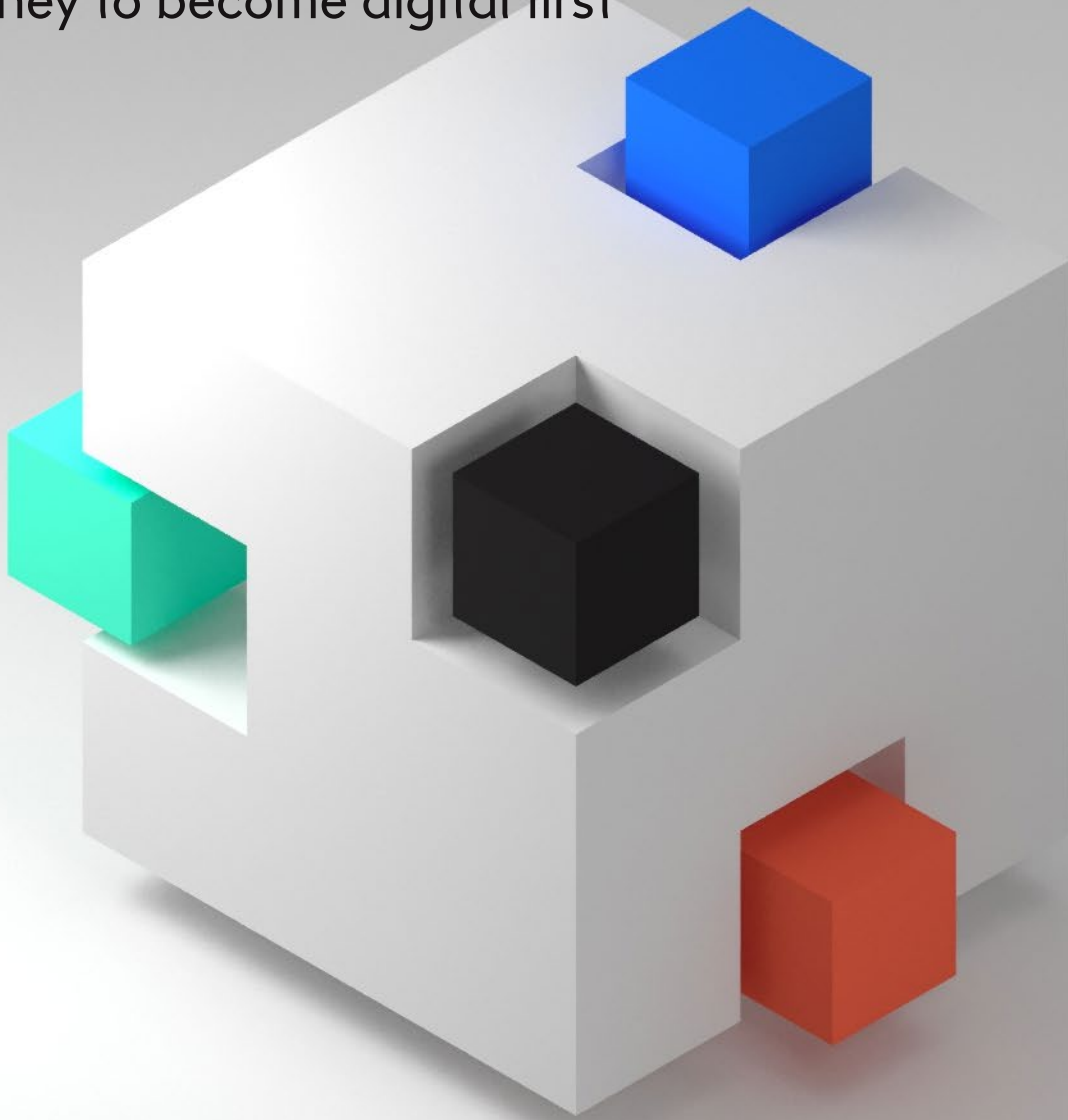


Becoming Digital-First: How UK companies are rising to the challenges of digital transformation

The inside track on UK organisations'
journey to become digital first



Research conducted by Vanson Bourne for Elsewhen, 2022

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Any organisation's journey of digital transformation will be an ongoing process, in which multiple digital projects interweave and interact. In this way, digital transformation becomes an integral aspect of the organisation, helping it build competitive advantage and meet customer needs more effectively.

As the demands and expectations on organisations become ever greater, ensuring successful execution and positive outcomes for these digital projects becomes more critical. Digital projects are not merely a path to greater efficiency, but vital to the continued success of the business.

The approach and attitudes that organisations bring to their digital projects must now become central to their overall strategy.

This whitepaper examines the extent to which organisations in the UK are applying effective digital approaches in their business. We also explore what drives digital implementation, the key challenges to be aware of, and how successfully digital projects are being run. Every organisation will pick their own path when it comes to digital transformation, but understanding the key themes that run through projects will help reveal what it really takes to be a truly "digital-first" organisation.

Methodology

Elsewhen commissioned independent market research agency Vanson Bourne to conduct the research upon which this whitepaper is based in mid-2022. 200 senior decision makers across key functions (customer services, IT, product development, digital/data, engineering, design/research and development), from organisations with 1,000 or more employees in the UK, were surveyed from a range of private-sector organisations. All interviews were conducted using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.

