

FORRESTER®

# Secrets Of Successful Digital Transformation

Successful Enterprise Modernization Initiatives Start With The Ability To Change Culture And Find The Right Transformation Partners

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY THOUGHTWORKS | MAY 2021

## Successful Digital Transformations Prioritize Strategic, Operational, And Business Factors In Modernization

Digital transformation and enterprise modernization are critical to building a flexible business that can adapt to changing business conditions. However, achieving successful outcomes from modernization initiatives is far from a given. Most modernization efforts fail. Successful organizations approach modernization in a multi-faceted way — investments in modern digital technologies are merely one aspect of success. Failing to understand the other key components of a successful modernization initiative is a recipe for failure. This study explores how successful companies execute their digital transformation and enterprise modernization initiatives, and the business benefits achieved by bringing in the right partners, making thoughtful investment decisions, and implementing modern organizational processes.

### Key Findings



The right talent is hard to come by regardless of enterprise modernization success. Successful firms recruit, invest, and retain knowledgeable staff and work with trusted partners to compensate.



81% of decision-makers report that utilizing a trusted partner's skills/expertise is as or more important for success than the technology solution they provided.



Modernization efforts are not one-and-done initiatives. Decision-makers realize continuous improvement (81%) and a dedicated budget (71%) are critical factors of success.

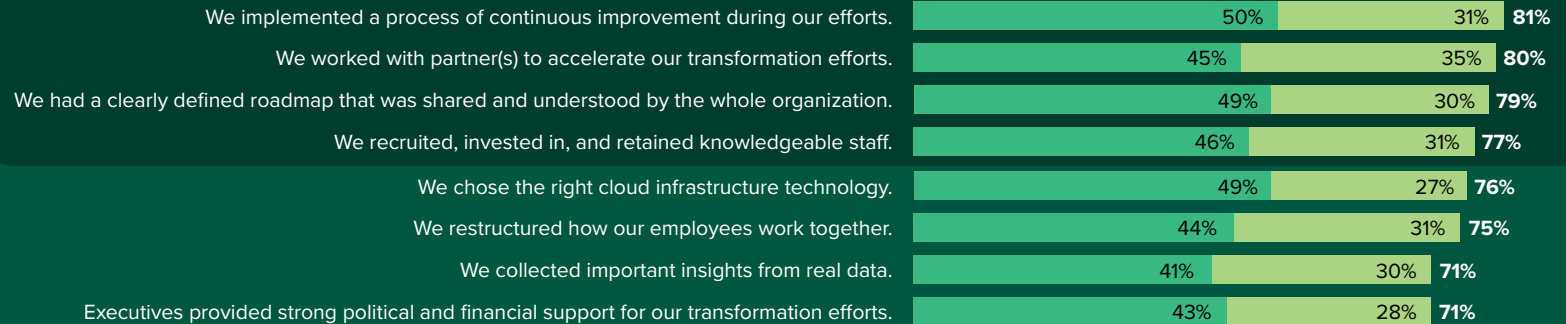
## Communication, Continuous Improvement, and Skilled Practitioners Drive Modernization Success

When executing modernization initiatives, success comes more from putting the right people, partners, and strategies in place than from specific tech decisions. Forrester examined the practices of organizations with successful modernization initiatives and two factors came up frequently: 1) working with partners and 2) recruiting, investing in, and retaining knowledgeable staff.

Respondents rated working with capable partners, having a clearly defined roadmap, and finding the right staff as more important in modernization success than choosing the right cloud infrastructure. In fact, 86% of respondents report that their organizations' culture and strategy were as or more important for the modernization success than the specific technology chosen.

### “How important were each of the following in driving your organization’s success in modernization/digital transformation?”

● Very important ● Critical



## Successful Organizations Prioritize The Business When Defining A Roadmap

The first step in embarking on a successful modernization journey is defining what success will look like. This drives a business-centric mindset. When it comes to the most important goals for modernization efforts, decision-makers at successful organizations rate business goals like improving customer experience, improving data insights, and improving customer retention as three of their organizations' top 4 goals for modernization initiatives. Technological goals like reducing technical debt and operational goals like short-term cost savings, while still valuable, can't be the foundation of a successful strategy and are lower on the priority list for successful organizations.



