From Digital Transformation to Digital Evolution: Survival of the Quickest

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Contents

Foreword

Hello, welcome, and thank you for taking the time to read our report 'From Digital Transformation to Digital Evolution: Survival of the Quickest'. Introducing a report of this kind is always a challenge, as we need to balance views from across a number of disparate sectors and industries; from individuals, teams, and businesses; all with a unique perspective on digital and what it means for them.

As we compile this report, in late spring 2022, we find ourselves in a unique time – unprecedented even (to employ an overused word) – as we emerge from a global pandemic which has caused businesses, their partners, and value chains to fundamentally rethink ways of working that until only a couple of years ago had felt baked-in and established beyond question. Add to that the political and social changes of the past five years, and we find ourselves in an era of accelerating change on many fronts; an era that many business leaders are struggling to come to terms with, given customers' expectation of consistency in service quality, accessibility, and inclusivity, and immediacy.

What role for digital in all this? It has been widely said that the two years of the pandemic accelerated digital transformation across many business sectors by as much as a decade. We have all been working remotely, adjusting our ways of connecting with and serving our customers and communities, and re-evaluating how we approach work and business in our daily lives. Audience habits have fundamentally changed, and this will offer new opportunities to those with open minds and the courage to innovate.

All of this suggests that agility and adaptability will be more important than ever for a successful future. We need to find ways to build relationships with our audiences that provide insights into their needs and behaviors, and enable us to co-create experiences and digital products with them that will engage with our communities, and anticipate and meet those needs. And all of this will need to be done while delivering against an increasingly important sustainability agenda, and maintaining a viable growth mindset for our businesses.

As we shall see in the results, enabling this by placing data at the heart of the digital experience is of critical importance. Combining continuous measurement and evaluation alongside a view of the digital experience as a component of your end-to-end customer experience, are the fundamentals of creating what can be called an 'Intelligent Digital Product'. Our digital channels and touchpoints are as much an opportunity to learn about our audiences, customers, and colleagues as they are an opportunity to serve and delight them, grow revenue, and lower costs. This means we need to work together in new ways, combining expertise and insights from within the organizations and across partner networks.

Over the past two decades, digital has proved itself to be the theatre for the most exciting, innovative, and disruptive commercial and social initiatives to impact how we shop, connect, build relationships, become more efficient, and grow our businesses. This report has been designed to take the temperature of where we stand in 2022, after many years of discussing the concept of digital transformation as a strategic goal to enable these benefits. It asks how far we have come, whether we feel equipped for an uncertain, dynamic, and exciting future, and, most importantly, where do we go next to discover, create, and optimize differentiating digital product experiences that benefit our customers and audiences, our organizations, and our wider environment.

In taking on such a challenge it made sense to bring together three strong partners with extensive real-world experience in designing, delivering, and improving digital experiences for outsized outcomes – Netcel, Optimizely, and Siteimprove – alongside our research partner, London Research. You can find out more about each of us in the appendix. I also want to thank all of the 300+ respondents who took part in the survey, and our expert commentators, who brought their wisdom, perspective, and insights to help us make sense of the findings and give us some advice on how to move forward with positivity, confidence, and clarity.

Dom Graveson
Director of Strategy and Experience, Netcel

Executive summary

Digital transformation is established, digital evolution is not

The results of the survey suggest digitization of the main processes within business is fairly widespread. Core workflows are now automated and running on digital platforms.

- Established digital marketing channels – websites, email, social, etc. – are in place, performing, and recognized as valuable.
- Understanding of basic analytics is good, and these tools are being used to guide decision-making.
- There is an appreciation of the importance of customer centricity as a competitive differentiator.
- There is a broad understanding that digital experiences are in need of continuous improvement, although this is not an established process or capability.

However, while digitization of processes is mature, the real benefits of organizational change around adaptability, agility, shared insights, and capability are less so.

- Digital is still seen as firmly in the realm of technology/IT and owned by CTOs. How serious a barrier is this to the cultural and structural changes that are equally important to digital transformation? And to what extent does it hinder the adoption of the customer-centric approach that marketers are more likely to champion?
- Departments core to business success (marketing, IT, product, customer service) are still siloed and have neither a shared view nor a way to put such a view into action.
- Digital enables organizations to adapt and innovate very rapidly around customer experiences, personalization, and brand relationships, as well as enabling rapid change in workforce processes, training, and customer-facing offline services. However, this capability is not being fully realized.

In a rapidly changing world, fear of failure and lack of support from leadership may be hampering organizations' capability to experiment.

- Many don't have a shared view on what their digital experience should be achieving for them or their customers. These can be fragmented across departments and lack a shared view of success measures.
- Companies struggle to keep up with the pace of change – data proliferates while actionable insights are in short supply, decision-making is arbitrary and skills are scarce. Meanwhile, experimentation is not understood, encouraged, or measured in a systematic way.
- Governance processes often do not reflect the needs, capability, and culture of organizations that increasingly need to become fast-turnaround, agile businesses.
- Insight-led innovation needs to be both understood and seen as the most effective way to manage risk in a '90-day world'.
- The interviews accompanying the survey reveal a lack of confidence in digital product and service innovation. At the same time, customer-centric cultures and capabilities suggest that while investment in digital presence is well-established, organizations still have a long journey ahead to match the threat of disruptive digital-native competitors and market entrants.

On top of all this, technology is not widely thought to be readying us for the challenges ahead.

- Systems struggle with shared data, analytics and the single customer view. Integration remains an issue, and the rollout and evolution of enterprise architectures may be a challenge.

- Martech is often owned by the IT department, which may be detached from marketing, front-line service, and data and insight teams.

- Organizations have not yet established shared data, and insight platforms that make meaningful connections between different sources of insight (web analytics, CRM, lead gen tools, etc.) to enable a 360-degree view of what is going on and allow the delivery of actionable insights to the teams that need them.

"It's incredible to think the internet has been with us for around 25 years. Digital transformation programs have been around for almost half that time, yet it's impossible for a business to reach digital maturity. Yes, it might have reached a level of expertise or stability in an area of digital, cloud-based infrastructure for instance, but the digital landscape is constantly evolving and fragmenting so there is no way to understand the broader context of digital maturity. There is no end, just constant change and evolution.

Agility in its broadest sense, to move quickly and easily, is the only way to embrace that change, testing and learning, iterating and improving. It's no longer about big projects and big bets, but rather smaller, faster iterations that counter the change. What's key is the ability for organizations to be able to identify what to change and when, and that's where data can help, whether it's technology, people, or process. As Bruce Lee once said, 'It is not a daily increase, but a daily decrease. Hack away at the inessentials'."

Peter Abraham
Co-Author, Building the Agile Business, and
Co-Founder, weareCrank

In summary, this research shows that while respondents typically think their 'digital transformation' is complete, they are often only talking about systems and processes. These are 'digitized' rather than truly 'digital' businesses.

Answers to other questions in the survey suggest that leadership, organizational culture, and capability lag far behind what is needed to meet the pressing challenges facing businesses in today's fast-moving, unpredictable world.

Methodology and acknowledgements

This report is based on a survey of more than 300 client-side business respondents with responsibility for digital development, at organizations with annual revenues of at least $50m. The survey was in field in March and April 2022. Over the same period, we also carried out a series of interviews with consultants and practitioners.

The authors would particularly like to thank the following for their contributions:

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Fintech Adviser and Investor, and Former Chief Digital Officer, Hargreaves Landsdown

Section 1

What is digital transformation?

“The term digital transformation has been around now for over a decade, but it’s no longer descriptive of the challenges we’re facing now. First of all, it’s become really unclear what we mean when we say digital. And then transformation is also not the right way of describing where we are, because there are very few businesses now who could say ‘we are at point A and we know we need to get to point B’, and really clearly understand how they’ll know when they get there. And transformation implies that there is a clear end-point.”

Eva Appelbaum
Transformation Consultant
Grey Consulting

What is digital transformation?

Many points in history have been suggested as the beginning of digital transformation, from the development of binary arithmetic to the invention of the semiconductor. But there is a consensus that every business’ digital transformation starts with the digitization of existing analogue processes.

It’s striking, then, to find that ‘digital transformation’ is still most widely understood in these basic terms (*Figure 1*). Almost two-thirds (60%) of respondents to our survey of business professionals see digital transformation as relating to an organization’s overall technology infrastructure and the automation of its processes. Just over half took the term to include a more contemporary view; that it involves the ongoing evolution of business to capitalize on digital opportunities (55%), and the development of new business models and platforms (53%).

However, less than half (45%) believe that digital transformation involves fundamental organizational change. In other words, more than half of the companies surveyed see their future as simply working faster within their existing structure. This is akin to the thinking that prompted Henry Ford to say that, if he’d given people what they wanted, he’d have created a faster horse.

Definitions change with maturity
Unsurprisingly, businesses at different levels of digital maturity have different views about digital transformation (*Figure 2*). Companies that describe themselves as ‘established offline businesses with a growing digital presence and capabilities’ are more likely to think in terms of digitization than digitally-focused companies (64% vs. 57%).

FIGURE 1

When you think about ‘digital transformation’, which of the following areas are relevant for your organization?

Less than half (45%) of respondents regard digital transformation as involving fundamental organizational change.