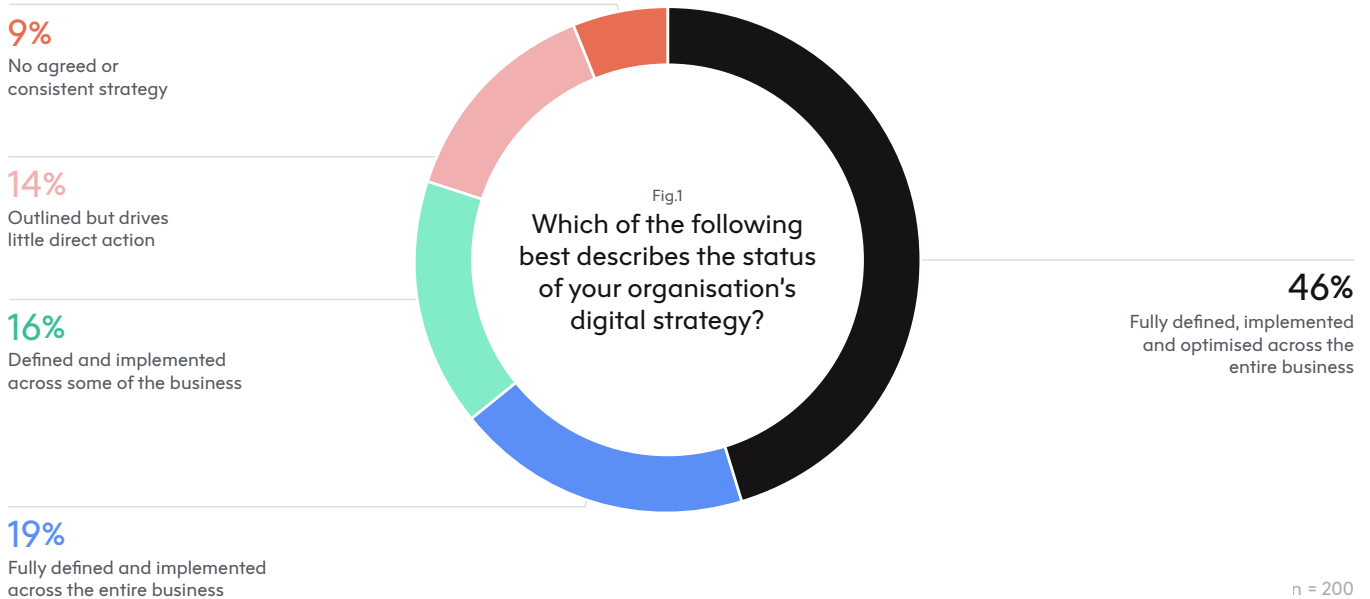
Key findings

- Most organisations are likely to see themselves as digitally advanced—if not already as a 'digital-first' organisation (50%), then soon to be so (35%).
- Customers and employees are most likely to be regarded as an important part of digital strategy and digital projects—51% have run projects focusing on improving this in the last 12 months.
- Around one-sixth of IT budgets on average are assigned to digital projects and digitising processes.
- Despite optimism and pride (57% are extremely proud of their organisation's approach to digital projects), nearly all (96%) say they've encountered unforeseen problems when running digital projects.
- All organisations surveyed use third-party digital consultants to some extent, often to overcome in-house skills gaps.
- Problems with digital projects, and the resulting negative impacts, can vary by organisation and by sector.
- Many organisations desire more technology-aware leadership and guidance when it comes to their digital projects.
- Unsuccessful digital projects can cause significant issues for organisations—impacting revenue and other areas.

01

Digital strategy

Nearly half (46%) of respondents say that their organisation's digital strategy is fully defined, implemented and optimised. A further 19% say that their organisation's digital strategy is fully defined and implemented across the business (albeit, not optimised). Nearly two thirds (65%) of organisations have a clear digital strategy, demonstrating that most have a high level of confidence when it comes to digital transformation and digital projects. Just 6% say that their organisation has no agreed digital strategy.

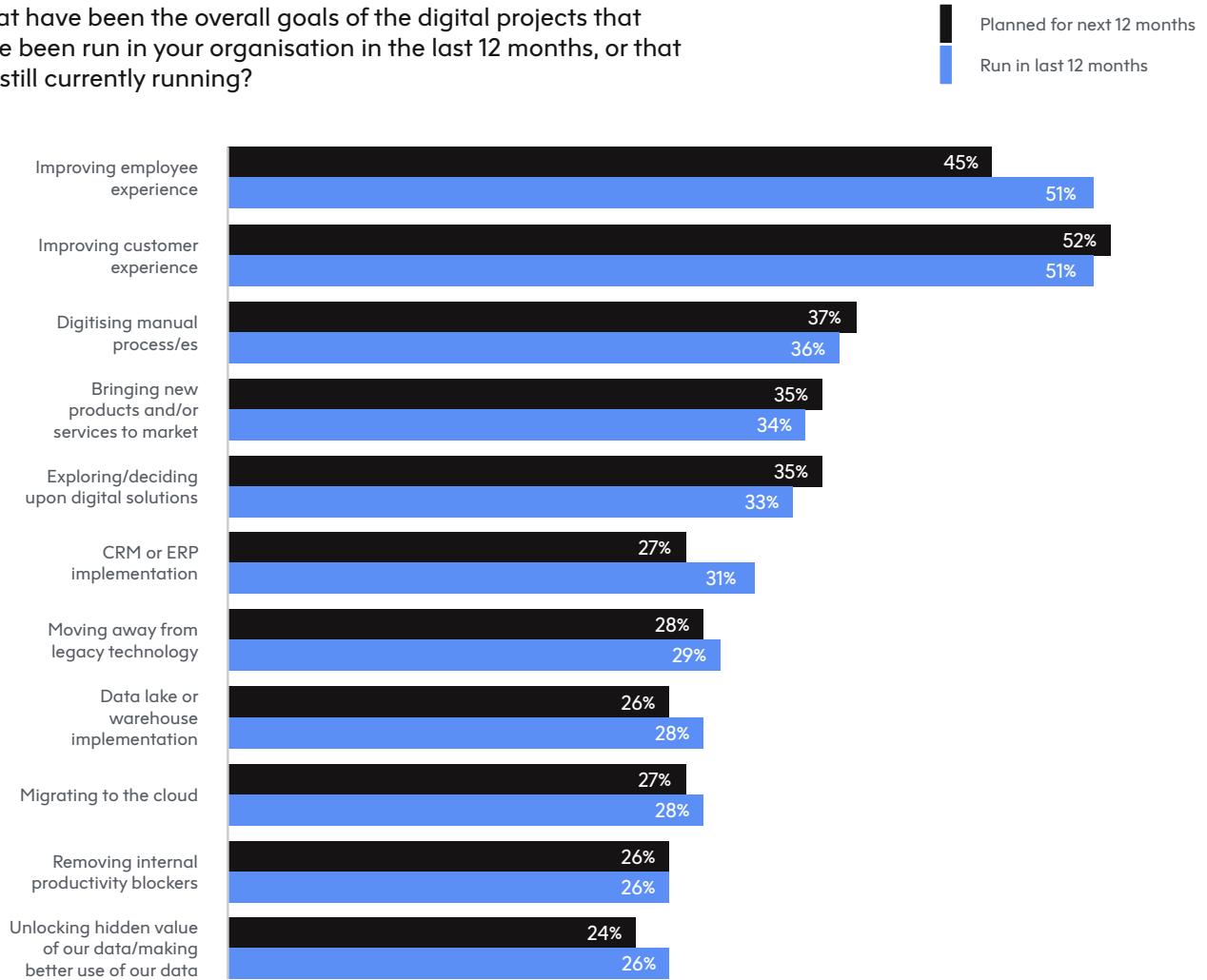


In addition, those who say that their organisation's digital strategy is fully defined, implemented and optimised are assigning a higher proportion of their IT budget towards digitising processes (24%) and creating digital experiences (23%), compared to the overall average (16% and 16% respectively). This confidence is echoed by the fact that half (50%) of respondents regard their organisation as a digital-first organisation, with most of the remaining respondents (35%) saying that their organisation is planning to be a digital-first organisation as soon as possible.

Looking more specifically at the types of digital projects that have been run in the last 12 months, and that are planned for the following 12 months, the needs of customers and employees play an important role. Improving experiences for employees and customers continues to be a key goal for digital projects in around half of organisations.

Fig.2

What have been the overall goals of the digital projects that have been run in your organisation in the last 12 months, or that are still currently running?