**Less than 1% of decision-makers consider short-term cost savings a top priority for modernization.**

**“What are/were the most important goals of your organization’s modernization/transformation efforts?”**

● Business goals   ● Operational goals   ● Technology goals

### MOST IMPORTANT GOALS

- 1 Improving customer experience
- 2 Improving data insights or business intelligence
- 3 Improving IT agility
- 4 Improving customer retention
- 5 Improving security of digital capabilities and infrastructure

### LEAST IMPORTANT GOALS

- 1 Reducing technical debt for current applications
- 2 Decoupling monolithic applications and allowing individual teams to release independently
- 3 Achieving short-term cost savings
- 4 Improving employee productivity
- 5 Improving reusability of technology components or business services (e.g., via APIs, microservices)

## Balancing A Dedicated Transformation Budget With Cross-Functional Decision-Making Is Crucial For Success

An effective modernization culture and strategy must include strong leadership, including support and guidance from executives and, perhaps most importantly, a dedicated budget to execute transformations. Decision-makers at successful organizations reported a true cross-functional transformation process that involves stakeholders from all parts of the organization in modernization initiatives. Respondents cited demonstrating value to executives through a mix of customer-focused business metrics — of which customer feedback was the most common — as well as progress and speed metrics.

While decision-making is cross-functional, when it comes to budget, the majority of successful organizations drew from a dedicated digital transformation budget.

### “How did your organization fund the enterprise modernization/transformation program?”

Dedicated digital transformation budget



Technology budget



LOB budget



Budget dedicated to innovation efforts and/or innovation lab



Cost savings from other completed projects



Direct revenue from products or services affected by the modernization



Funding redirected from cancelled projects or shutting down data centers



## Even Successful Firms Face Challenges With The Modernization Process

Enterprise modernization success doesn't happen overnight — and it doesn't come without challenges. Most respondents (76%) reported it took at least 12 months before they could demonstrate business value from their organizations' modernization efforts.

Challenges are bound to arise in even the best planned transformation initiative, but the right foundation can overcome those challenges. A well-prepared organization can adapt its efforts in response. Lack of staff and executive support, organizational resistance to change, and prioritizing the wrong aspects of the transformation process were the least common challenges among successful organizations.

We find that upfront investments in cultural alignment and communication enable digital transformation success even in the face of tech challenges.

“Approximately how long did it take from the start of the transformation/modernization process to demonstrate business value?”



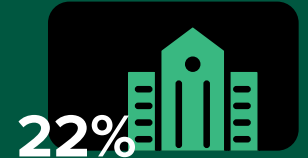
## Sustaining Digital Transformation Success Requires A Continuous Commitment To Change Management

Success in modernization efforts doesn't necessarily lead to an organization that can thrive long term. A company can execute a single modernization initiative, but true digital transformation requires a dedication to a continuous process of ongoing change. Only 46% of decision-makers reported that their organizations' initiatives were part of a continuous improvement effort but those that did rated it as the most critical reason behind their organizations' success. Enterprise modernization is not a one-and-done effort.

“Which of the following best describes your organization’s digital transformation and modernization initiatives?”



A continuous firmwide process of ongoing change and improvement



A single, discrete, enterprise-wide initiative



Discrete initiatives with some ongoing upkeep (e.g., individual projects, products, and experiences)



Ad hoc initiatives without any plan for long-term maintenance or continuous improvement

## Strong Business Analytics Capabilities Propel Transformation Success

Continuous improvement goes hand in hand with the ability to collect data, measure success, and make informed decisions. Building a robust data collection program around operational data and a data culture is key for continuous success in digital transformation. But this is not an easy task. Doing so separates the most mature organizations from those with a single successful initiative. The top challenges decision-makers cited their organizations faced were an inability to respond to new data and make changes during the transformation process, and a difficulty in measuring value realized. While defining an effective strategy and putting the right culture and infrastructure in place are the foundation of successful transformation initiatives, analyzing data, learning from it, and making improvements is the next step.

### “Which of the following did your organization find most challenging during its modernization/transformation efforts?”

#### MOST CHALLENGING

- 1 Inability to respond to new data and make changes during the transformation process
- 2 Difficulty measuring value realized
- 3 Technology that did not work as expected/promised
- 4 Implementation partners that did not meet contractual commitments
- 5 Lack of budget

#### LEAST CHALLENGING

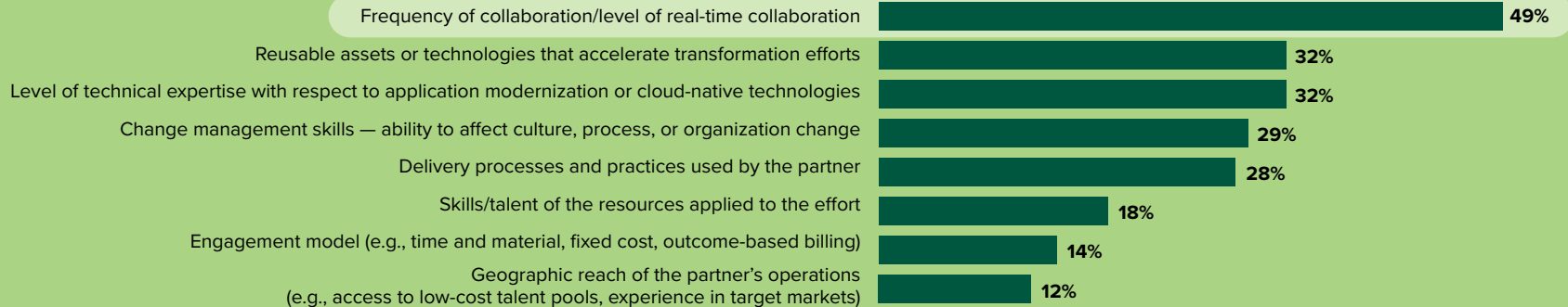
- 1 Lack of staff
- 2 Lack of executive support
- 3 Organizational resistance to change
- 4 Prioritizing the wrong aspects of the transformation process
- 5 Pushback from middle management



