



Couchbase
NoEQUAL

DIGITAL TRANSFORMATION: ARE WE FINALLY PAST THE UNMET EXPECTATIONS?



2019 Report

Table of Contents

Executive Summary	3
Part 1: The rise of digital transformation	4
Part 2: Does digital have the right drivers?	6
Part 3: Facing the risks	9
Conclusion	10
Methodology.....	10



DIGITAL TRANSFORMATION: ARE WE FINALLY PAST THE UNMET EXPECTATIONS?

Couchbase research investigates whether enterprises are taking the right approach to digital transformation

Executive Summary

Digital transformation is no longer a mystery to enterprises – businesses know its importance and are wary of being left behind by their competitors. While there have been historic failures, there are signs that we are now at an inflection point where enterprises are starting to see digital transformation reach its full potential.

To investigate this, Couchbase commissioned its third annual survey of IT decision makers – asking respondents how their own digital transformation efforts were progressing, what’s driving their transformation and what risks and challenges they were facing on the way.

To begin with, organizations are spending even more than before – \$27 million on average over the past 12 months. Disruption in industries has accelerated, more people believe that digital transformation projects are meeting its revolutionary potential, and the majority of enterprises have made “significant” or better improvements to end-user experience in their business.

However, there still needs to be changes in how organizations approach digital transformation. A majority (71 percent) of businesses are still fixated on digital transformation to the extent that projects may not deliver tangible benefits. Just over half (52 percent) of organizations make digital transformation strategy the IT team’s responsibility rather than the whole of the C-suite driving what should be a strategic business priority. At the same time, the primary drivers behind digital transformation are almost all reactive – from responding to competitors, to regulations, to customer pressure. There still isn’t the proactive drive coming from within.

Organizations know that they need to transform, but there are significant challenges in the way. 81 percent of businesses have had digital projects either fail, suffer significant delays or be scaled back in the last year, and 86 percent have been prevented from pursuing a new digital service or transformation project. More than four in ten (42 percent) are currently either behind schedule, or at risk of falling behind, with their most significant digital transformation project.

If organizations can drive digital projects in the right way and overcome the challenges they face, they will be able to reap the full rewards of digital transformation.



Part 1: The rise of digital transformation

All signs suggest that we are at a pivotal time for digital transformation. One of the surest indications of this should be the speed of disruption as more and more organizations seek to put into place truly transformative projects. The statistics support this. Nine in ten (91 percent) respondents say that disruption in their industry has accelerated in the past 12 months, and 40 percent say it has accelerated “rapidly” (**figure 1**).

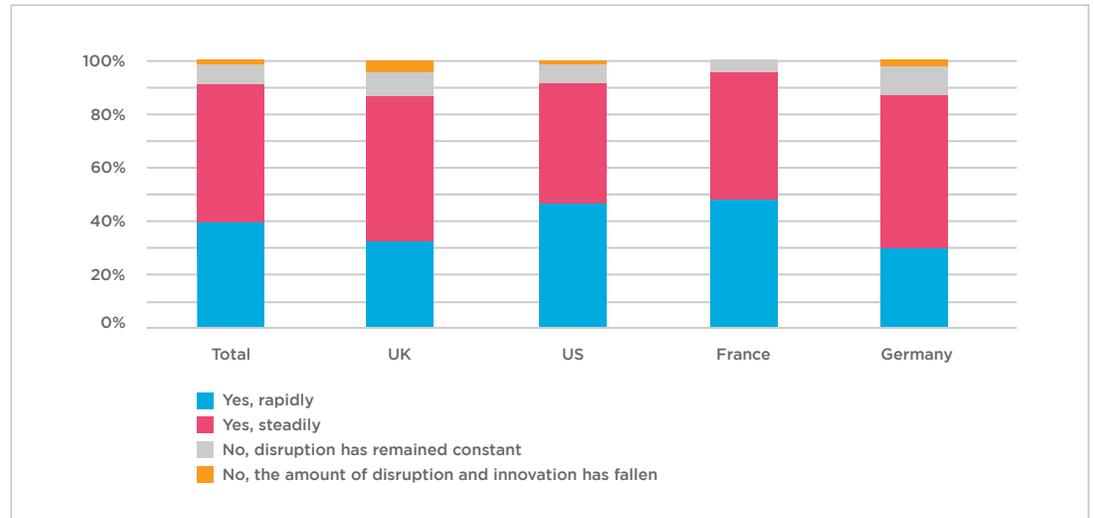


Figure 1: Do respondents believe that disruption in their industry has accelerated in the past 12 months?