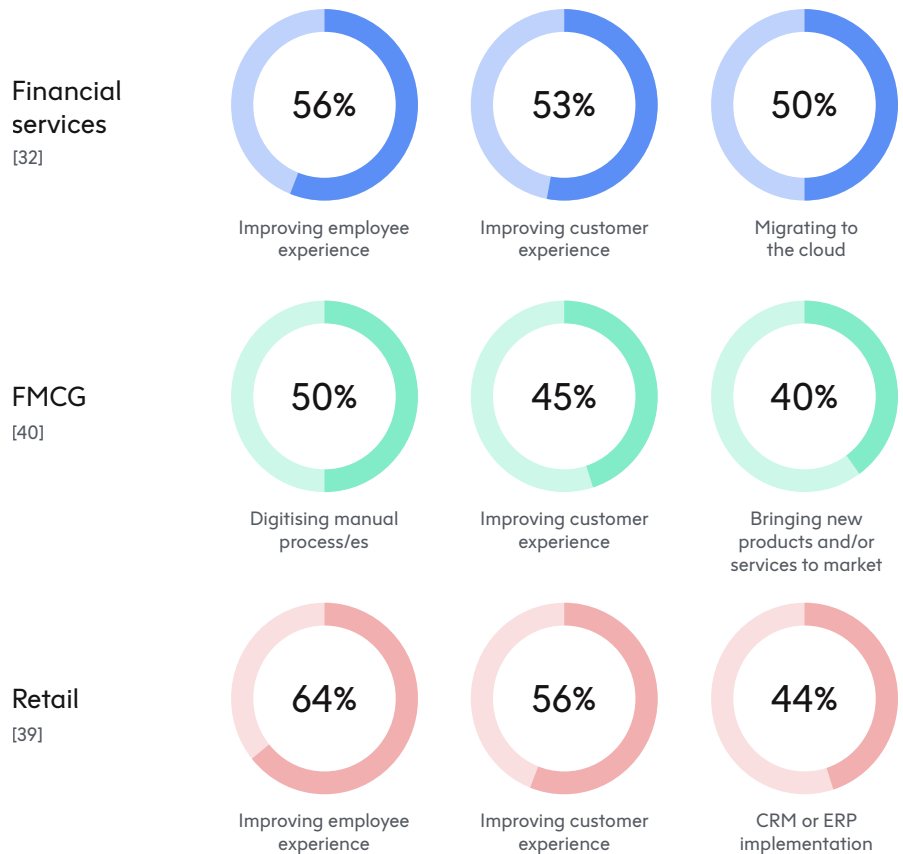


But why is improving employee and customer experience so much more likely to be the goal of digital projects? Nearly all respondents agree that their business is customer-focused (98%), that their business utilises data to deliver value to customers (99%) and that their organisation treats their employees as internal customers (97%). This illustrates how important customers and employees are to nearly all organisations, and it is encouraging to see therefore that these are likely to be the basis of digital projects for many. This demonstrates that such organisations are focused on the end goals (as opposed to more specific, technical goals). But it should also be noted that between a quarter and just over a third have a variety of other goals for their digital projects, driven by the specific needs of individual sectors.

Around half of financial services organisations surveyed are migrating processes to the cloud (50%), and it is respondents from these organisations that are more likely to believe that their organisation has transformed into a tech organisation (35% doing so, compared to only

Fig.3

What have been the overall goals of digital projects in your organisation in the last 12 months, or that are still currently running?*



* [base numbers in chart], key sector splits

13% of respondents in other Financial service sector organisations). FMCG sector organisations are likely to have been focusing on digitising manual process/es (50%), and bringing new products and services to market (40%). This can explain how more than a third (35%) of organisations in this sector have transformed their operations to digital processes, and how a third (33%) have benefitted from a new revenue stream. Retail sector organisations are more likely to have been focusing on CRM or ERP implementation (44%), and respondents from these organisations are more likely to say that their organisation has created new business processes thanks to digital projects (59% doing so, compared to only 14% of respondents in other Retail sector organisations).

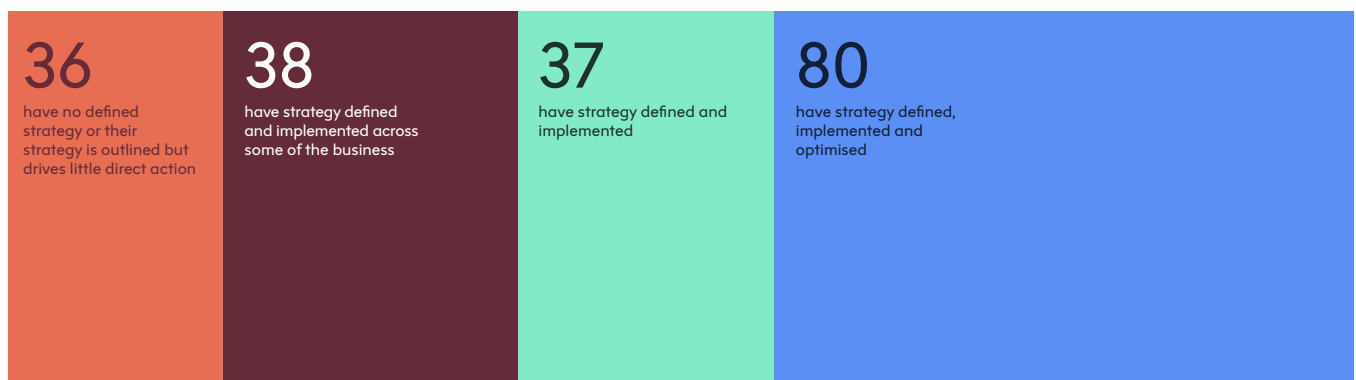
Customers and employees, while central to nearly all organisations, are therefore not the only priority when it comes to digital projects. Each organisation will have its own relatively unique circumstances, dependent upon its specific sector needs.

02

Digital optimism— but is it misplaced?

According to respondents, digital strategy and digital projects are playing an important role in their organisations. This digital optimism appears to have had a positive impact upon morale as well. More than half of respondents (57%) say that they are extremely proud of their organisation's approach to digital projects.

Fig.4
Of 200 respondents who say they are "extremely proud of their organisation's approach to digital projects..."



Respondents asked, "Which of the following best describes your feelings regarding your organisation's approach to digital projects?" [base numbers in chart], showing percentage of respondents who say they are "extremely proud of their organisation's approach to digital projects", split by status of organisation's digital strategy.

But most notable of all is that respondents in organisations where the digital strategy is fully implemented and optimised are far more likely to be extremely proud (80%). This suggests that organisations committing to a digital-first approach are likely to improve employee positivity about their organisation's digital approach. This in turn is likely to help them also embrace future digital innovations.

This optimism is not without foundation. All respondents (100%) say their organisation has experienced benefits from their digital projects. Improvement in areas related to employees (45%) and customers (40-42%) are most likely to have been experienced as a result of digital projects. But many other benefits (such as reduced operational costs, improved brand value and increased revenue) have each been experienced by around a quarter of respondents, showing that the impact of digital projects can be wide-reaching.

A further aspect of this digital optimism can be seen around the use of emerging technologies. However, we also see here a potential contradiction, indicating that some of this optimism may be misplaced.

The majority of organisations claim to be using various emerging technologies in their digital projects. Artificial intelligence (AI) and machine learning (72%) are those most often claimed to be used in digital projects. Virtual and augmented reality (VR/AR—57%) and automation technologies (52%) are claimed to be used in more than half of respondents' organisations, suggesting that these technologies are shifting from emerging to mainstream. Meanwhile, green energy and the metaverse are also claimed to be used by a significant minority (38% and 31% respectively), demonstrating that many organisations are attempting to incorporate areas of technology that are particularly environmentally friendly and innovative.

But the additional key point to note is that six in ten respondents (60%) say that their organisation's senior leadership team does not understand how to use emerging tech to benefit their business. If emerging technology is so widely adopted, why then does such a sizeable majority report that their leadership's knowledge is relatively poor when it comes to their understanding of this area? At the very least, it suggests that organisations may not be exploiting the emerging tech optimally.

And there are other areas where we can see possible inadequacy in organisations' digital projects—potentially showing that some may have been overly-optimistic regarding the success of their digital projects.