## Entrusting A Collaborative Partner Ensures A Holistic Approach

To navigate the murky waters of enterprise modernization, successful organizations turn to trusted partners who can guide them through the process. When it comes to integrators, design agencies, agile coaches, and cloud solution providers, successful organizations want more than just a technology vendor — they want a true collaborative partner. Decision-makers cited the frequency of real-time collaboration as the most important capability of a trusted partner. Firms need a partner who genuinely knows how to execute. Eighty-one percent of decision-makers ranked their technology partner’s skills and expertise as more important than the technology solution they provided. Having the right people and culture are key, but those can often be difficult to get in place. A skilled partner helps compensate for whatever skill and culture gaps exist within an organization.

### “With regard to partners like integrators, design agencies, agile coaches, and cloud solution providers, which capabilities do you think contributed the most to your successful modernization/transformation initiatives?”



## The Business Benefits of Transformation Efforts

Enterprise modernization initiatives are difficult but there are real, quantifiable benefits for organizations who can navigate the challenges. Successful firms have an advantage in being more adaptable, efficient, and customer focused. These organizations focus on business goals when setting their modernization strategy and, when it comes to results, they see considerable technological and operational benefits in addition to their business ones. Top benefits include improved IT agility (76%), better CX (74%), increased employee productivity (72%), and improved data insights (72%).

## The Benefits Of Successful Modernization/ Transformation Efforts



**3.3%**

Average increase in sales revenue



**13.4 pts**

Average increase in Net Promoter Score<sup>SM 1</sup>



**1.9%**

Average increase in customer retention



**4.3%**

Average decrease in overall IT costs



**10.3%**

Average decrease in time-to-market

## Conclusion

As you plan and begin to execute your organization's transformation initiatives, you can drive real transformation that delivers business value if you:

**Take a broad approach to building out your skill portfolio.** The skills required to execute and maintain transformation will always be in short supply, and it takes time to develop or recruit them. Talented partners can fill your knowledge gaps, transfer knowledge, coach internal talent, and flex as needs evolve.

**Prioritize customer-facing applications and those where velocity matters.** Based on the aggregate benefits successful transformers reported, it makes sense to prioritize modernizing applications and workloads that serve customers and new features that can drive business value. These areas provide the greatest ROI.

**Align transformation efforts to expected business goals.** When we compare the benefits of modernization that decision-makers expect with what they actually attain, we find that modernization goals are largely attainable. And even though operational and technology improvements might not be as important, these benefits are also achieved.

**Plan on a 12-to-18-month horizon but expect to adjust along the way.** You should see indications of success or failure before the 18-month midpoint for most successful transformation efforts, and you should see early indicators by the 6-to-12-month mark. Use frequent feedback to identify blockers and take corrective action. If progress is not demonstrable at the 18-month mark, then it's time to consider stronger corrective actions.

### Project Director:

Josh Blackborow,  
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### Contributing Research:

Forrester's Application Development  
and Delivery research group

## Methodology

This Opportunity Snapshot was commissioned by ThoughtWorks. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 409 digital transformation and modernization decision-makers at organizations who have had successful modernization or digital transformation initiatives. The custom survey began and was completed in February 2021.

### ENDNOTES

<sup>1</sup> Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

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## Demographics

### COUNTRY

United States (25%)

Germany (25%)

China (25%)

United Kingdom (25%)

### COMPANY SIZE

1,000 to 4,999 employees (55%)

5,000 to 19,999 employees (35%)

20,000 or more employees (11%)

### RESPONDENT LEVEL

C-suite (8%)

Vice President (29%)

Director (64%)

### DEPARTMENT/POSITION

Operations (35%)

IT (34%)

Product development/  
engineering (31%)

The image features a dark, almost black background. A grid of glowing, wireframe cubes is arranged in a pattern that recedes into the distance. The cubes are illuminated from within, creating a bright, ethereal glow. Several bright, multi-pointed starburst or lens flare effects are scattered across the scene, particularly on the right side, adding a sense of depth and light. The overall aesthetic is futuristic and high-tech.

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