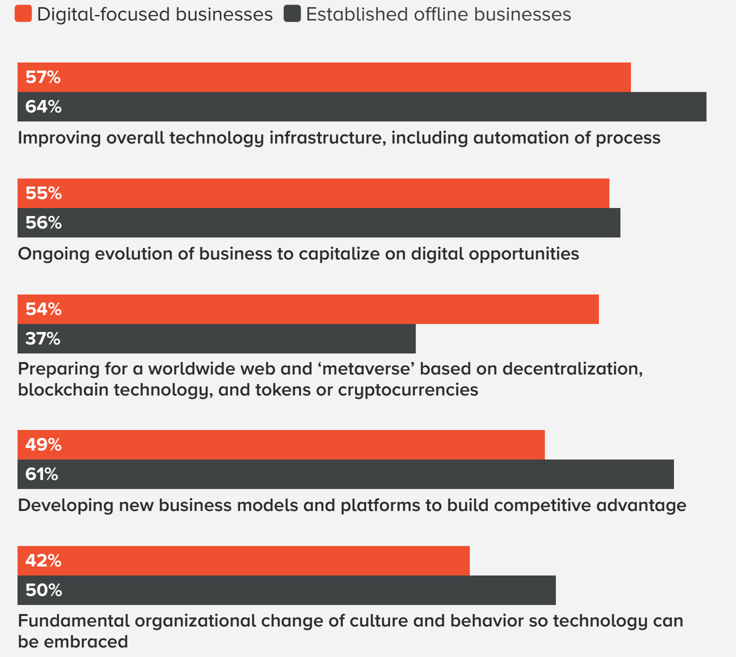
What is digital transformation?

Those with an offline heritage are also significantly more focused on developing new business models and platforms to build a competitive advantage (61%) than those that describe themselves as digital-first (49%), who presumably feel they've already done so. Conversely, digital-first or digital-focused businesses are more likely to see digital transformation as involving Web 3.0 and metaverse opportunities (54%, vs. 37% for historically offline businesses).

What might be less expected is that digital-first businesses are less likely to see digital transformation as a fundamental organizational change (42% compared to 50% of offline businesses). Combined with their enthusiasm for Web 3.0, this indicates that more than half of these companies see digital transformation less as a journey with a defined end-point, and more as a state of readiness for whatever technology might throw at them next.

FIGURE 2

When you think about 'digital transformation', which of the following areas are relevant for your organization?



How can I address this in my organization?

1. Start by establishing a clear idea of what success means for you. Identify the key organizational objectives for each department, their stakeholders, and any areas of conflicting incentives. Build a link between digital measures (e.g. online sales, traffic, behavior) and your direct business success factors (e.g. revenue, savings, EBIT).

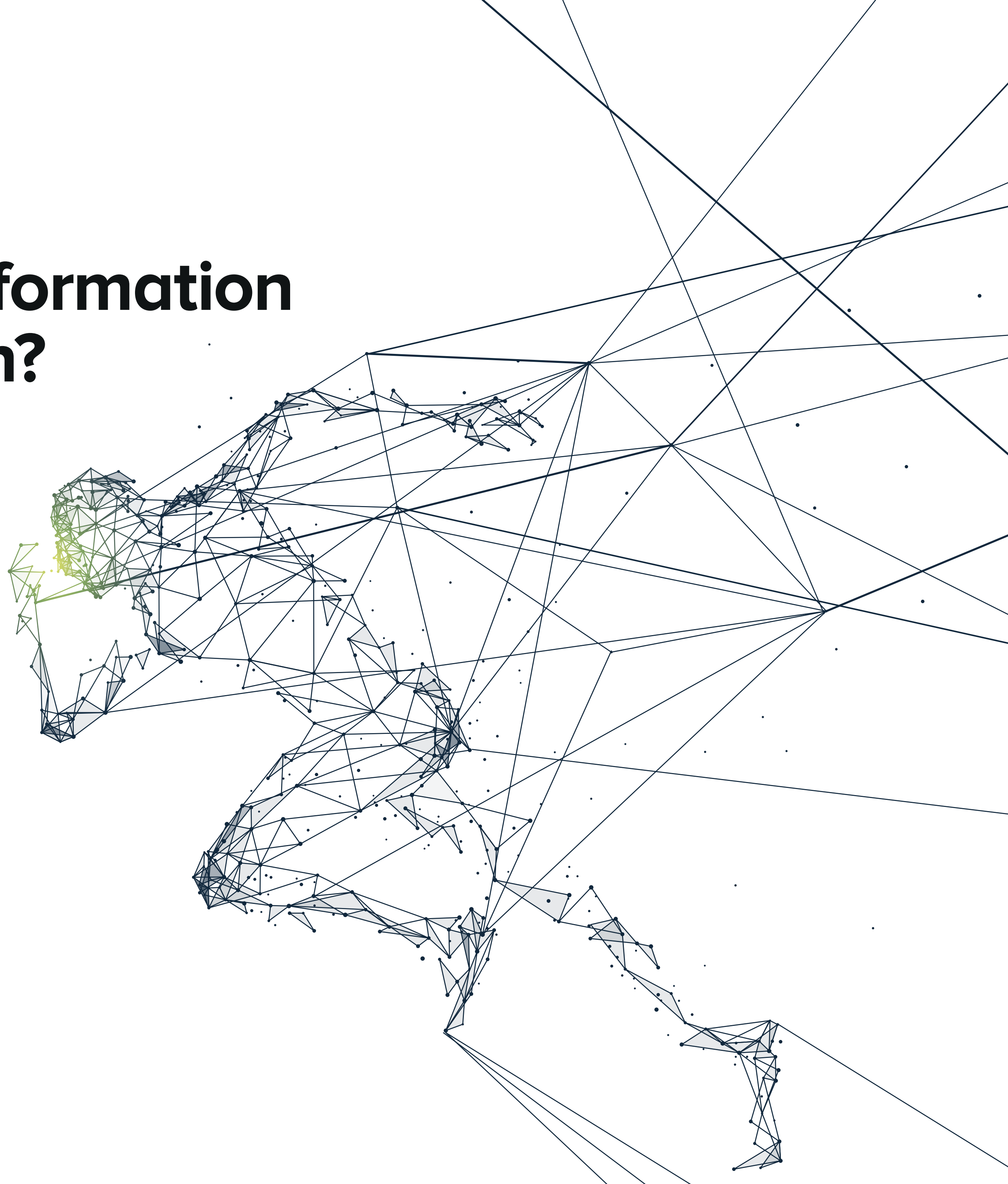
2. Look at your competitors, and perhaps unrelated 'comparator' businesses that do similar things well (think registration processes, product selectors, etc.), and get ideas and inspiration. Then develop ideas from there – there's no shame in borrowing ideas from the leaders in your, and other, fields.

3. Work with your leadership to help them understand this approach. Identify and support internal changemakers, or find a partner who can help with organizational leadership adjustments as well as project delivery. Set aside time and resource to address this properly and revisit it regularly.

Companies with an offline heritage are more focused on developing new business models and platforms to build a competitive advantage.

Section 2

From digital transformation to digital evolution?



From digital transformation to digital evolution?

"With digital transformation, people almost have in their minds that there's going to be some sort of ribbon-cutting ceremony one day and everything will become easier and faster. That's not the way transformation is. Many businesses have catching up to do from the point of view of technology, of culture, of organizational design, but transformation and the digital way of working now is about getting a business to a point where it can continue to adapt, evolve and work in an agile manner."

Chris Worle
Fintech Adviser and Investor, and Former Chief Digital Officer, Hargreaves Landsdown

The term transformation implies a change of state; it used to be like that, now it's like this. And it's certainly true that businesses had to change to meet the challenges of the new digital era. More problematic is another of the term's implications, that of finality. It's becoming increasingly obvious that a completed digital transformation doesn't come with life membership. And while the idea of constant technological change may be overstated, the Covid-19 pandemic proved how fast change can happen when something triggers it.

This way of thinking may also be behind the often-quoted figure that 84% of digital transformation projects fail[1]. If you don't know where you're going, or the landscape changes while you're on the journey, how will you know you've arrived?

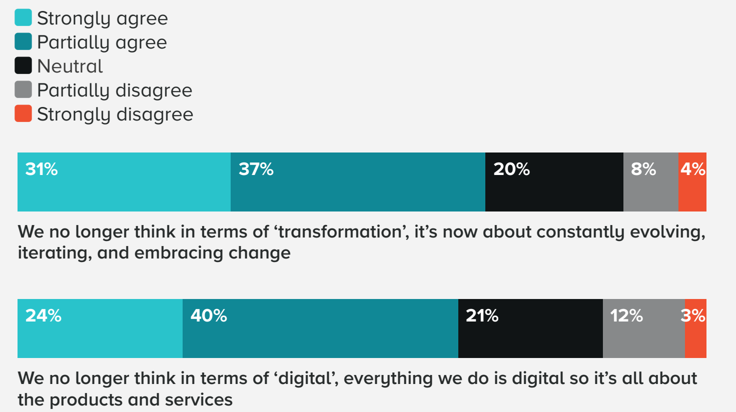
In other words, we have entered a period when thinking in terms of digital transformation isn't enough. Instead, organizations need to achieve a state of continual evolution, of constant awareness of – and response to – changes in technology, customer behavior, and the competitive environment. And unlike biological evolution, where the organisms that are already most suited to the changed environment are the ones that prosper, business evolution favors those that are most agile, that are best set up to respond to change at speed. It's survival of the quickest, rather than the fittest.

The evolving majority

This is certainly the view of the majority of respondents to the survey. More than two-thirds (68%) say they no longer think of 'transformation' but rather of constant evolution and iteration to embrace change (*Figure 3*).