03

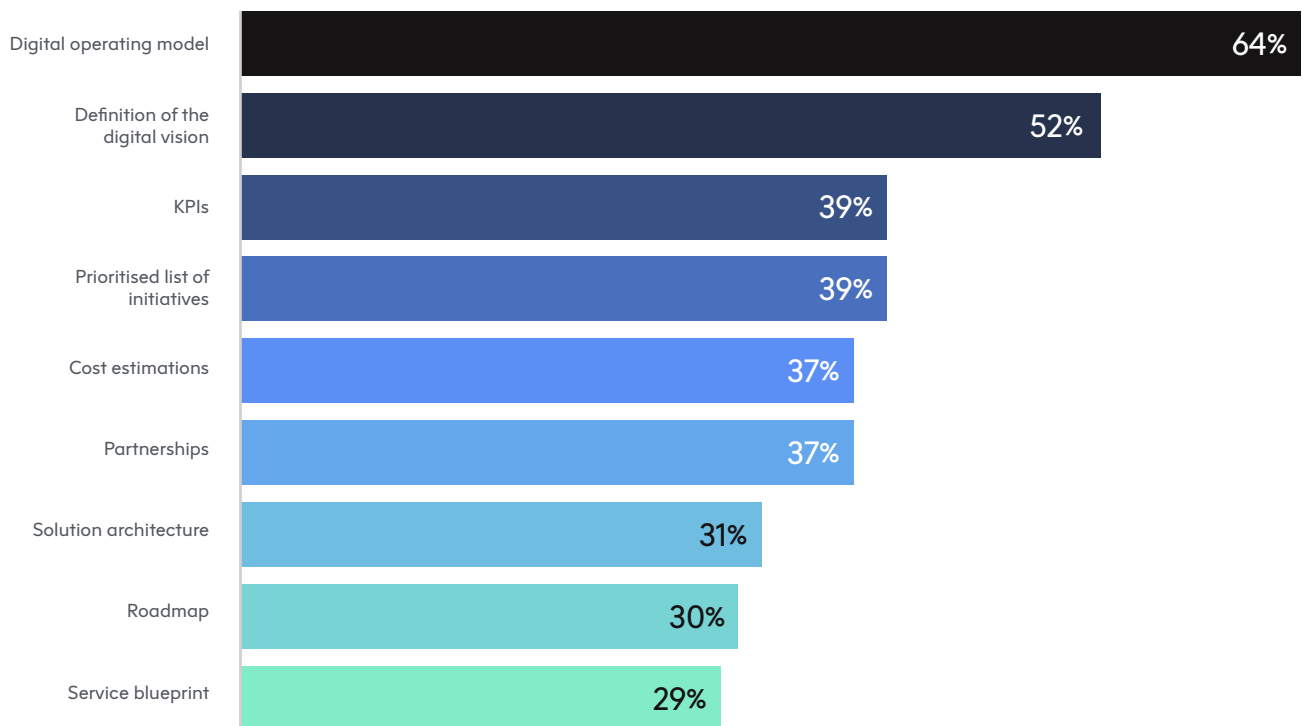
Digital reality

Respondents may be broadly optimistic, and even proud of their organisation's digital approach, but that doesn't mean that organisations live up to their digital potential in practice. And when examining the elements that make up organisations' digital strategy, many have work to do in certain areas.

For nearly two-thirds (64%) of organisations with a digital strategy, the strategy includes a digital operating model, and just over half (52%) say that it includes a digital vision. However, more than a fifth (21%) of organisations have neither a digital vision, nor a digital operating mode—indicating that a significant proportion of organisations may have a digital strategy that does not incorporate all of the elements that it ideally should.

Fig.5
Which of the following elements, if any, does your organisation's digital strategy currently include? [189*]

*Only asked to respondents from organisations that have a digital strategy



This is quite a contrast to what we saw earlier, with nearly two-thirds saying that their digital strategy is fully implemented and optimised. Perhaps not all organisations are as advanced in their thinking as they are assuming. Just 39% of respondents say that KPIs are included in the digital strategy—the absence of KPIs will make measurement of success more difficult, and it's interesting that 85% of respondents agree that their organisation needs guidance in measuring how well their digital transformation projects are going and in what else could be possible. Furthermore, just 39% say that a prioritised list of initiatives are included in their digital strategy—making it hard for functions within organisations to agree on what is most important. This may indicate why 39% also say that they don't have a clear digital strategy.

This picture is broadly consistent across all sectors, although some aspects are less likely to be seen in some sectors. This is particularly the case when it comes to the two most likely elements to be included overall. FMCG sector organisations are relatively unlikely to include a digital operating model in their digital strategy (50% compared to 64% overall), which may make it harder for these organisations to fully deliver on digital projects that support the organisation's needs.

Similarly, retail sector organisations are relatively unlikely to include a definition of the digital vision in their digital strategy (31% compared to 52% overall). And while this may not be critical to digital strategies in practical terms, ultimately this means that different parts of the organisation may pursue their own digital destination, ignoring the needs of the rest of the business. 45% of respondents across all sectors say that having a clear definition of digital strategy helped a digital project exceed expectations.

And it may not be a coincidence that 77% of respondents in retail organisations (higher than the overall figure of 60%) say that their organisation's senior leadership team does not understand how to use emerging tech to benefit their business. Potentially this lack of understanding around emerging technology limits the leaders in these organisations from defining a suitable digital vision.

04

Supplementing in-house digital skills

Another aspect to consider is organisations' use of third-party consultancies. All respondents say that their organisation uses a digital consultancy in at least some of their digital projects. But there is a clear split, with 51% using a consultancy in half or fewer digital projects, and the remaining 49% using a consultancy in more than half of digital projects.

This illustrates two broad philosophies—either to use third-parties to enable digital transformation, as an ad-hoc need, or including them as an integral element of the digital strategy. In both cases, clearly most organisations do not feel completely confident executing all digital projects alone.

This is driven by a range of factors. 71% agree that poor staff skillsets limit their organisation's ability to maximise the impact of digital transformation projects. 84% agree that the competition for talent means that they will always need to rely on outsourcing for some of the work. This skill drought, which has potentially driven the desire for using a third-party, crosses many areas—digital product design (48%), product strategy (43%), software engineering (36%), solution integration (35%) being the four most likely.

Fig.6
Approximately on what proportion of digital transformation projects does your organisation use a third party/external digital transformation consultancy? [200]

