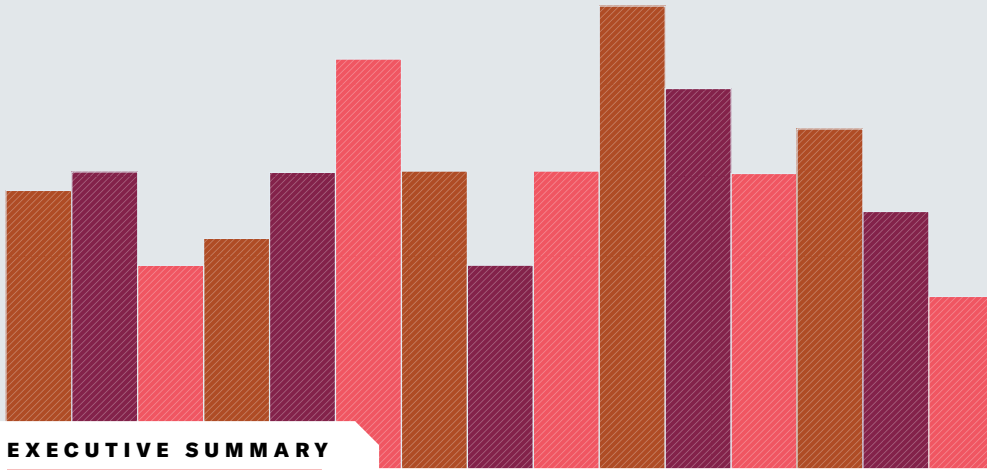


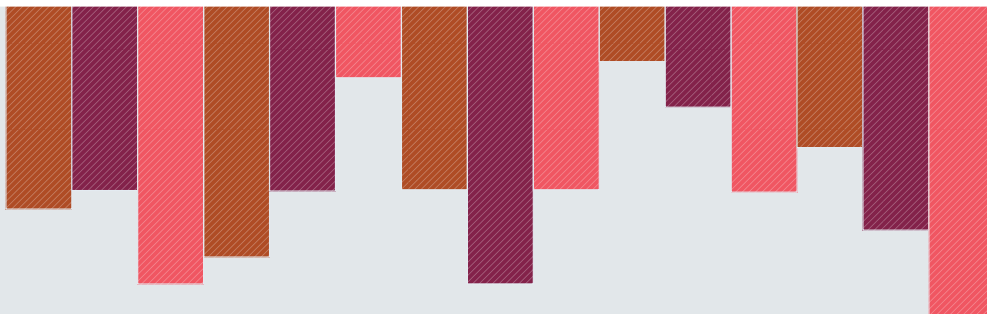


**Harvard
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ANALYTIC SERVICES



Paving the Way for Successful Digital Transformation



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Paving the Way for Successful Digital Transformation

Now more than two years since the Covid-19 pandemic began, most organizations are well into their digital transformation. They've stood up new technologies, launched new customer experiences, and adapted to dramatic changes in both processes and culture. But how have companies fared in their digital transformation efforts in 2021, and what priorities and goals do they have for 2022 and beyond?

A January 2022 survey by Harvard Business Review Analytic Services of 727 executives from across the globe finds that 92% say their organization's digital transformation will become more important to business success over the next 12 months. The survey also finds that organizations are shifting their goals—and they are tackling both new and persistent challenges in culture, technology, and business processes along the way.

Businesses are turning their attention from productivity, resiliency, and agility-focused objectives to priorities that deliver business value and drive their organizations forward. Businesses have also capitalized on lessons learned since the pandemic began, which has enabled them to further accelerate their transformations and reap more business benefits.

While many organizations have experienced great strides in their digital transformation efforts over the past year, roadblocks continue to stand in the way of success. Companies still report experiencing perennial culture challenges tied to their digital transformation, and for many companies, the war on talent has brought on hiring challenges. Resolving these issues, as well as others related to aligning transformation with business objectives, effectively allocating resources, and supporting a culture of continuous learning, should be top priorities for organizations in 2022 and beyond.

HIGHLIGHTS



92% of survey respondents say their organization's **digital transformation will become more important to business success** over the next 12 months.



69% say their organization's digital transformation is **moving somewhat or significantly faster in 2021** than in 2020.



46% say **embracing digital transformation** across the organization **is a challenge**—the most-cited obstacle by respondents.



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Key Findings

Digital transformation has been—and will continue to be—important to business success. Seventy percent of executives say that digital transformation was significantly more important to business success over the past 12 months, in 2021, and a comparable percentage (71%) expect that it will become significantly more important to business success over the next 12 months, through 2022. **FIGURE 1**

Those respondents categorized as digital transformation “leaders” are more likely to say that digital transformation has become significantly more important to business success in their industry in the past 12 months—80% versus 67% for the remaining sample. Leaders also say that the importance of digital transformation to business success is likely to remain so in the next 12 months (71% agreement in total, with no meaningful subgroup differences).