FIGURE 3

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



More than two-thirds (68%) of respondents say they no longer think in terms of 'transformation'.

1 https://www.forbes.com/sites/brucerogers/2016/01/07/why-84-of-companies-fail-at-digital-transformation/?sh=51e93f5c397b

It's also significant how many respondents have abandoned the idea of 'digital' as something separate from the rest of the business. Two-thirds (64%) say everything they do is digital, so their focus is on their products and services.

Once again, there are differences in attitude between organizations, depending on their heritage. Digital businesses are much more likely to say they have stopped thinking in terms of digital and non-digital than established offline businesses (71% vs. 50%). However, the two groups are almost equally likely to say they think in terms of digital evolution rather than transformation (*Figure 4*).

That said, between 40% and 50% of companies still regard themselves as only 'nascent' or 'emerging' for a range of digital maturity pillars relative to their peers (*Figure 5*). The picture that emerges is one of companies that 'talk the talk' around digital evolution, but are as yet unable to 'walk the walk'.

How can I address this in my organization?

1. Recognize digital transformation is a journey, not a destination. This means anticipating and welcoming change, and investing in insights and governing programs for digital (and more broadly, customer) experience as a continuous process, than a final, defined deliverable.

2. Running a maturity model activity can be of use, but beware – many of these are very generic and the results can be of limited use, and risk indicating priorities that might not be that important. Work with a team who understand your business sector and tie everything back to the objectives you have set yourself. You may not need to be a leader in every category, you just need to be strong and capable in the ones that will enable you to meet your specific strategic objectives.

Between 40% and 50% of companies still regard themselves as only 'nascent' or 'emerging' for a range of digital maturity pillars.

FIGURE 4

Proportion of organizations agreeing ('strongly' or 'partially') with the following statements

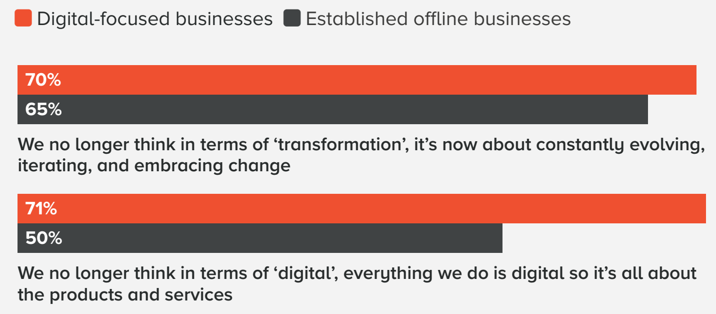
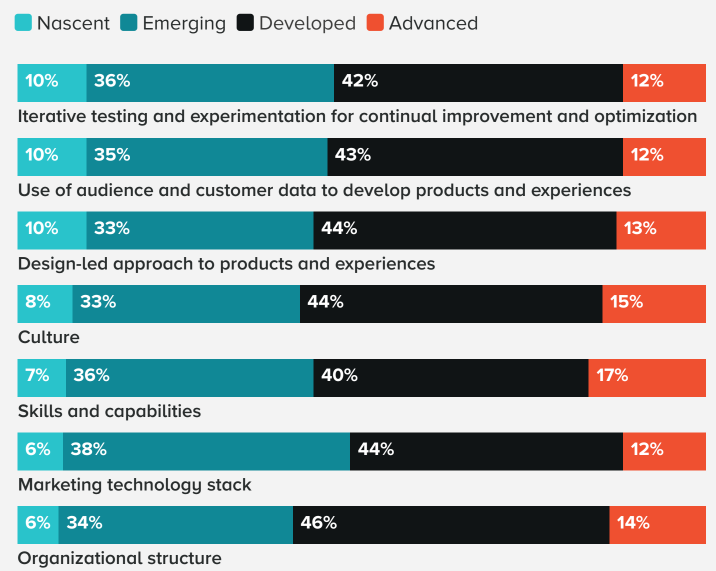


FIGURE 5

Compared to other companies in your sector, how would you describe your digital maturity in the following areas?



“Whilst ‘digital’ and ‘transformation’ are becoming pervasive, digital transformation itself is the context to which we must all adapt. The gap between leaders and followers is growing as leaders perfect evidence-based and data-driven incremental innovation. But it seems few have mastered working across silos to orchestrate new business-model innovation and new value creation. This explains why despite their digitization efforts many organizations will still struggle to match their digitally-native competitors, and deal with threats from disruptive new market entrants.”

Tim Ellis
CEO
The Digital Transformation People

Defining digital leaders
To explore the results of the survey in more detail, the report breaks respondents down into two groups: leaders and the mainstream. Digital leaders are classified as those organizations that regard themselves as ‘very successful’ in their digital initiatives (*Figure 6*) and as already having achieved at least significant transformation, if not already fully transformed (*Figure 7*). This overlap is explained in *Figure 8*.

The results displayed in *Figure 6* show a more positive view of the move to digital business than might be expected. Almost every company surveyed said their digital initiatives and programs had been ‘very’ or ‘somewhat’ successful, a far cry from Forbes’ 84% failure rate.

This optimism is somewhat muted by the fact that the dramatic success rate has still only resulted in 6% of respondents rating themselves as ‘advanced’ in digital transformation, although almost half (46%) see themselves as ‘developed’.

FIGURE 8

Defining digital leaders

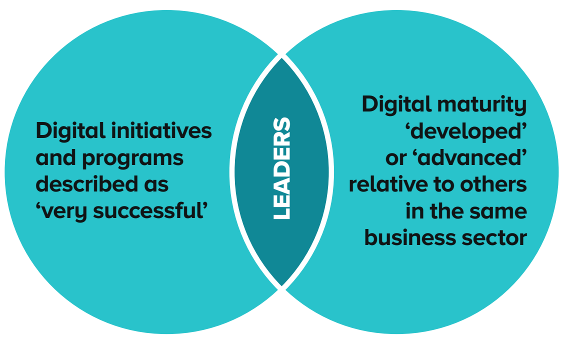


FIGURE 6

How do you rate the success of your digital initiatives and programs?

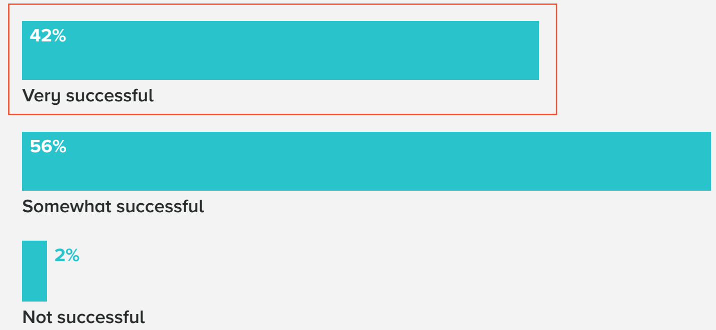
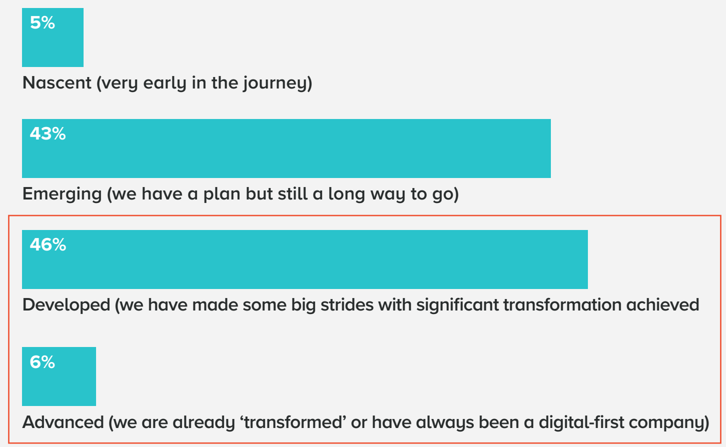


FIGURE 7

Relative to other companies in your business sector, how would you describe your level of digital maturity as an organization?



Section 3

The bigger picture – what's driving digital programs?

"Loads of marketers looked at personalization as, how do we give people the right offer in the right place at the right time? But if you look at the digitally-native platforms, the ones that have completely disrupted the industries they've entered, they look at personalization as, how can we use data to increase engagement later? They've gone from process improvement with digital tools, which is digital transformation v1.0, right to re-engineering the process completely and using it to provide competitive differentiation. And most legacy organizations haven't made that jump."

Brían Corish
Managing Director DACH
Accenture Interactive

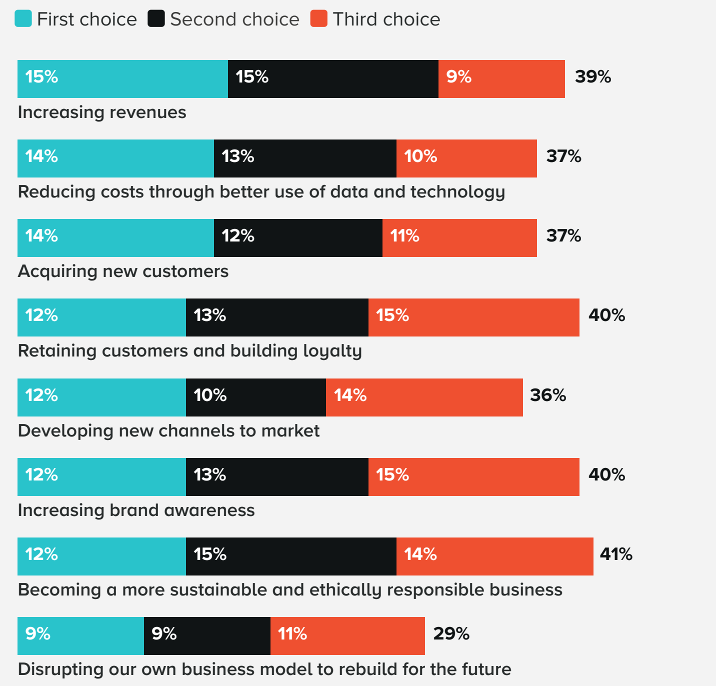
The bigger picture – what's driving digital programs?