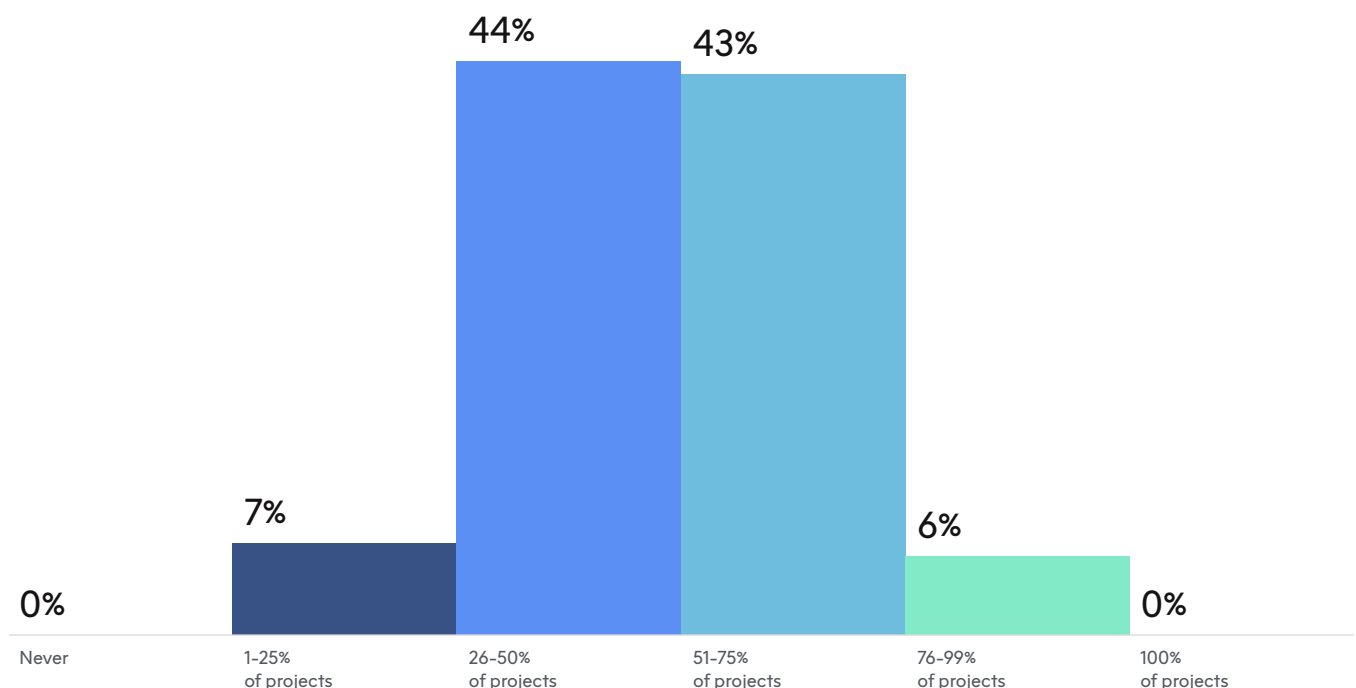
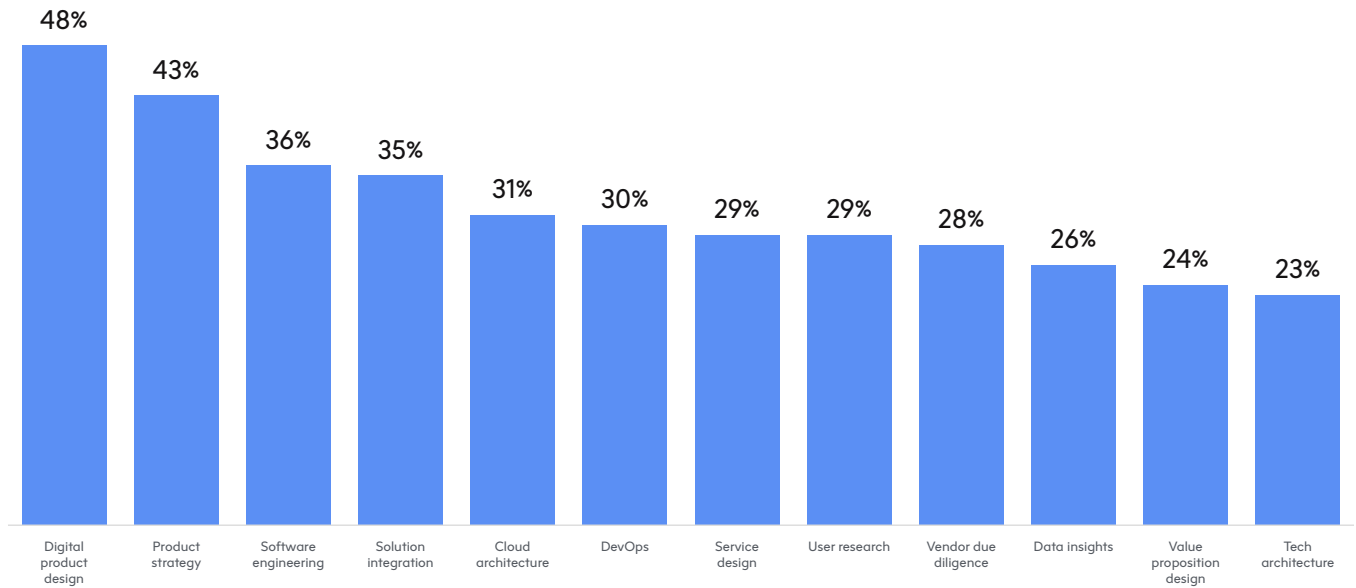


Fig.7

With which of the following support elements do/would you like third party/external digital transformation consultancies help your organisation on digital transformation projects? [200]



While the exact elements of support will vary depending upon the requirements of the project and the organisation, there is a clear need for a mix of strategic (e.g. product strategy) and technical support and skills (e.g. software engineering) to be provided by third-parties.

Many organisations thus choose to work with third-party digital consultancies. While 59% of organisations worry that they may spend too much time and money on presentation decks from third-parties, it should also be noted that a similar percentage (56%) say that their third-party consultancy's performance exceeded expectations on the most recent digital project they were involved with. This demonstrates that working with third-party consultants can certainly boost the success of a digital project, but organisations need to engage closely with them to maximise their positive benefits.

