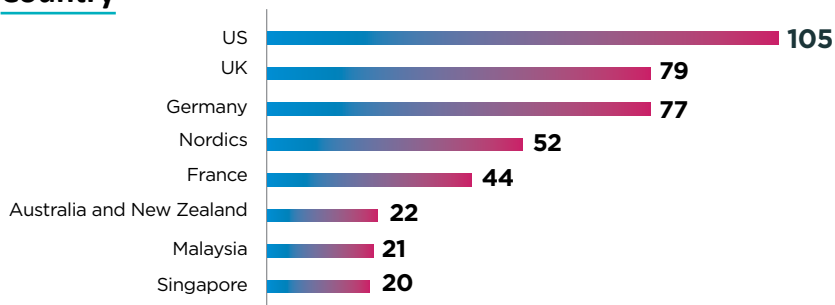


Figure D1: Showing respondent country [420]

Region

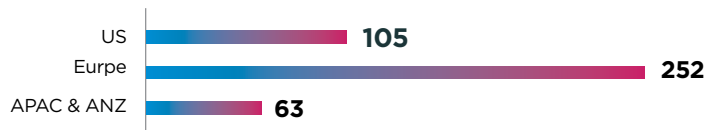


Figure D2: Showing respondent region [420]

Sector

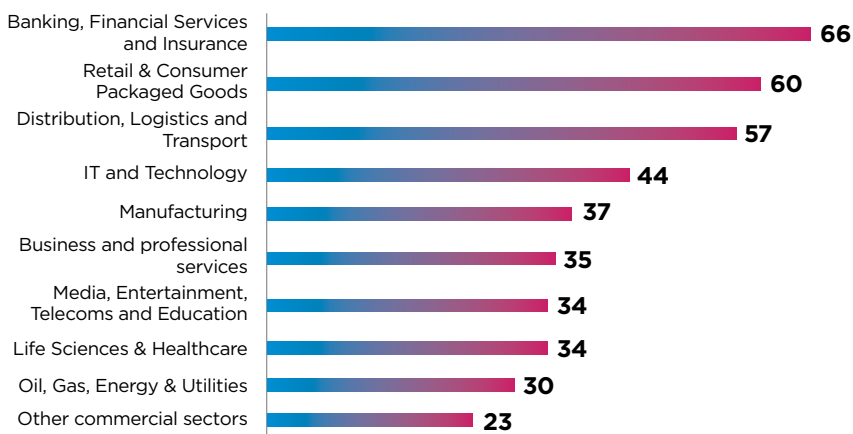


Figure D3: Within which sector is your organization [420]

Respondent type

126

IT decision makers (ITDMs)

294

Business decision makers (BDMs)

Figure D4: Showing respondent type [420]

About HCL:

HCL Technologies is a next-generation global technology company that helps enterprises reimagine their businesses for the digital age. Our technology products and services are built on four decades of innovation, with a world-renowned management philosophy, a strong culture of invention and risk-taking, and a relentless focus on customer relationships. HCL also takes pride in its many diversity, social responsibility, sustainability, and education initiatives. Through its worldwide network of R&D facilities and co-innovation labs, global delivery capabilities, and over 153,000 'Ideapreneurs' across 50 countries, HCL delivers holistic services across industry verticals to leading enterprises, including 250 of the Fortune 500 and 650 of the Global 2000. For more information, visit www.hcltech.com.

About Vanson Bourne:

Vanson Bourne is an independent specialist in market research for the technology sector. Their reputation for robust and credible research-based analysis is founded upon rigorous research principles and their ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets. For more information, visit www.vansonbourne.com.

About David Rogers:

David Rogers, a member of the faculty at Columbia Business School, is a globally recognized leader on digital transformation. He is author of four books, including the best-selling *The Digital Transformation Playbook: Rethink Your Business for the Digital Age*, published in 9 languages. Rogers has advised leaders and delivered workshops for executives at Google, Citi, Unilever, Merck, Toyota, GE, Visa, Cartier, AARP, and hundreds of other companies. Rogers delivers keynotes at conferences worldwide on digital transformation and the impact of emerging technologies. At Columbia Business School, David teaches global executives as faculty director of Executive Education programs on digital business strategy, digital leadership, and the Google-Columbia CMO Academy. For tools and content from David, visit www.davidrogers.biz.