And transformation efforts aren’t slowing down. More than two-thirds (69%) of respondents say their organization’s digital transformation is moving somewhat or significantly faster in 2021 than in 2020, and is even higher among those classified as digital transformation leaders (77%).

But digital transformation goals are changing. In 2021, organizations prioritized internal process-driven goals, including increasing productivity/efficiency (37%), improving business continuity and resiliency (32%), and increasing agility (30%) as top business goals for their organization’s digital transformation. In 2022, however, organizations are shifting their business goals and are instead planning to enhance customer satisfaction (34%), better analyze enterprise data to uncover new business and operation insights (33%), and continue to increase productivity/efficiency (33%). These findings are consistent with an economy beginning to emerge from two years of constrained business activity that, for many, focused on pure business survival.

Digital transformation efforts in 2021 were generally more effective than they were in 2020. More than a third of executives (38%) say their organization’s digital transformation efforts were effective in 2021, compared to less than a quarter (23%) the year prior. The majority (52%), however, rate their organization’s digital transformation

efforts in 2021 as somewhat effective (i.e., rated a five, six, or seven on a 10-point scale), indicating that there are still areas ripe for improvement in the year ahead.

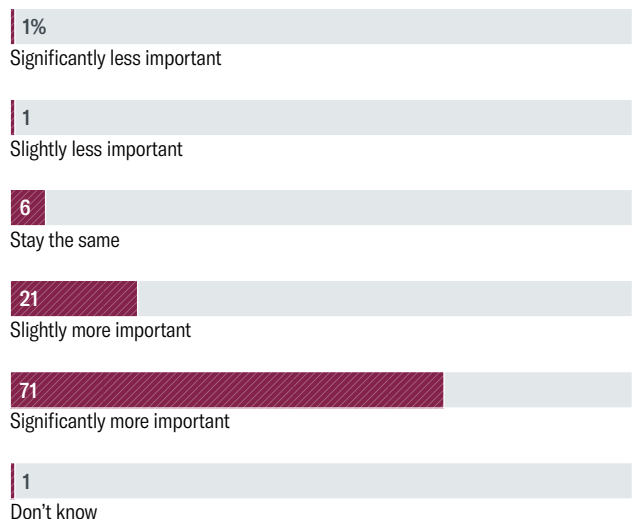
Yet organizations vary little in their technology investments. Half of the executives say that their organization plans to invest in business process automation over the next 12 to 18 months—the same percentage that said they planned to in 2021—followed by artificial intelligence and machine learning technology (44%), also the same percentage as last year. Collaboration platforms, which ranked second last year, rank fourth this year, dropping by 15 percentage points—a reflection of organizations’ shifting technology priorities.

FIGURE 1

Digital Transformation Grows in Importance

The vast majority agree it will be increasingly important to business success.

Over the next 12 months, how will the importance of digital transformation to business success change or not change in your industry?



Source: Harvard Business Review Analytic Services survey, January 2022

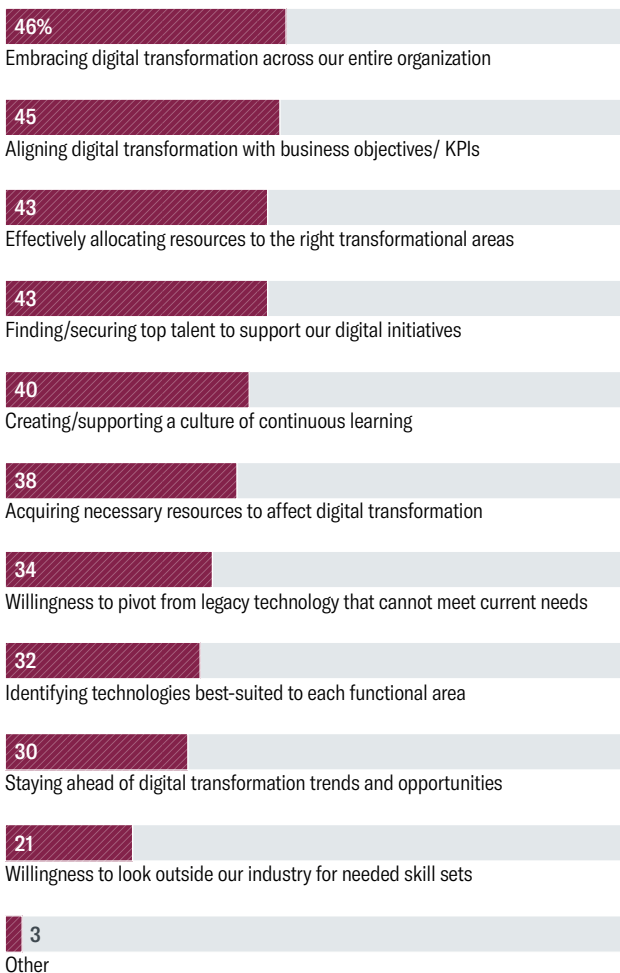
To judge the success of their digital transformation efforts, respondents continue to look at the same business and performance metrics. The top four key performance indicators (KPIs) varied little year over year: operational efficiency rose from the No. 2 to the No. 1 most-cited spot (52%), followed by the former No. 1, growth/revenue generation (46%); customer retention/loyalty (38%), which was formerly ranked fourth; and profitability (38%), formerly ranked third.