05

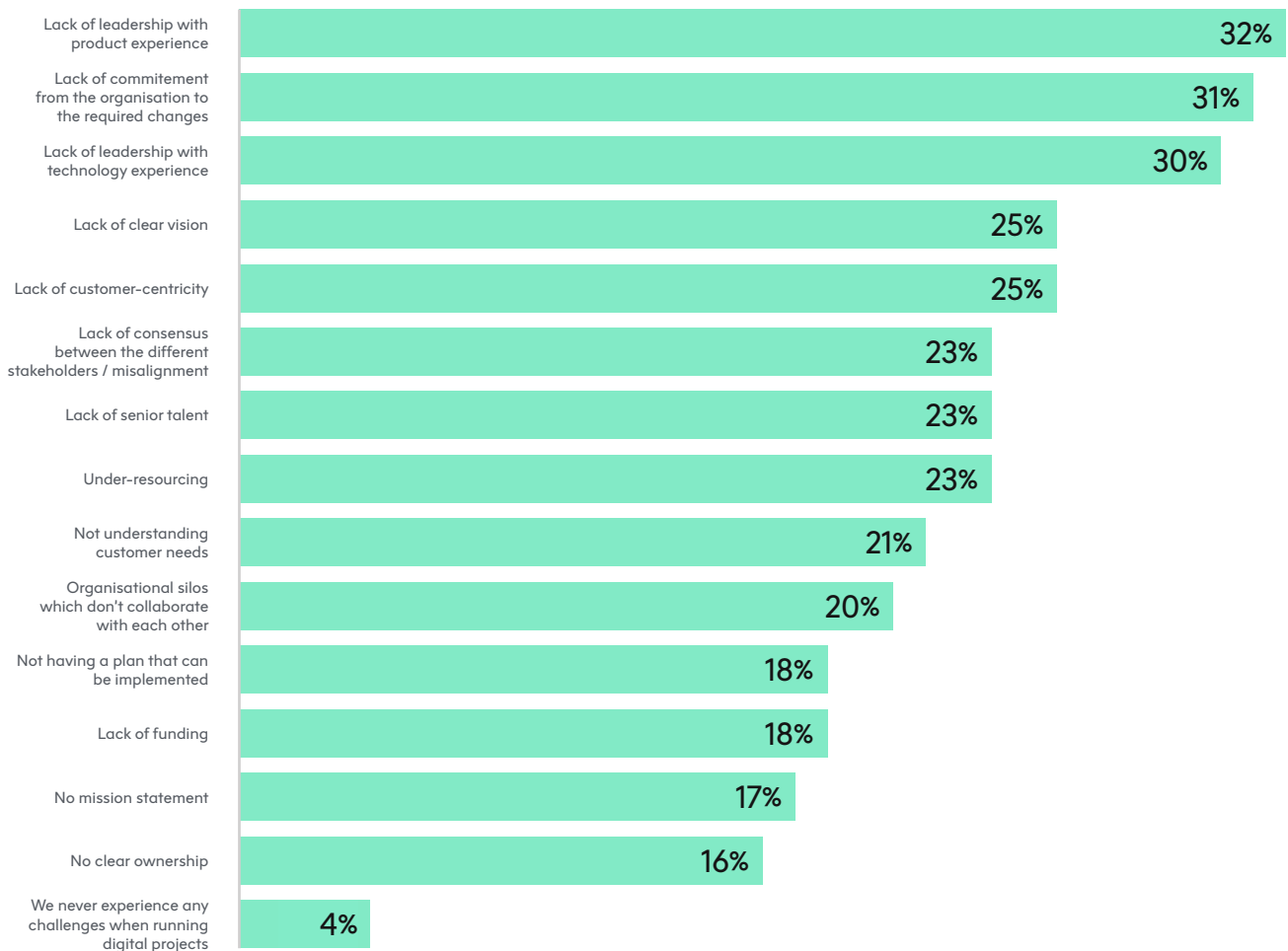
Challenges of digital projects

Problems around leadership tech experience can also feed into the digital projects themselves. Lack of leadership with digital product experience is the challenge most likely to be highlighted by respondents (32%).

And the next two most likely challenges are similar—30% reporting a lack of leadership with technology experience, and 31% reporting a lack of commitment from the organisation to required changes—commitment to change is usually driven by the leadership team.

The financial services sector in particular is more likely to experience these issues—lack of leadership relating to product experience (38%), technology experience (34%) and lack of commitment (44%) are all higher than the overall average levels. Organisations in the financial services sector therefore must be particularly wary of being held back by leadership issues during digital projects.

Fig.8
Which of the following challenges, if any, does your organisation encounter when running digital projects? [200]



Other key challenges to note include a lack of customer-centricity highlighted by a quarter (25%) of respondents—we saw earlier how central the customer is to many digital projects. Furthermore, nearly a fifth (18%) found they had a digital project plan that could not be implemented—this perhaps explains why 42% turn to third-party digital consultancies to help them understand what is possible when it comes to digital projects, and also reinforces the importance of agreeing priorities when it comes to initiatives, as discussed in section 3.

Possibly the most important point here is that nearly all organisations (96%) report facing at least one major problem or challenge when running digital projects—the average number of major challenges being around three. Regardless of how advanced or complete an organisation's digital strategy is, their digital projects are not immune to problems along the way. The challenges will of course vary—no one challenge is experienced by as many as a third of respondents' organisations—but this makes having a developed digital strategy even more important, to ensure that the potential benefits are maximised.

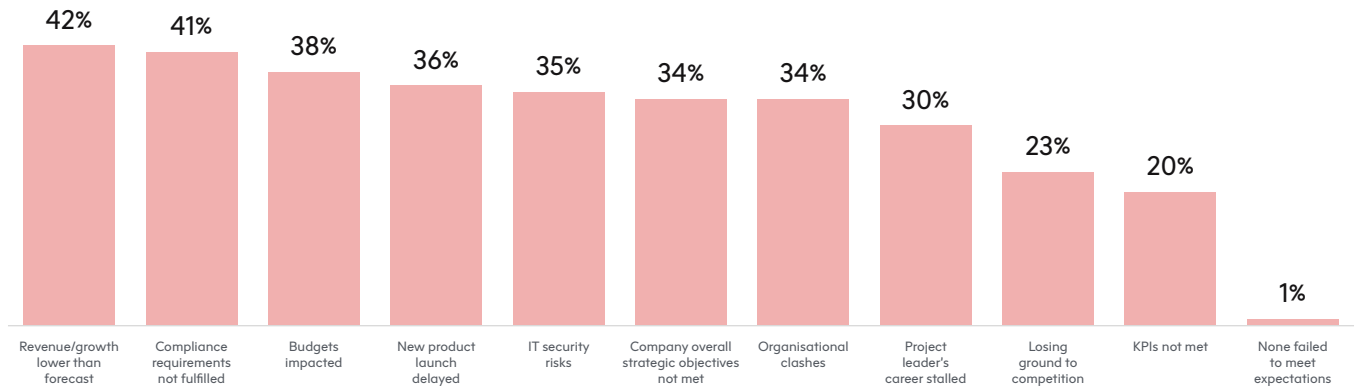
But are these challenges having a big impact upon the success of digital projects? Based on respondents' views, it looks like there are major issues to overcome. Even in project areas that saw significant focus in the last 12 months—such as employee and customer experience (see figure 2)—nearly nine in ten respondents (89% for both employee and customer project areas) report that the outcomes of these digital projects had at least significant room for improvement. Other key areas that still had considerable or vast room for improvement in the clear majority of cases include removing internal productivity blockers (88%), migration to the cloud (84%) and unlocking the hidden value of their data (84%). It should be noted that none of these digital projects are especially unusual or advanced—so it is worrying how limited the success of many of these projects has been.

06

Negative business impacts

When digital projects fail to meet expectations, nearly all respondents (99%) report experiencing some negative impact to the business across a number of areas.

Fig.9
What was the impact of any digital project/s that failed to meet expectations? [200]



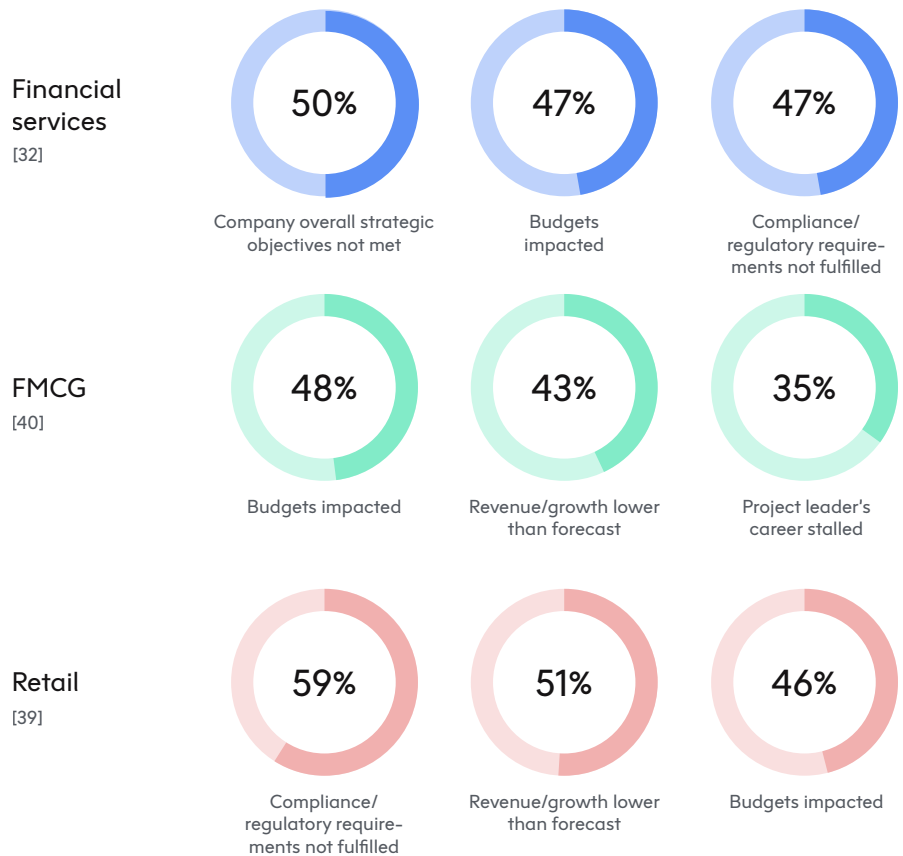
Around four in ten overall report that revenue or growth was lower than forecast (42%), compliance requirements were not fulfilled (41%) or that budgets were impacted (38%). More than a third (35%) also highlighted IT security risks resulting from a disappointing digital project—clearly a concern, with cyber-attacks an increasing threat. Such issues can impact a business, not just in the near-term, but can have cascading impact through the following years.