Similarly, costs are accelerating along with disruption. Last year, respondents spent \$24 million on average on digital innovation and transformation projects during the previous 12 months. This year, enterprises say they have spent \$27 million on digital transformation projects over the last 12 months (**figure 2**), and plan to spend \$30 million over the next 12 (**figure 3**).

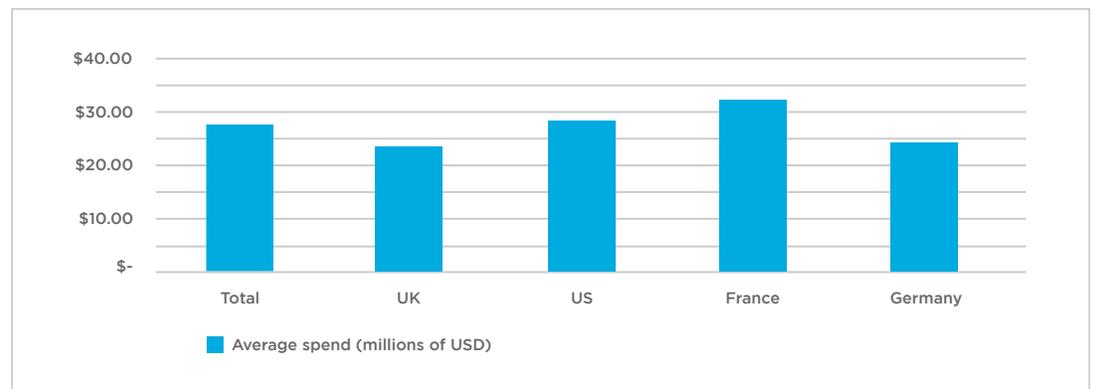


Figure 2: Average spend on digital transformation projects over the last 12 months (millions of dollars)



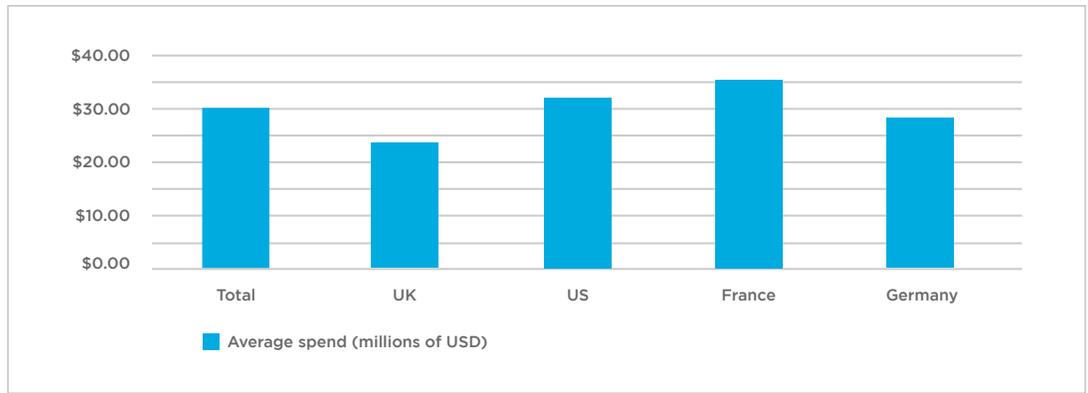


Figure 3: Average spend on digital transformation projects over the next 12 months (millions of dollars)

This accelerating disruption and growing investment is joined with what seems to be rising confidence from IT decision makers themselves. Almost three quarters (73 percent) of IT decision makers agree that while the huge potential of digital projects is often talked about, most of the time they fall short of being truly transformational or revolutionary (figure 4). While this might seem sizeable, it represents an ongoing steady fall over the past two years - from 90 percent in 2017 to 80 percent in 2018. The stats suggest that more and more organizations believe digital projects are meeting their promised potential.