To put organizations' digital initiatives in context, respondents were asked to choose their three most important business objectives for the next 12 months (*Figure 9*). There is little statistical difference among the top seven, but 'disrupting our own business model to rebuild for the future' lags significantly behind the others. Even so, it's the top priority for 9% of respondents.

It's also noticeable that becoming more sustainable and responsible is rated as highly as more traditional business objectives, such as increasing revenue, retaining customers, and building brand awareness. This backs up anecdotal evidence that it's both something employees expect and demand from their employers, and something consumers care about more and more. It's also something that will continue to grow in importance as the climate crisis grows more urgent, and issues around social justice continue to emerge.

FIGURE 9

Please rank your three most important business objectives for the next 12 months.



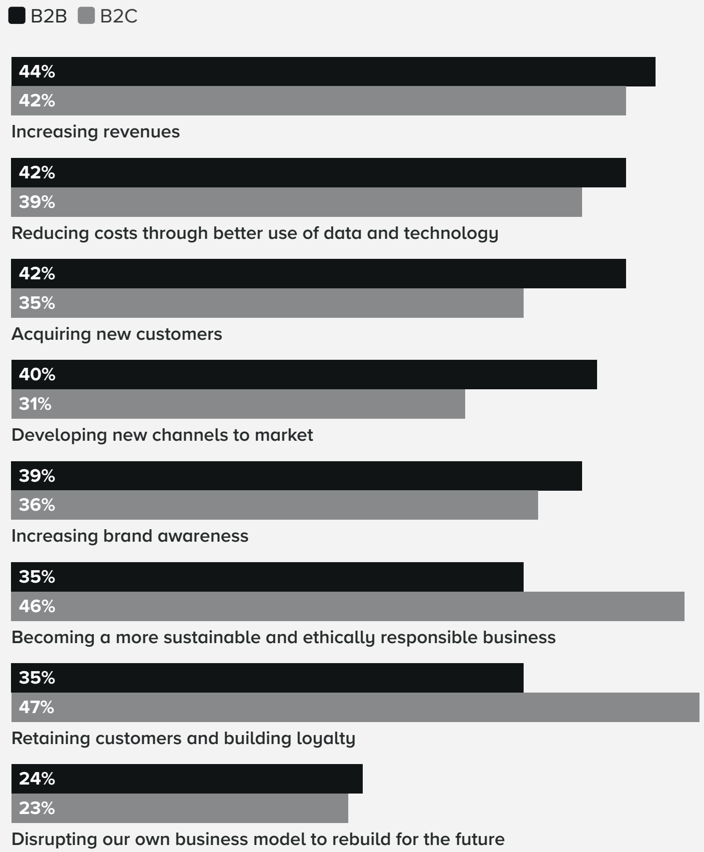
There is little statistical difference among the top seven business objectives, but 'disrupting our own business model to rebuild for the future' lags behind the others.

Breaking this data down by B2B and B2C shows both sectors give roughly equal weight to increasing revenues, using data and technology to reduce costs, and increasing brand awareness (*Figure 10*). It also reveals some significant differences. Retaining customers, and becoming more sustainable and ethical are much more important to B2C companies than they are to their B2B counterparts. In the latter case, this is presumably because there is less opportunity to introduce ethical buying considerations when dealing with the CFO and the procurement department.

By contrast, B2B companies are more focused on customer acquisition and developing new channels to market.

FIGURE 10

Proportion of organizations ranking these as top-three most important business objectives for the next 12 months



Retaining customers, and becoming more sustainable and ethical, are much more important to consumer-focused companies than they are to their B2B counterparts.

Leaders play the long game
Notable differences also emerge when the same data is broken down by leaders and mainstream businesses (*Figure 11*).

Leaders are significantly more likely to prioritize becoming more ethical and responsible, and increasing brand awareness, than the mainstream. In turn, mainstream companies put more emphasis on hard business objectives such as acquiring and retaining customers, and increasing revenues. These findings chime with recent industry concerns that big brands are switching focus to a shorter-term, performance-based approach as they try to copy the high-growth of early-stage companies[2].

The WARC report goes on to describe a growing number of companies "optimizing themselves out of effectiveness as they efficiently convert all available market demand with conversion tactics, then see their performance metrics decline as that demand is exhausted."

How can I address this in my organization?

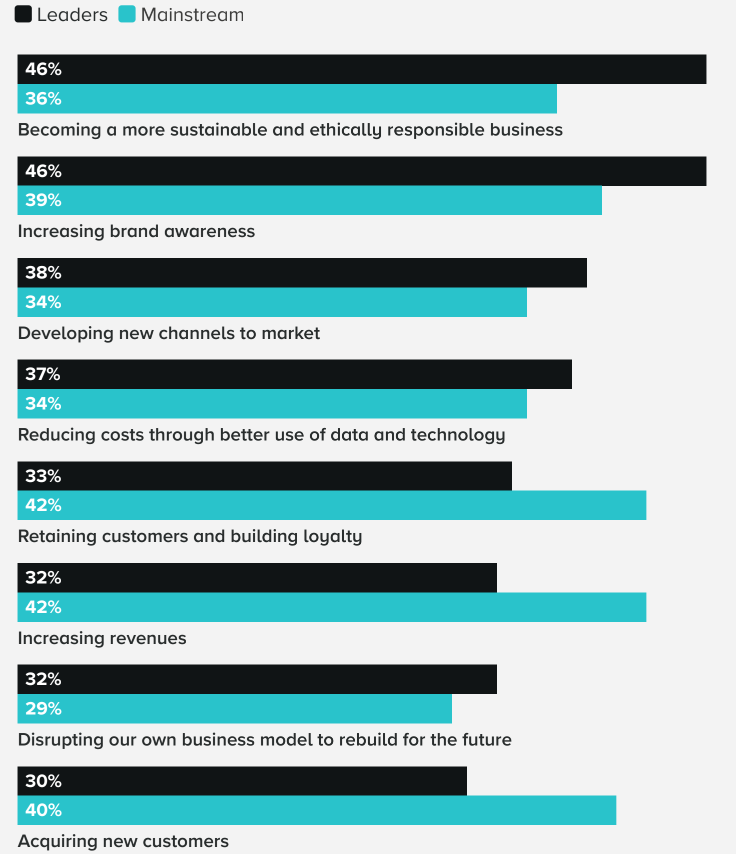
1. Using the Theme > Initiative > Epic model can help you link organizational objectives to your digital priorities and know what investments will have the most impact. For example, if your organizational objective is to lower costs to serve customers (a Theme), you might have a hypothesis that offering an online self-service portal will reduce calls to the call center (an Initiative). Try and focus on how you will measure these successes from a digital perspective, and map these to the organizational aims.

2. You can then prototype and test these hypotheses, working with a customer representative group to work through the details. From that you can confidently establish validated groups of features (your Epics) to build, knowing they are likely to repay the investment you make in them.

3. Remember that your digital experience is likely to be part of a broader customer and brand experience. Even if you are an online business, people still discuss, hear about, and experience your products and services away from their phones and computers. It's important to understand how the digital elements of your proposition impact the physical. Researching this thoroughly will provide valuable insights into how to prioritize and measure meaningfully.

FIGURE 11

Proportion of organizations ranking these as top-three most important business objectives for the next 12 months



2 Rethinking brand for the rise of digital commerce, WARC, 2021.

Section 4

Measuring what matters

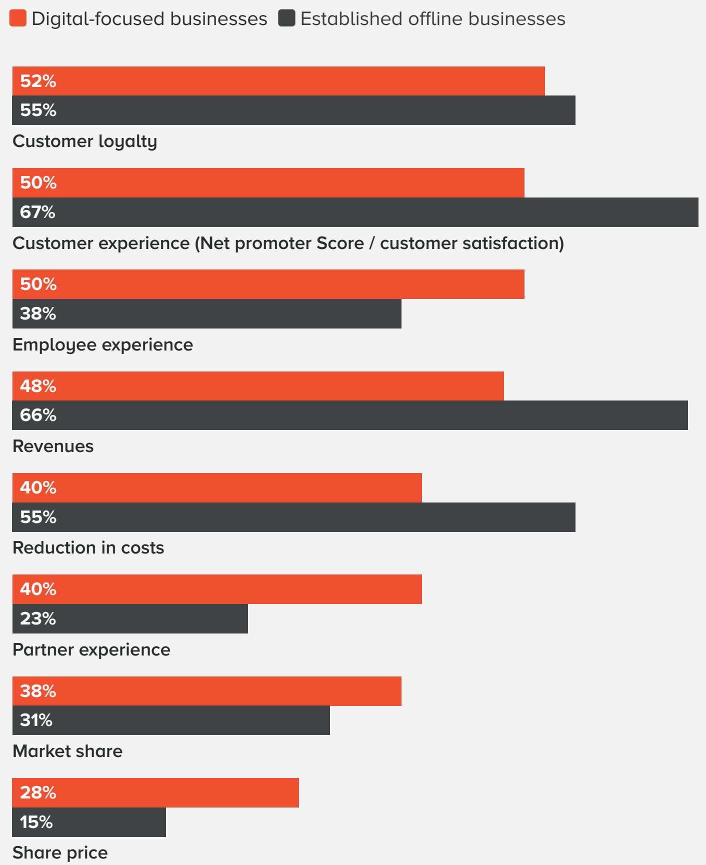
Having objectives is one thing. Knowing whether you've achieved them is quite another. *Figure 12* compares the metrics used by digital and offline businesses to measure the success of their digital initiatives.