The issues become even more stark and concerning when examining in detail by sector. Around half of financial services sector respondents say that their overall strategic objectives were not met (50%), that budgets were impacted (47%), or that compliance requirements were not fulfilled (47%). Financial services organisations are likely to be reliant on digital projects so that they can remain competitive—84% of these respondents agree that start-ups are a huge threat to their organisation's survival. They also want to maximise the use of their data—94% say they use data in the majority of decisions. Missing objectives or failed compliance can clearly have huge implications for a financial services organisation.

More than four in ten FMCG and retail organisations say that their budgets were impacted (48% and 46% respectively), or that revenue/growth was lower than forecast (43% and 51% respectively). Both FMCG and retail organisations naturally need to respond quickly to market changes and customer trends (98% and 100% agree respectively), relying heavily on growing revenue to maximise tight margins, and reinvestment to expand capabilities. The importance of digital projects to these organisations thus

Fig.10

What was the impact of any digital project/s that failed to meet expectations?*



* [base numbers in chart], key sector splits

cannot be underestimated. Failing to meet expectations could significantly threaten their long-term survival.

One final point to note regarding impacts, is that 30% of respondents report that the project leader's career stalled. This is important as it demonstrates the human, and professional cost of a disappointing digital project. Such an impact might threaten the morale of the wider business, if (given the earlier points made regarding potential leadership issues), project leaders receive inadequate support from senior stakeholders in the organisation.

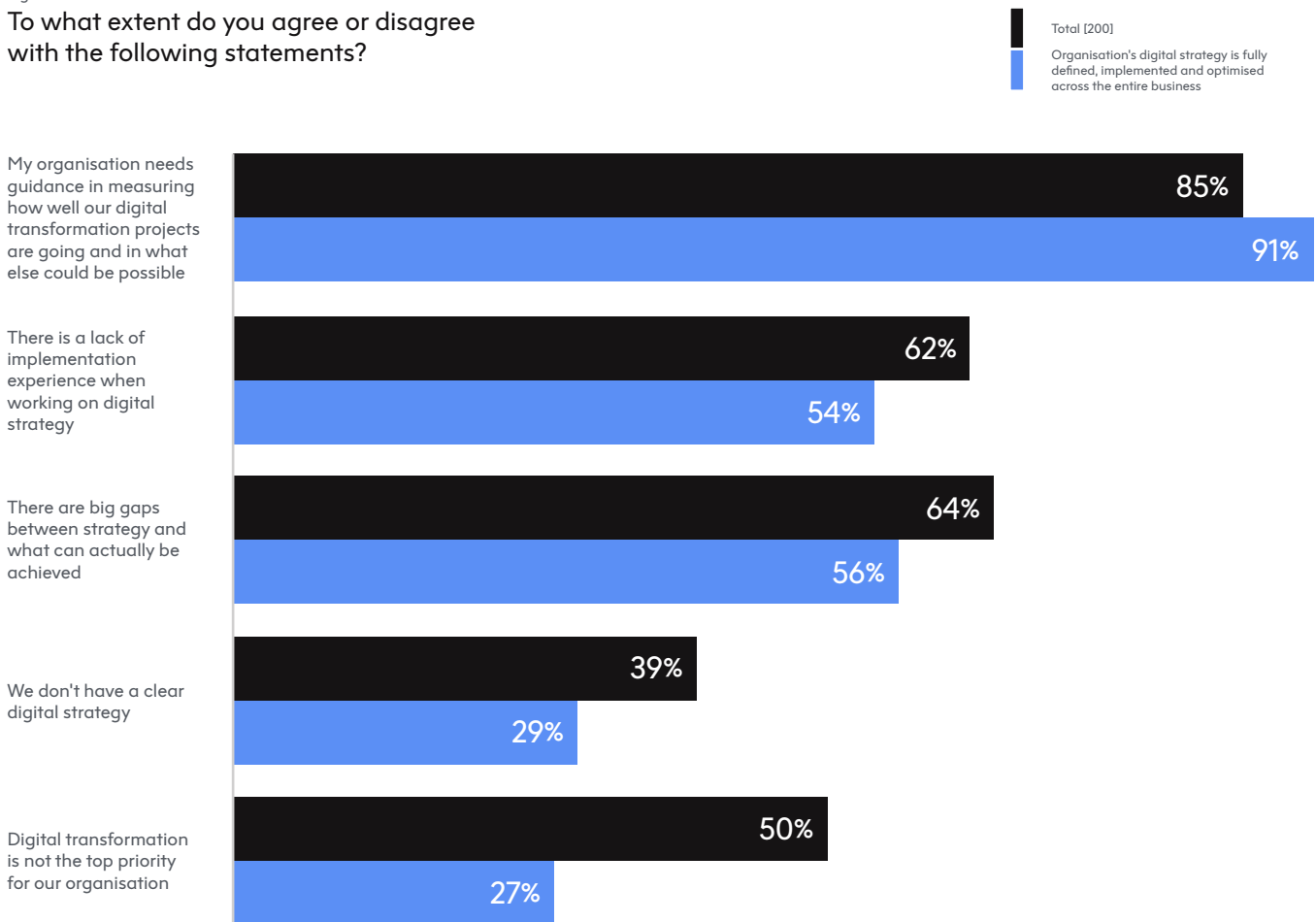
This clearly demonstrates that the weaknesses in digital project execution are significantly limiting the success of digital projects—which can trigger a shockwave that continues far beyond the timescale of the project itself.

07

Digital strategy— evolving alongside digital transformation

Even when an organisation believes that their digital strategy is already fully optimised across the business, our research data clearly demonstrates that this is no guarantee of success.

Fig.11
To what extent do you agree or disagree with the following statements?



* [base numbers in chart], comparing total with those in organisations whose digital strategy is defined, implemented and optimised

Despite organisations' broad positivity on digital strategy, the majority of respondents see issues with their current approach and capabilities around digital projects. Critically, these issues exist even in organisations where the digital strategy is fully defined, implemented and optimised across the entire business. It is therefore vital that organisations should always seek to improve upon their digital strategy and approach.

08

Conclusion

For the most part, organisations have a clear direction when it comes to their digital approach. There is almost always a strategy in place (albeit not always optimised across the business), and a range of projects planned and in progress. The survey findings strongly suggest that if your organisation is not employing a digital strategy that links to clear goals and outcomes, your ability to take advantage of digital transformation will be extremely limited.