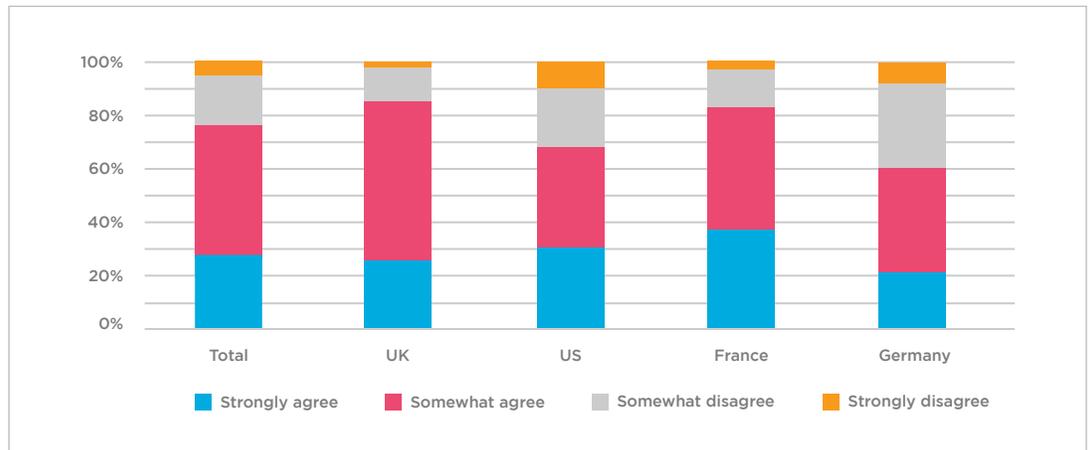


Figure 4: Do respondents agree that, while the huge potential of digital projects is often talked about, most of the time they fall short of being truly transformational or revolutionary?

Ultimately, the true measurement of digital transformation is how much it improves the business. In this again, IT decision makers are reporting a marked improvement. While only 52 percent of organizations have made “significant” or better improvements to their end-user experience through digital innovation in 2017, and 64 percent of organizations made such improvements in 2018, 73 percent reported significant success in 2019 - with 22 percent managing transformational improvements (figure 5).



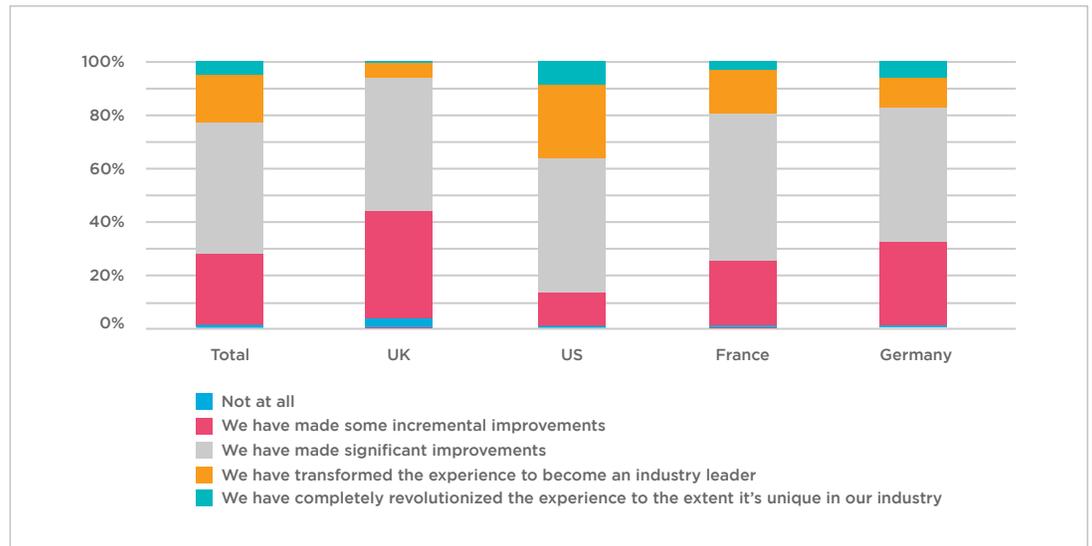


Figure 5: To what extent have respondents been able to transform the end-user experience in their organization through digital innovation projects in the past year?

While this trajectory is good news for digital transformation in general, organizations cannot relax yet: they must ensure that they are digitally transforming for the right reasons, and that they have a means to overcome the challenges that still exist.

Part 2: Does digital have the right drivers?

Given its importance, and the potential it holds for the business, digital transformation should be an organization-wide priority. Strategy has to be set and acted on across the organization instead of being seen as IT's sole responsibility. However, this is not yet the case. In more than half of the organizations (52 percent), digital transformation strategy is set by the IT team, with the C-Suite setting strategy in 36 percent of organizations (figure 6). While some IT teams will likely take strategic guidance from the C-Suite, this proportion still needs to change if we are to have confidence that digital transformation is being driven by the whole business and is aimed at truly transforming and benefitting the entire organization.