Established offline businesses are focused most on customer experience and loyalty metrics, as well as increased revenues and decreased costs. Their digital-first counterparts also concentrate on customer loyalty and experience, although to a slightly lesser extent. They also put greater emphasis on the experience of their employees and partners than offline businesses.

Established offline businesses are focused most on customer experience and loyalty metrics, as well as increased revenues and decreased costs. Digital-first companies put greater emphasis on the employee and partner experience.

FIGURE 12

What are the most important metrics for measuring the success of your digital initiatives and programs?



Looking at the same data through the lens of leaders and the mainstream (*Figure 13*), the results support Brían Corish's observation that leaders play a long game, while more mainstream companies focus on immediate results. Leaders are much more likely to focus on the quality of the customer and employee experiences than their mainstream counterparts. These companies, in turn, pay greater attention to cost reduction.

How can I address this in my organization?

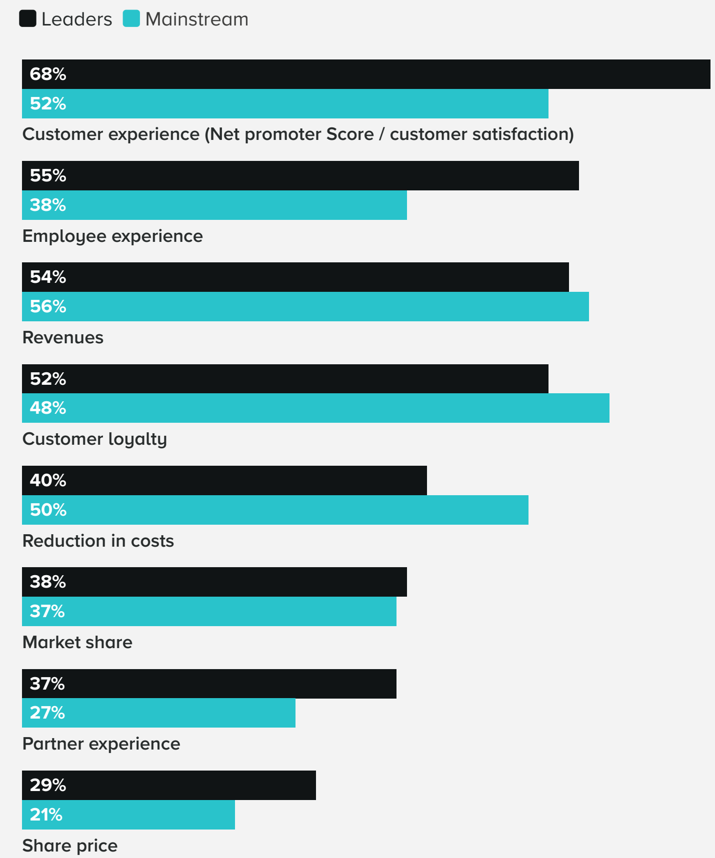
1. Once you have established a clear model for linking organizational objectives to your digital initiatives, you have the foundation for effective measurement. Understanding how your digital experiences, channels, and products impact overall customer/audience experience and perception means you can measure digital in a broader context.

2. Work with stakeholders to develop reporting that makes sense to them and enables actionable, evidence-based decisions. Invest in dashboard design and expect to update these to include new data sources as they emerge. It's worth keeping in mind that, when you start out, you might not know what you need to measure. And beware of simple reports on 'engagement' or 'traffic' – if you know your customers, it's likely to be more complex and nuanced than that.

Leaders are much more likely to focus on the quality of the customer and employee experiences than their mainstream counterparts.

FIGURE 13

What are the most important metrics for measuring the success of your digital initiatives and programs?



Section 5

Planning and budgeting – overcoming barriers to evolution

"As long as you can demonstrate what you intend to do will deliver performance to the business, then you have to be upfront and accountable. You've got to do the research to show why you believe your suggested tactic is going to change and drive the business. And once you've done that, then you can invest."

Simon Swan
Head of Digital & Ecommerce - UK & Ireland
Perrigo

Planning and budgeting – overcoming barriers to evolution

Organizations face a broad range of barriers to their digital evolution (*Figure 14*). The major issues for mainstream businesses center around organizational matters; around a third struggle with fragmented data, unaligned teams, and lack of the right structures and governance. A quarter also report major resourcing problems; lack of funding, poor tech infrastructure (suggesting a lack of investment), and a lack of skills and capabilities (likewise).

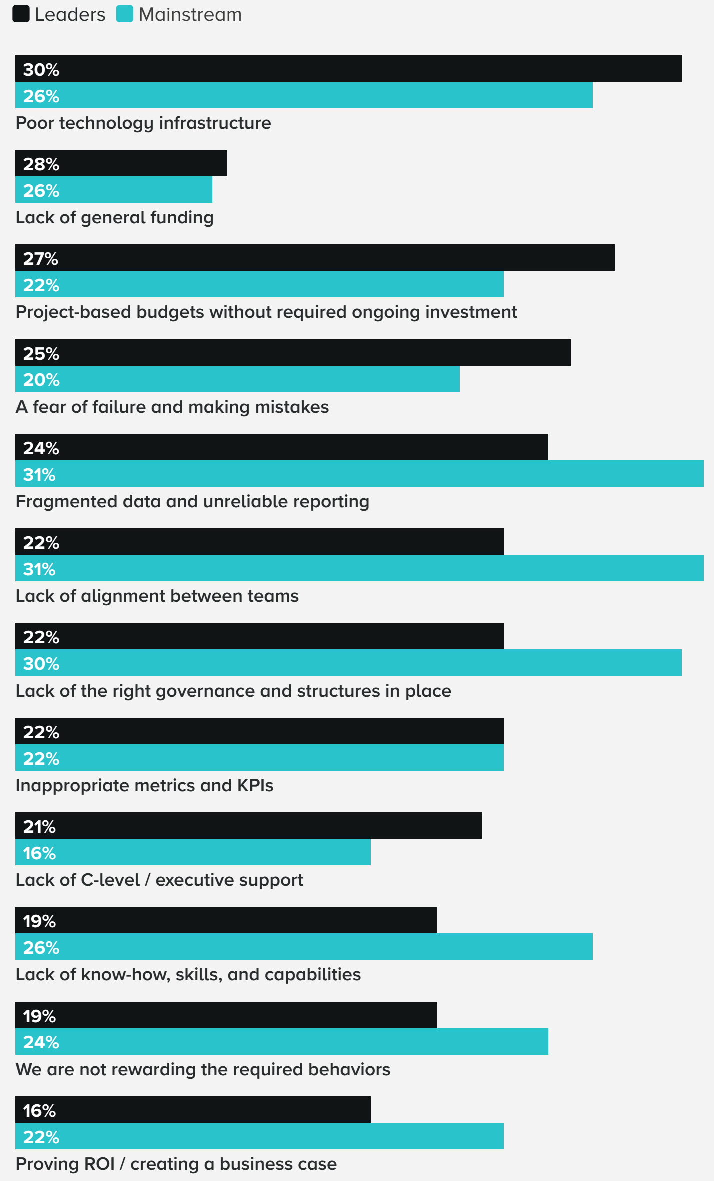
Leaders are a little more likely to feel resource is a major problem, but are significantly less likely to struggle with structural issues. Strikingly, they suffer more from fear of failure than their mainstream counterparts, which is almost certainly linked to the fact that they're more likely to feel a lack of C-level support. It would also tie in with their greater likelihood of working on a project-by-project basis, rather than having the backing of ongoing investment.

All this ties into whether teams have the confidence to act autonomously. This requires them to have the context to know which actions will make the greatest impact, and a clear and shared understanding of the quality of work required. In turn, this allows managers to trust that whatever their teams produce will meet their standards, which gives teams confidence to be agile and adaptable.

It's also worth noting that the average CEO tenure is now two years, so any project with a timescale of more than 18 months is either unlikely to get the go-ahead, or to be canned when the new CEO takes over. In that situation, CEO support for digital transformation might well feel shaky.

FIGURE 14

Proportion of organizations regarding the following as 'major' barriers to their evolution as a digital business



Planning and budgeting – overcoming barriers to evolution

"The need to join up customer experiences and data, alongside the need for greater agility, requires organizations to work in more horizontal ways. Yet many still struggle to break down silos and shift from linear processes to more adaptive ways of working. This requires a focus not only on technology enablers and process, but also culture and behavior. True agility is so much about a mindset that enables a process."