In many organisations, improving the experience of employees and/or customers forms a key goal of digital transformation. While companies will have their own sector or situation-specific digital goals, all organisations should consider how the needs of employees and customers can be taken into account when planning digital projects.

But it is when planning and executing the digital projects that many organisations encounter challenges that limits their success, or even cause negative impacts. Issues around leadership (whether it be lack of specialist experience, lack of focus, or something else) and skills (such as a lack of resource or experience in certain technologies) came up frequently in the survey responses. Leadership-related issues and limited availability of key skills severely constrain a digital strategy. The extent of the problem is shown in that nearly two-thirds (64%) of organisations experience big gaps between strategy and what can actually be achieved.

Organisations may well have it within them to solve these issues themselves. If leadership and departments work with each other to understand their weaknesses, they can support each other in overcoming these too. Third-party digital consultancies can also play an important role in plugging gaps in knowledge, and making sure that the benefits of an organisation's digital projects are fully realised through end-to-end planning.

In order to deliver digital transformation successfully, organisations must be honest with themselves when it comes to their capability to plan and run a digital project end-to-end. If they cannot identify their limitations, and take action to strengthen these areas, they risk falling behind their competitors.

Research by Vanson Bourne for Elsewhen

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.

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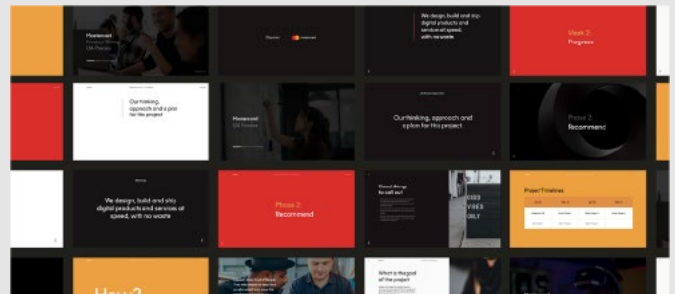
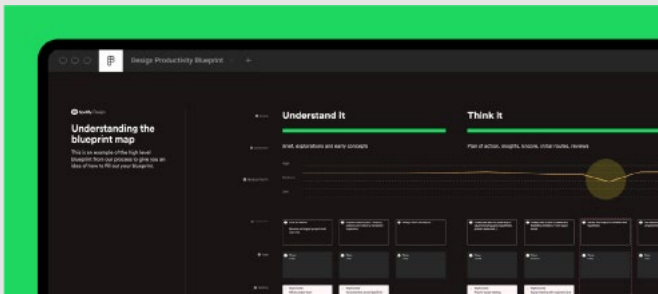
About Elsewhen

Elsewhen has spent the past decade reimagining consulting for the digital age. We are a 40-person digital product consultancy established in 2011 and based in London, UK. We combine strategy, design and engineering into one unified process.

We help companies tackle new market realities, pinpoint new business possibilities and surpass new customer expectations, and we lead the conversation—whether on technology, design, product or business—sharing our insights and best practices. We work seamlessly with cutting edge organisations—or companies that aspire to be—to deliver best-in-class solutions into business-critical functions.

Case studies

Elsewhen has delivered transformational digital projects for a wide range of clients. Discover a few of our customer success stories.



Spotify

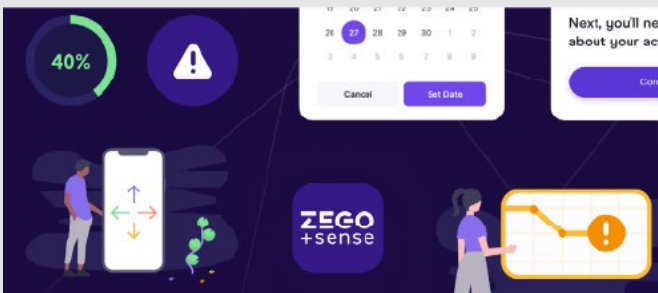
Music streaming giant Spotify worked with Elsewhen to improve productivity in its internal business and design workflows.

→ [Service Design Blueprint \(pdf\)](#)

Mastercard

Global payments business Mastercard worked with Elsewhen to improve quality assurance, user testing and wider digital strategy.

→ [Accelerating product delivery for Mastercard \(pdf\)](#)



Zego

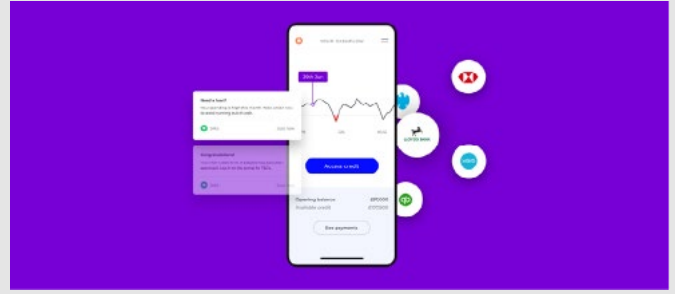
Leading insurtech Zego worked with Elsewhen to drive value with a customer-centric telematics insurance product.

→ [Driving telematics insurance \(pdf\)](#)

Bupa

Healthcare group Bupa worked with Elsewhen to bring digital transformation to its dental business, giving both patients and dentists a personalised experience.

→ [Leading the way in UK dental care](#)



CapitalFlow

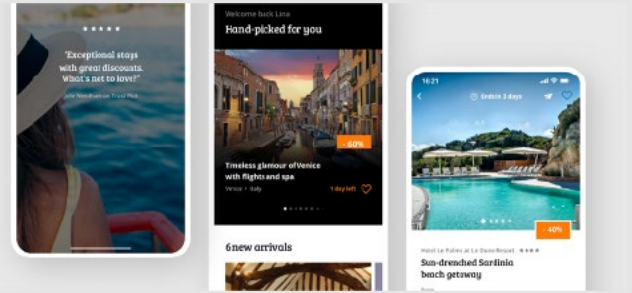
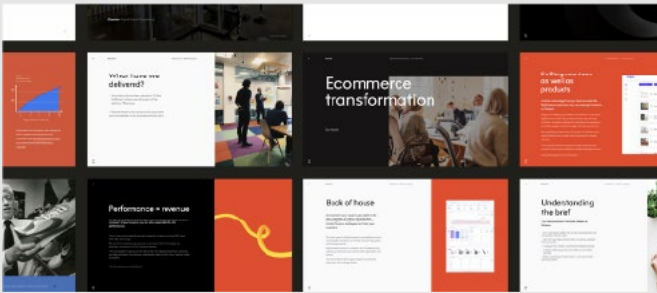
Business lender Capitalflow made the transformation from traditional to digital operations with new tools to accelerate and automate its processes.

→ [Service Design Blueprint \(pdf\)](#)

SME Finance Platform

This leading private equity firm worked with Elsewhen on a new digital tool to analyse SME cash flow and provide tailored financial services.

→ [Creating a digital platform to transform SME \(pdf\)](#)



Selecta

Europe's leading unattended retailer worked with Elsewhen to create a digital self-service B2B2C channel.

→ [Creating a digital self-service B2B2C channel \(pdf\)](#)

Secret Escapes

Luxury travel brand Secret Escapes worked with Elsewhen to transform its digital experience into a 'true customer conversion engine'.

→ [Building a customer conversion engine \(pdf\)](#)

Get in touch

Let's talk about how Elsewhen can help you improve your digital transformation projects.

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