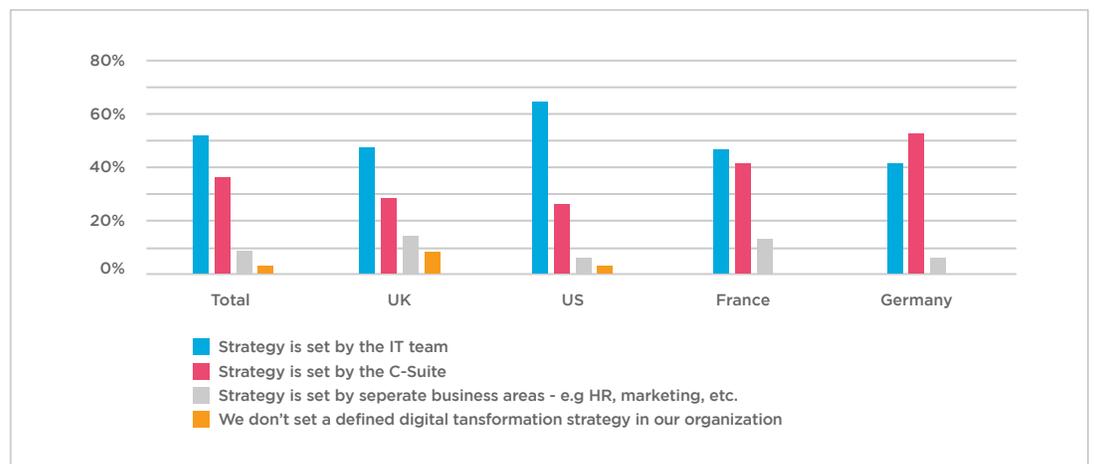


Figure 6: How do organizations set their digital transformation strategy?



In addition to *who* is driving digital, there is a question over *what* is driving digital. Often the most successful digital transformations are those that are truly innovative ideas from within the business – rather than being forced on the organization or onto digital transformation teams through external pressure. Currently there is a near-even split between the primary drivers behind digital transformation projects: responding to competitors’ advances (23 percent), pressure from customers for new services (23 percent), responding to changes in regulation (23 percent) and pressure from the C-Suite (22 percent) are all given equal importance (**figure 7**). What these have in common is that they are all reactive to some extent – original, proactive ideas from within the business only drive eight percent of digital transformation projects.

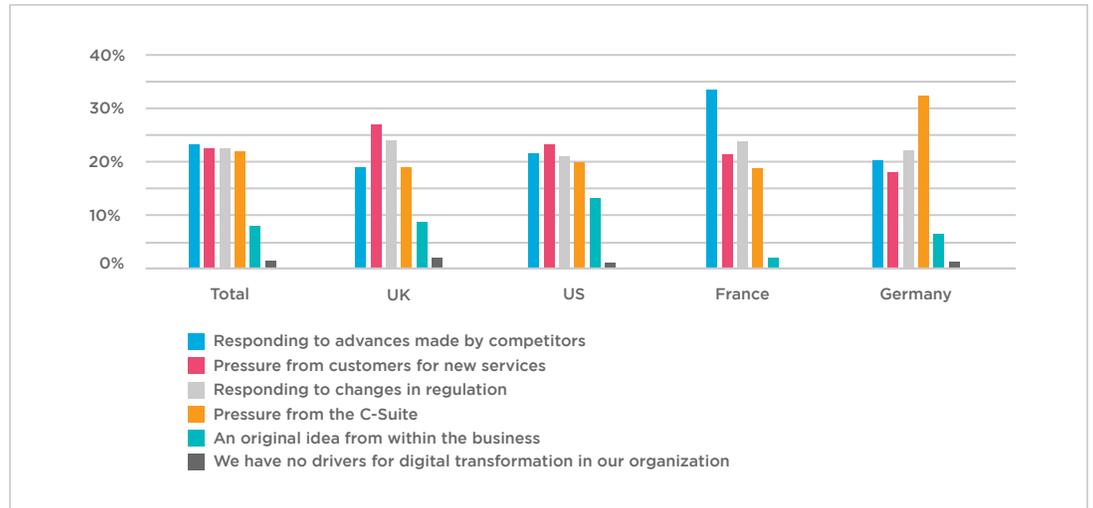


Figure 7: Primary drivers behind organizations’ digital transformation projects in the past five years

While organizations’ enthusiasm for digital transformation is encouraging, that enthusiasm has to be pointed in the right direction. With the wrong drivers, even organizations that are investing millions in time, effort and resources into digital can see little or no return. Seven in ten (71 percent) respondents agree that businesses are fixated on the promise of digital transformation, to the extent that IT teams risk working on projects that may not actually deliver tangible benefits (**figure 8**).