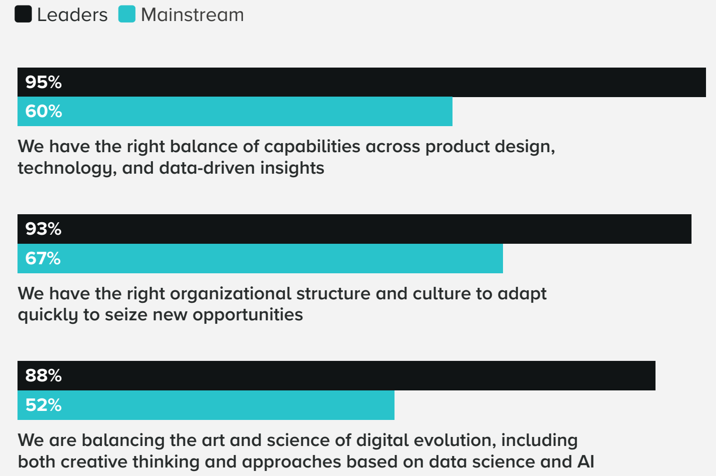
Neil Perkin
Digital Consultant and author of Agile Marketing

Not all leaders are equal
The findings about barriers are reinforced by those shown in *Figure 15*. You'd expect the vast majority of leaders to agree they have the right organizational structure and culture in place (93%), but closer inspection shows that more than a quarter (28%) only partially agree. And while almost the same proportion of leaders (95%) also say they have the right balance of capabilities across design, technology, and insights (95%), this time more than a third (37%) only partially agree.

These numbers are, however, still dramatically higher than those for mainstream businesses. Only 12% of these organizations strongly agree they have the right balance of capabilities across design, technology, and insights (48% partially agree), while a similar proportion (11%) strongly agree they have the required structure and culture (56% partially agree).

FIGURE 15

Proportion of organizations agreeing ('strongly' or 'partially') with the following statements



Leaders are significantly more likely than mainstream companies to agree they have the right balance of capabilities across design, technology, and data-driven insights.

In addition, leaders are three times more likely than the mainstream to have an evidence-based and data-driven approach to investment (*Figure 16*). They are also significantly more likely to say they have a good balance between ongoing investment and longer-term planning (*Figure 17*), with more than half (58%) strongly agreeing this is the case.

All of this suggests structural and governance issues are easier for businesses to resolve than those around investment and culture.

Leaders are three times more likely than the mainstream to have an evidence-based and data-driven approach to investment.

How can I address this in my organization?

1. Digital capability is not one-size-fits-all. You may need to establish an internal team or work with a group of partners. Establishing your strategy, as well as clear measures and impact indicators, and a view of your technology roadmap, will enable a solid decision on the best way to go.

2. Experiment. Ongoing continuous discovery is key to digital success, and a part of this is experimentation. The hypothesis-based approach means there may be two or more proposed suggestions to solve a problem. Have a team and technology stack that can run and test these, and the analytics framework in place to measure effectively.

3. Data is at the heart of making the right decisions. Get your analytics and integrations with internal systems in order and establish involvement with IT stakeholders early to explain what you are trying to achieve. Getting all your systems connected to enable this can be a hard nut to crack, but the investment is critical. Share accountability for success rather than just for delivery of a program or project – this will encourage everyone to work together and think beyond departmental boundaries.

4. Establish a Digital Steering/Governance body that represents both customer-facing, marcomms, and IT/systems people. Have a clear set of terms of reference and give that group some authority to escalate where help and resources are needed.

FIGURE 16

How would you describe the way your organization invests in digital programs and capabilities?

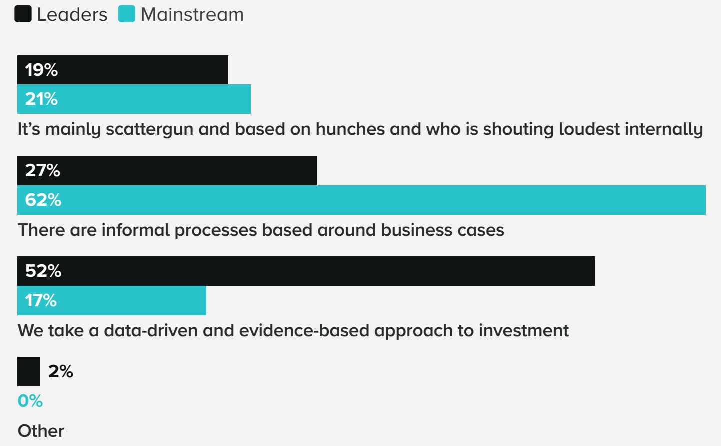
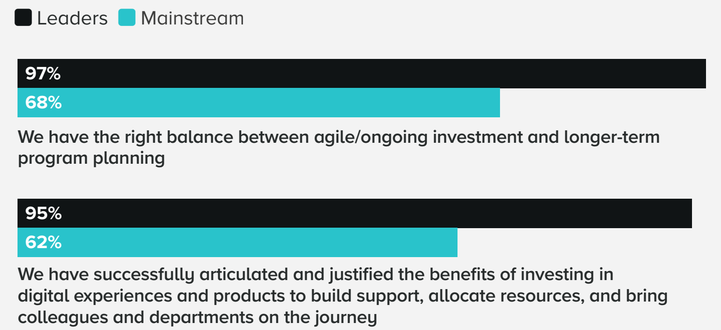


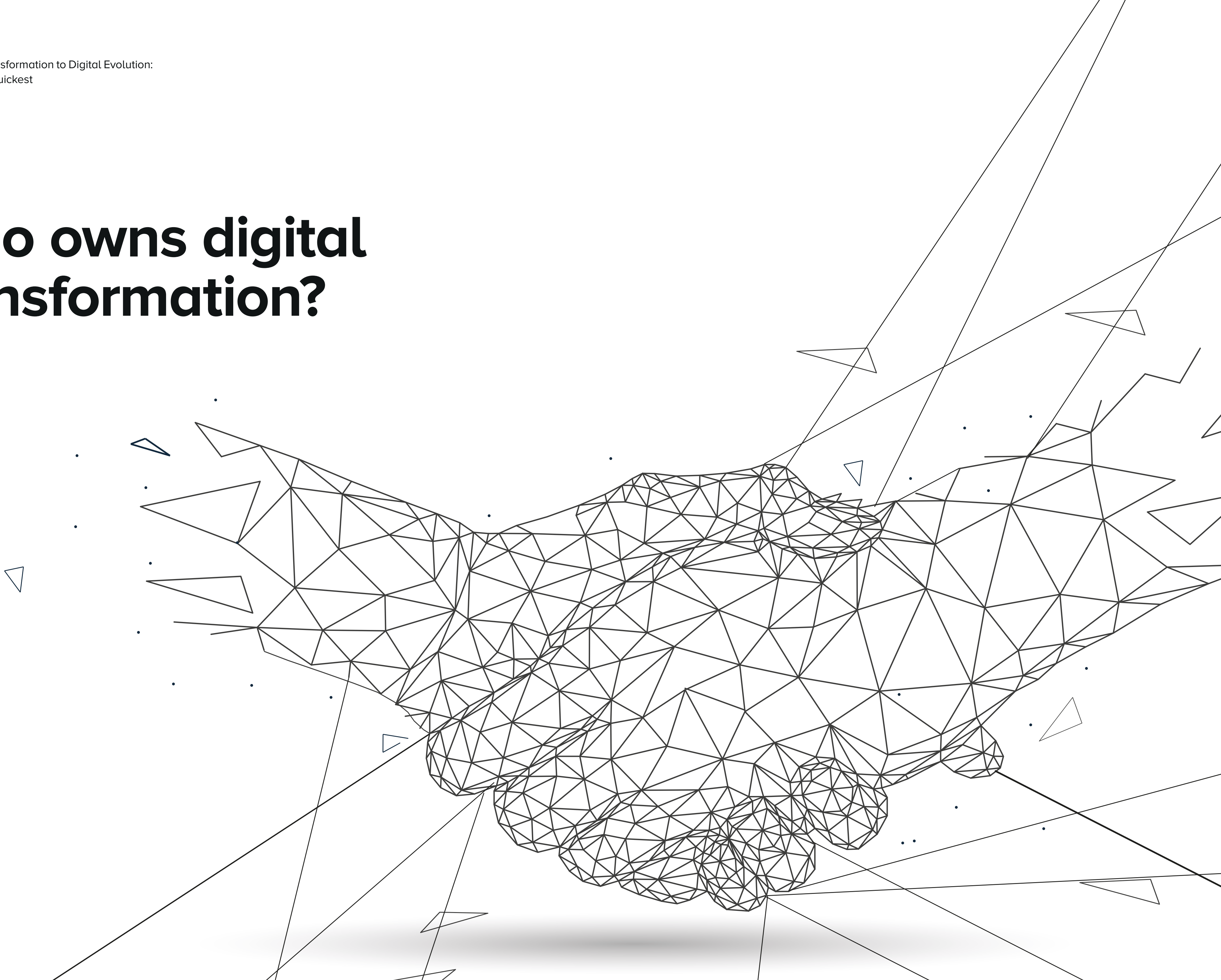
FIGURE 17

Proportion of organizations agreeing ('strongly' or 'partially') with the following statements



Section 6

Who owns digital transformation?



"Before the whole Covid thing happened, our CEO could see the writing on the wall. We were pushing towards doing something like this [digital transformation], but not at the speed we're going at the moment. He realized we had to really catch up quickly, otherwise we'd sink. As he says, I'd rather move fast and make a few mistakes than just be left behind."

Graham Jerome-Ball
Global Brand Director
Informa

Who owns digital transformation?