FIGURE 2

Roadblocks to Digital Transformation Success

Organizations grapple with getting everyone to embrace digital transformation efforts.

What are the biggest digital transformation challenges that your organization is facing today? [SELECT ALL THAT APPLY]



Source: Harvard Business Review Analytic Services survey, January 2022

While the rankings remained similar, two KPIs in particular dropped percentage-wise year over year. Growth/revenue generation fell from 55% in 2020 to 46% in 2021, while profitability dropped from 48% to 38%. They're still top KPIs, but this shift may indicate that some organizations don't yet have much leverage to grow revenue or profit.

The top digital transformation challenge facing companies today is embracing digital transformation across the organization. This challenge was selected by 46% of respondents, closely followed by aligning digital transformation with business objectives/KPIs (45%), effectively allocating resources to the right transformational areas (43%), and finding/securing top talent to support their digital initiatives (43%). **FIGURE 2** Interestingly, respondents who were not classified as leaders cited these obstacles at even higher levels, indicating that in many companies, the organizational changes needed for digital transformation are even more significant. For example, leaders are much less likely to indicate that "embracing digital transformation across our entire organization" and "acquiring necessary resources to effect digital transformation" are challenges because these organizations have likely already progressed on these issues (33% versus 49%, and 27% versus 41%, respectively).

Organizations are less likely to be actively addressing the top challenges needed for successful digital transformation. While 46% of respondents indicate that they're struggling most with embracing digital transformation across the organization, just 37% say they are actively addressing the challenge. The survey highlighted another incongruity: while 43% say that finding/securing top talent to support their digital initiatives is a top challenge, only 32% are actively addressing it.

Companies are committed—but struggling—to get culture right. More executives in 2021 than in 2020 say that having the right culture in place is extremely important—54% versus 48%, respectively. Despite increasing in importance, organizations appear to be having trouble improving it: just 31% rate their organization's performance in modernizing workplace cultures in 2021 as being effective. Significantly more leaders, however, believe that their organization has been effective in modernizing workplace cultures compared to the remaining sample: 66% versus 23%.

To address cultural shortcomings, organizations are looking at enhancing collaboration. Almost two-thirds (65%) say they are focusing most on collaboration to enable digital transformation in their organization. These efforts include support for sharing work, initiating projects in group



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settings, and effectively connecting with additional project groups to form cross-functional teams.

Forty-five percent say they're focusing on adaptability—a skill that dropped nine percentage points year over year—while 40% are prioritizing transparency. Leaders, however, are more likely than the remaining sample to identify adaptability and inclusivity as cultural characteristics that their organization is focusing on to enable digital transformation: 59% versus 41%, and 47% versus 33%, respectively.

Organizations are prioritizing employee education.

Less than half (48%) of respondents say they somewhat or strongly agree that their organization is a leader in offering training to employees to improve/modernize their skill sets for the future, while nearly a third (31%) say they somewhat or strongly disagree with this sentiment. According to the survey, organizations plan to improve education in 2022: 52% say their commitment to educational support is higher in 2022 compared to 2021.

Companies may need to look more broadly for top digital talent. While finding and securing top talent to support their digital initiatives was the No. 4 digital transformation challenge (43%) respondents say their organization faces today, only 32% are actively addressing the problem. Respondents indicate an unwillingness to look outside their industry for needed skill sets, ranking last at 21%. Perhaps a greater emphasis on looking outside for needed talent could relieve some hiring challenges.

Conclusion

Digital transformation is only becoming more critical to the business success of organizations. As companies begin to emerge from constrained business activity, they're moving faster in their transformations and shifting business goals from internal, process-driven objectives to goals that deliver more business value.

In 2022, organizations should address top challenges precluding them from achieving more success from their transformation efforts. They will need to confront and actively address cultural challenges preventing digital transformation efforts from being embraced across the entire organization, reassess how their transformation efforts align with business objectives and KPIs, and examine how they allocate resources to the right transformational areas. Companies should also reevaluate their hiring strategies and expand the pools from which they look for talent in order to alleviate current hiring challenges.

As organizations look forward, technologies that streamline processes and have the potential to deliver more business value are still priorities. Business process automation, artificial intelligence and machine learning, and cloud analytics platforms are top investments—a reflection of organizations' shifting business goals for the upcoming year.



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