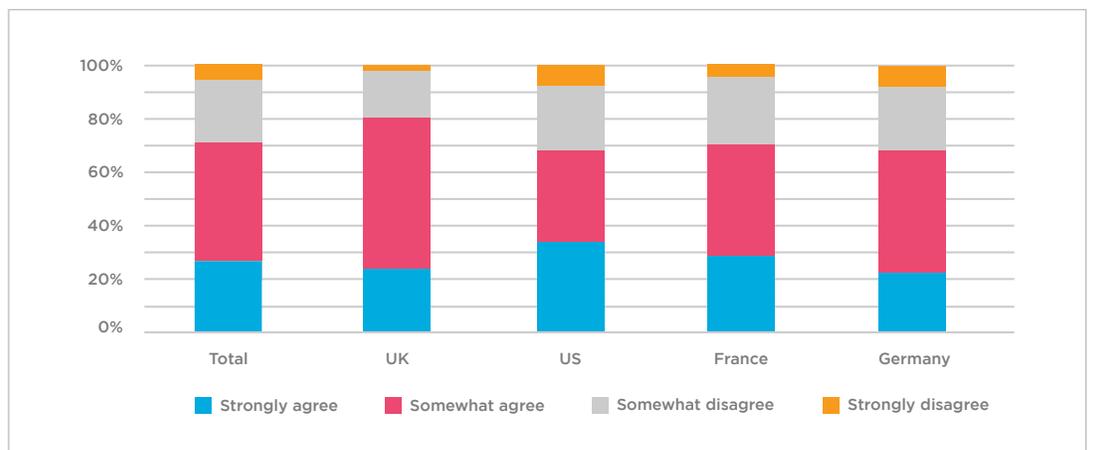


Figure 8: Do respondents agree that businesses are fixated on the promise of digital transformation?



Interestingly, while organizations are reporting an encouraging rise in the success of their transformation projects, the benefits they are realizing – and the areas they are focusing on – have shown little change. The top benefit respondents reported seeing was more efficient working processes (reported by 58 percent), followed by improved customer experience (50 percent) and increased worker productivity (50 percent) (**figure 9**). These have consistently been the most common benefits, with similar percentages, over the past three years.

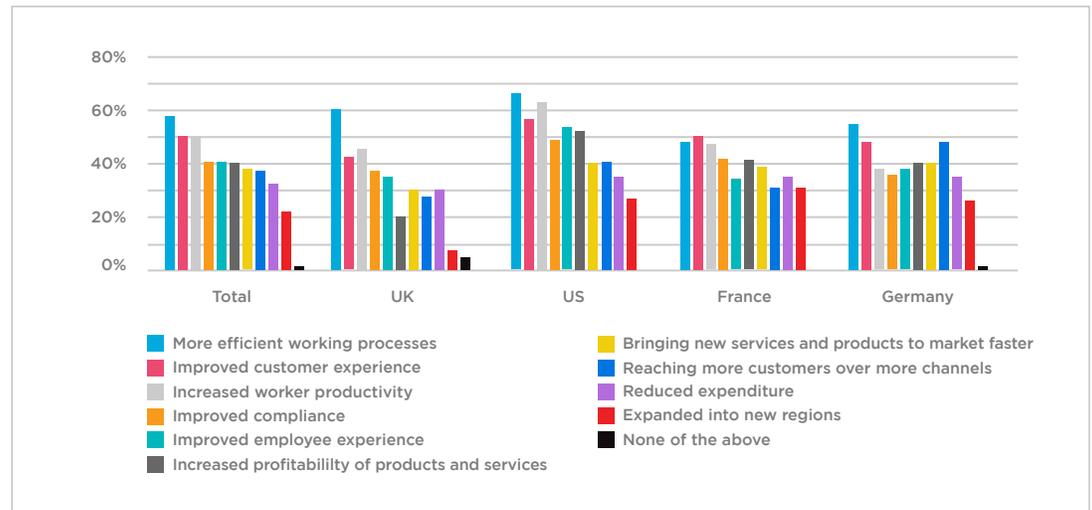


Figure 9: Tangible benefits organizations reportedly realized from digital projects in the last 12 months

Similarly, organizations’ areas of focus for their digital transformation efforts show minor changes since 2018. More than two-thirds (68 percent) focus their digital transformation efforts on business processes, e.g., logistics, and 63 percent on customer-facing experiences (**figure 10**). This compares to 62 percent and 66 percent in 2018 respectively, which suggests a slight shift in priorities rather than any significant change.