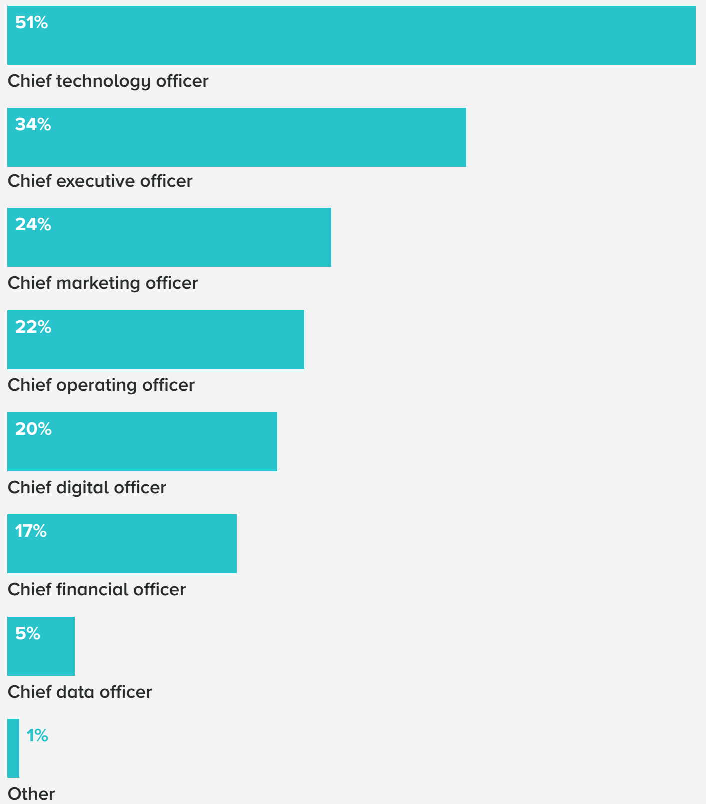
The way in which an organization thinks about a problem will determine who it puts in charge of the solution. That's why it's so telling that one of the two C-suite executives most influential in driving digital initiatives is most likely to be the CTO (51%), ahead of both the CEO (34%) and CMO (24%) (*Figure 18*).

This fact reinforces the finding in *Section 2*, that organizations are most likely to feel digital transformation is a matter of technological infrastructure and process automation, rather than fundamental organizational change (*Figure 1*). Combined, the two results show that while respondents typically think their digital transformation is complete, they are often only talking about systems and processes. These are 'digitized' rather than truly 'digital' businesses.

The CTO is most influential in driving digital initiatives, ahead of the CEO and CMO.

FIGURE 18

Which two C-suite executives (or equivalent) are most influential in driving digital initiatives within your organization?



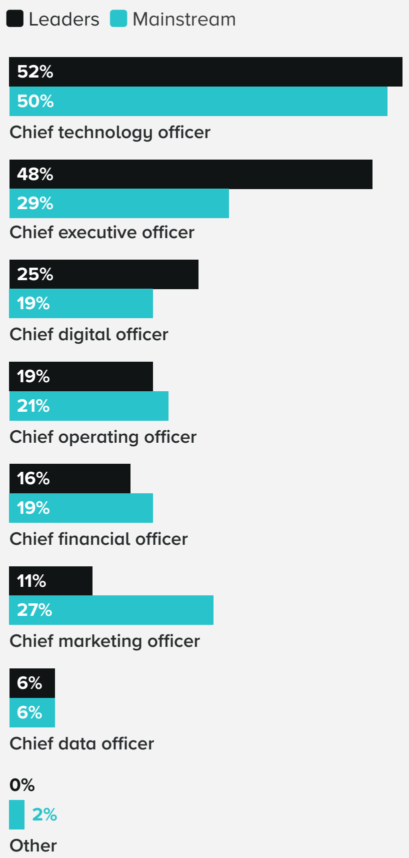
Who owns digital transformation?

Further confirmation comes from breaking the data down by leaders and mainstream businesses (*Figure 19*). Leaders are strongly characterized by a hands-on CEO (48%), indicating that they tend to see digital transformation as a strategic issue that involves every aspect of the business. In contrast, the CTO is twice as likely to influence digital transformation in mainstream companies than either the CEO or the CMO.

In mainstream companies the CTO is twice as likely to influence digital transformation as either the CEO or the CMO.

FIGURE 19

Which two C-suite executives (or equivalent) are most influential in driving digital initiatives within your organization?



“If you want to evolve faster and avoid being left behind in a digitized world, then it’s all about your customers and culture. So digital evolution needs to be driven by the person in charge of winning and retaining customers: the CMO, Chief Customer Officer, or Chief Commercial Officer. And the culture of digital tool sets, fast decisions, and evolution needs to be led by the CEO and COO. The role of the CTO and CDO is now consigned to supporting those drivers, or training people how to use digital technologies better.”

Philip Rooke
CEO
Jochen Schweizer mydays Group

Who owns digital transformation?

Meanwhile, the fact that mainstream companies are two-and-a-half times more likely to have a digitally influential CMO (27%) than leaders (11%) suggests that a company-wide view trumps a specialist focus on the customer in developing digital leadership. Now that two-thirds of businesses make no distinction between on- and offline marketing (*Figure 3*), there is huge potential for CMOs to become key stakeholders in driving digital initiatives, together with the CTO and CDO. It should be about steering and linking it all up, and avoiding having the tech work outside of the context of the business or vice versa.

How can I address this in my organization?

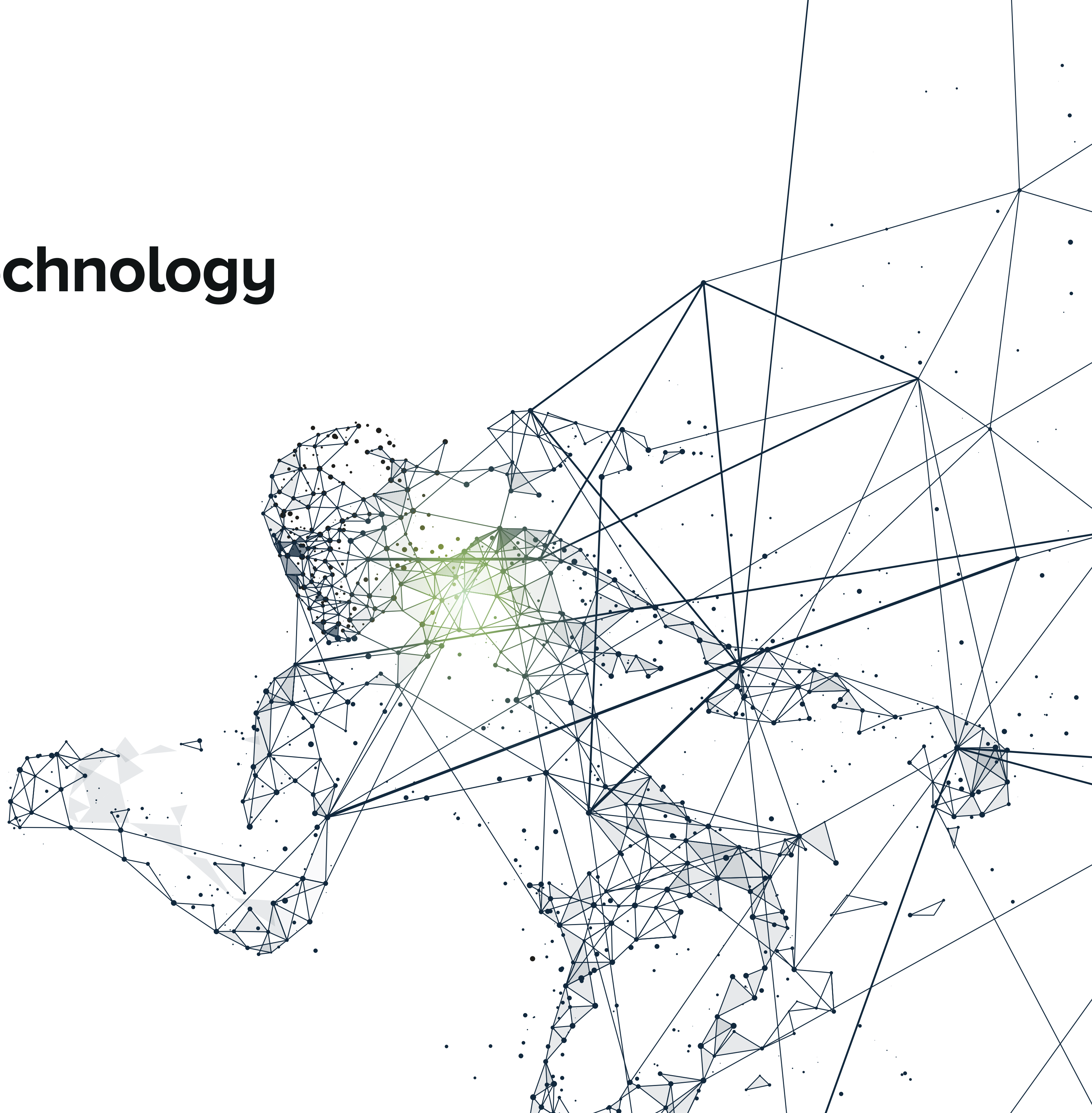
1. Involve everyone. Digital is not just a channel for the marketing team – it is the main route for your market to become aware of your organization, and is often the first touchpoint they have with you – notwithstanding whether you offer any digital services alongside your physical ones. Are you treating it as such? Do your C-suite have real engagement with digital in your organization, or does it sit with IT or marketing alone?