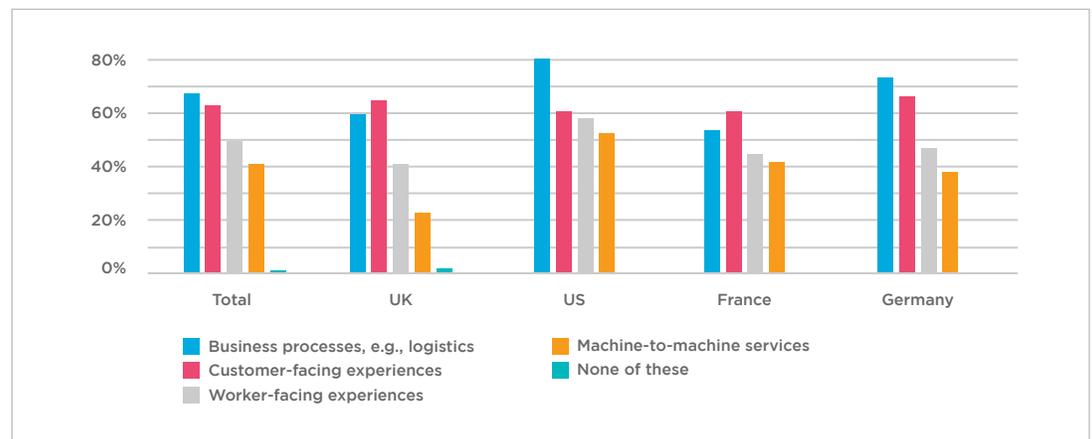


Figure 10: Where are organizations focusing their efforts on digital transformation projects?

Data suggests there is a need for organizations to understand what is truly driving their digital transformation, and whether it matches their priorities as a business.



Part 3: Facing the risks

Even when organizations do fully understand the drivers behind digital transformation and are aiming in the right direction, there are still risks and challenges to face and overcome. Businesses are well aware of the risks of failing to digitally innovate. 87 percent of organizations say they are at risk if they fail to digitally innovate, with consequences including becoming less relevant in the market (reported by 46 percent), losing IT staff to more innovative competitors (42 percent) or losing staff in other areas of the business (32 percent) (**figure 11**). From these, we can see there is a clear risk of a domino effect for businesses that cannot innovate – as losing staff harms their ability to innovate further.

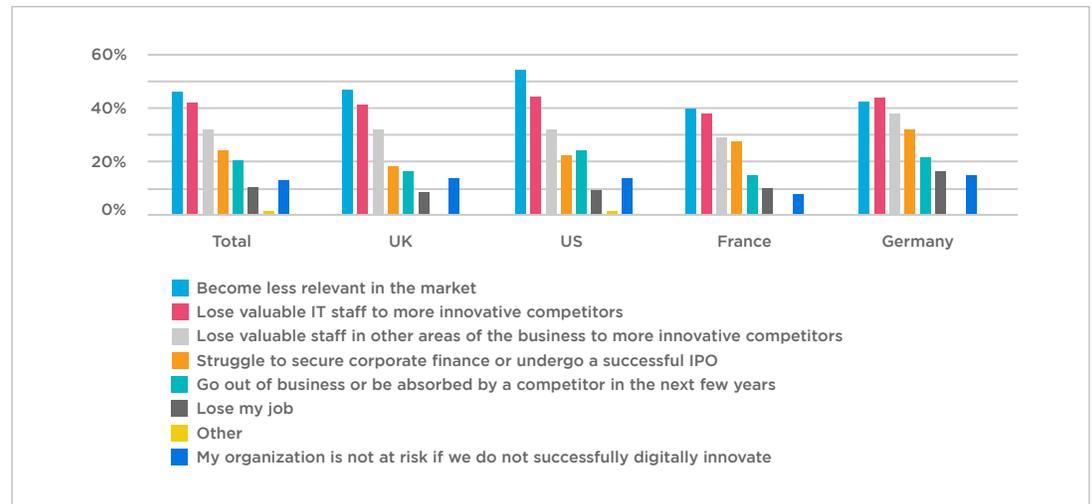


Figure 11: Risks IT decision makers and/or their organizations say they will face if they do not digitally innovate

This risk is not going to go away for organizations. 81 percent of respondents have had a digital project fail, suffer a significant delay and/or be scaled back in the last 12 months – for reasons including the complexity of implementing new technologies (reported by 28 percent), challenges with existing legacy technology (27 percent), a lack of skilled staff (27 percent) and a lack of resources (26 percent) (**figure 12**). Unless they can address these challenges – for instance, by ensuring that the skills honed on legacy technology don't become redundant when moving to new tech – organizations will be increasing their risk of failure.

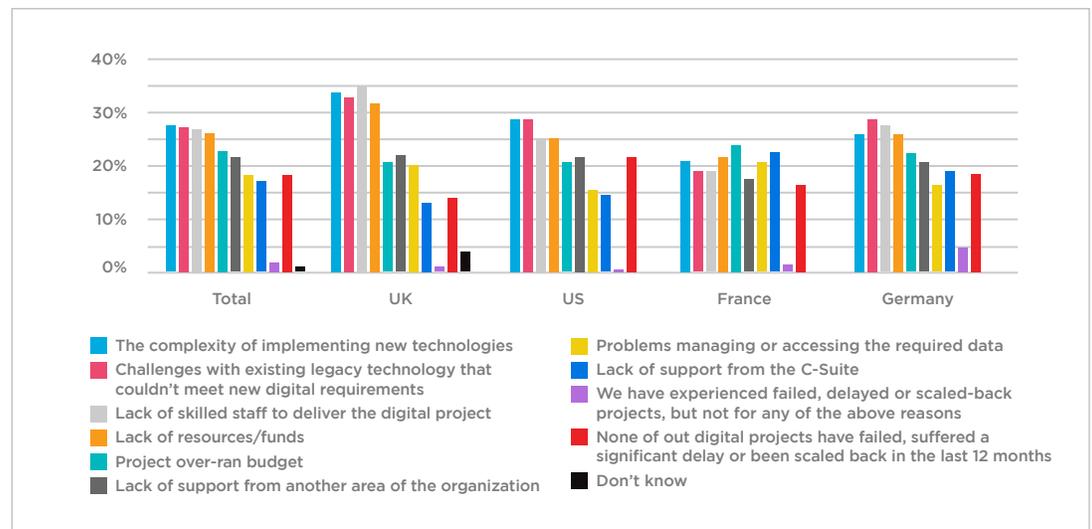


Figure 12: What has caused an active digital project to fail, suffer a significant delay and/or be scaled back in the last 12 months?



Even major digital transformation projects that have the full attention, support and resources of the organization behind them are not guaranteed a trouble-free implementation. 42 percent of respondents are behind schedule, or at risk of falling behind, with their most significant digital transformation project (**figure 13**).

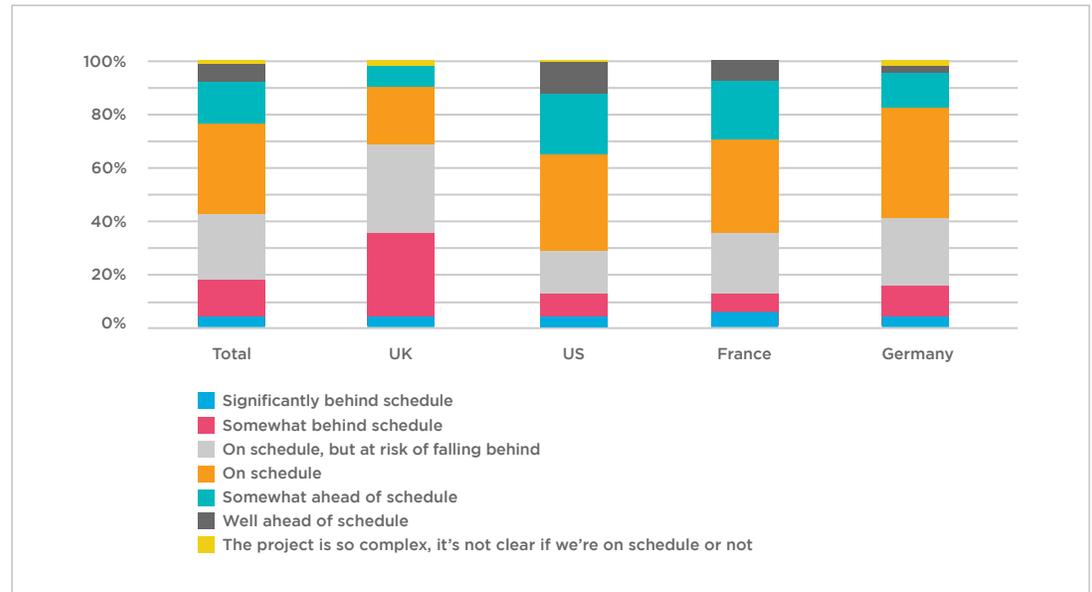


Figure 13: Status of organizations' most significant digital transformation project

Even more challenging than a delayed or scaled-back project is one that cannot begin at all. 86 percent of respondents reported challenges that have prevented them from pursuing new digital services or projects their organization wanted. These include the complexity of implementing technologies (reported by 40 percent of respondents), lack of resources (32 percent), lack of skills (31 percent) and reliance on legacy technology (30 percent) (**figure 14**).

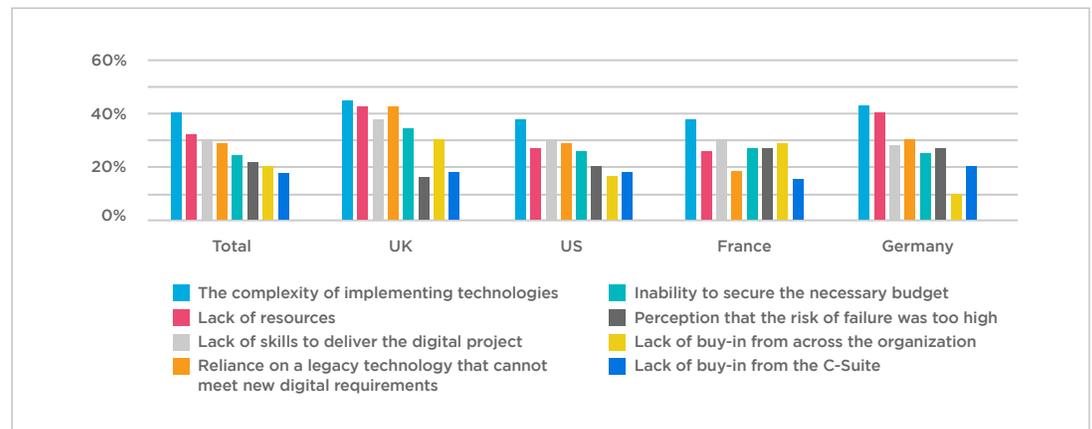


Figure 14: What has prevented organizations from pursuing a new digital service or other digital transformation project they wanted?



Conclusion

These are not necessarily easy times for digital transformation – after all, the majority of respondents still believe that projects mostly fall short of living up to their promise (73 percent). However, there is a clear trajectory that points towards digital transformation finally reaching its full potential.

The path will not necessarily be smooth. Organizations must address the challenges they face – whether those come from technology, skills or resources. They must ensure that digital transformation is being driven in the right direction – as projects that benefit, and are the responsibility of the entire business, instead of solely left to IT. And they must ensure that they are focusing on truly proactive, transformational projects instead of simply reacting to what the wider market or their competitors are doing.

This may not be an easy task, but the rewards will be great – not only for businesses themselves, but for the wider industries and consumers that will benefit from the new services and experiences these businesses can offer.

Methodology

The report is based on an online survey conducted in May and June 2019 by Vanson Bourne, an independent market research organization. The survey included 450 heads of digital transformation, such as CIOs, CDOs, and CTOs, in organizations with 1,000 employees or more in the U.S., U.K., France, and Germany.

About Couchbase

Unlike other NoSQL databases, Couchbase provides an enterprise-class, multicloud to edge database that offers the robust capabilities required for business-critical applications on a highly scalable and available platform. Couchbase is built on open standards, combining the best of NoSQL with the power and familiarity of SQL, to simplify the transition from mainframe and relational databases.

Couchbase has become pervasive in our everyday lives; our customers include industry leaders Amadeus, American Express, Carrefour, Cisco, Comcast/Sky, Disney, eBay, LinkedIn, Marriott, Tesco, Tommy Hilfiger, United, Verizon, as well as hundreds of other household names. For more information, visit www.couchbase.com.

© 2019 Couchbase. All rights reserved.