2. This will vary business to business – your approach isn’t one that you can pull off the shelf. Here’s where thinking across your business strategy, IT strategy, and the piece in the middle, your experience strategy, can be helpful in getting your leaders engaged, accountable, and committing resources.

3. Establish a strategy and roadmap but make it flexible and evidence-led. Opinions will change on what the priorities should be as conditions change, but having a strategy for digital experience that is closely aligned with your technology roadmap means that you can adapt and adjust quickly when new services and features are needed. Ensure you are regularly checking in with your operational digital teams to review progress and priorities. Expect budget requirements to change. Be robust in seeking value, but flexible and welcoming of change.

Section 7

The role of technology



The role of technology

"Eighty-four percent of CEOs say their digital transformation efforts haven't worked. Why? Because they applied 21st century tools to 20th century problems. They bought a lot of technology and then they asked, 'Hey, why are we not transformed?' And the reason is they didn't come at it from a competitive differentiation standpoint. The business cases all made sense and they were about improving ecommerce adoption, making digital self-service work better, making marketing more efficient using AI. And what they forgot to ask was, 'When we do this, how are we differentiated from our competitors who are all doing exactly the same thing?'"

Brían Corish
Managing Director DACH
Accenture Interactive

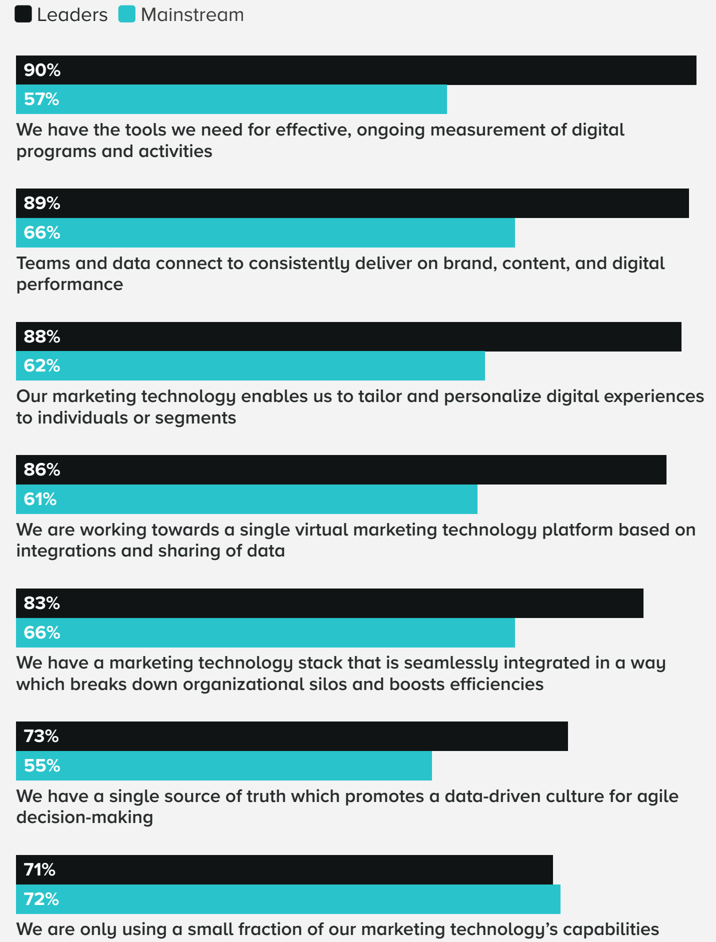
No-one will be surprised to see that leaders are significantly more likely than their mainstream counterparts to have the technology and data capabilities required to underpin successful digital programs and initiatives (*Figure 20*). But the biggest technology issue affects leaders and mainstream businesses alike. This is having a 'single source of truth' to support collaboration across departments and maintain a consistent, coherent customer journey. A quarter of leaders (27%) and almost half of mainstream businesses (45%) don't have such a unifying data repository.

In most of the other technology use cases discussed, leaders are between 17 and 26 percentage points ahead of the mainstream. However, when it comes to measurement of digital programs and activities, the gap widens to 33%. Almost all leaders (90%) agree they have the tools they need for effective measurement, compared to just over half (57%) of mainstream businesses.

In other words, upwards of four out of five leaders agree they have a seamlessly integrated marketing stack and are working towards a single virtual martech platform, connect their teams and data for marketing purposes, and have the tools to measure the resulting performance. Slightly less than two-thirds of mainstream businesses can say the same. This shows once again that, while there can be no digital transformation without technology, technology on its own is not enough to accomplish that transformation.

FIGURE 20

Proportion of organizations agreeing ('strongly' or 'partially') with the following statements



What marketers think about martech

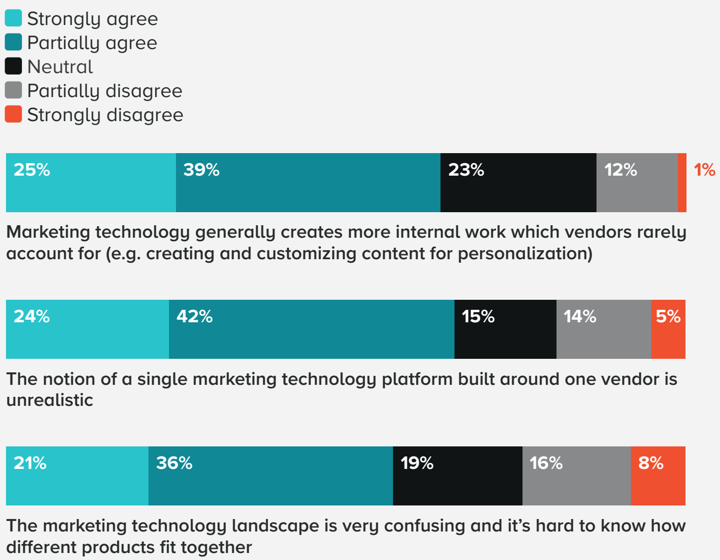
Another important finding in *Figure 20* is that almost three-quarters of both leaders and mainstream businesses believe they are only using a small fraction of the capabilities of their marketing technology.

Figure 21 looks at marketers' views of martech in more detail. Although over half (57%) admit to being at least partially confused by the martech landscape and how different products fit together, there is an even more widespread belief that the notion of a single vendor martech platform is unrealistic (66%). This view is supported by martech blogger (and VP Platform Ecosystem at HubSpot) Scott Brinker, whose Marketing Technology Landscape chart hit 8,000 solutions in 2020 and has continued to grow since[3].

It also adds an important corollary to the point made in *Section 7* about the role and importance of the CTO in digital transformation. They have a crucial role to play in the early stages of transformation, when the focus is digitalization. But as the organization trends towards digital evolution, the CTO's focus changes towards integrating the continuing stream of specialist tools, technologies, and solutions needed to support its response to a changing world.

FIGURE 21

To what extent do you agree or disagree with the following statements relating to marketing technology?



There is a widespread belief that the notion of a single vendor martech platform is unrealistic.

3 https://chiefmartec.com/2021/12/2021-the-year-martech-shrank-just-kidding-a-year-in-review/

Conclusion

This research set out to discover whether business is indeed moving from a focus on digital transformation to digital evolution. Have companies moved on from thinking that one day, their business will be ready for the internet age, to instead creating agile, responsive organizations that have the culture, structure, and technology in place to deal with whatever changes are thrown at them?

The answer turned out to be more complicated than just yes or no. More than two-thirds of the businesses that took part in the survey agree they no longer think in terms of transformation, but instead about constant evolution and iteration in response to change. But looking more deeply into their responses shows their thinking outstrips their achievements. Only 6% of respondents describe themselves as ‘transformed’ compared to other companies in their sector. The rest are still mired in a world of poor technology, fragmented data, unaligned teams, inappropriate structures and governance, and incomplete skills and capabilities. They’re unable and unwilling to experiment because they lack C-level support, the necessary insights, and the long-term investment to enable this. There is also a widespread mindset that still regards digital transformation as a technology issue, rather than a continuous reinvention of the business to respond to a world full of challenge and opportunity.

In other words, many businesses are digitized, but few are truly digital. And while the understanding of digital evolution is in place, what seems to be missing is the impetus, capabilities, and partnerships that would drive more companies to overcome the many barriers they face and become capable of responding at speed to changes in technology, customer needs, and competitive set. As the changes caused by the pandemic showed us, in this new world, it’s the quickest that survive.

The CEOs' view

Tim Parfitt, Netcel

Large-scale digital transformation programs were once viewed as the method by which an organization could revolutionize their digital customer experience and be a market leader in digital channels. This sizable investment was justified by a business case driven by outcomes such as driving online growth, building customer loyalty, or differentiating the organization against its competitors.

The passing of time has revealed that while digital transformation can be successful to create short-term wins, digital transformation alone is only the first step to achieving true digital excellence. Instead, to achieve true and sustained digital excellence, digital transformation needs to be followed by the highly complex and ongoing process of digital evolution.

This report produces fascinating insights into how organizations are evolving and reshaping themselves to create digital experiences that are high-performing over the long term. And underpinning this is achieving the happy marriage of digital transformation and digital evolution. While digital transformation is normally guided by an organization but delivered by external consultants and specialists, the opposite is true of digital evolution. Digital evolution is normally driven by digital professionals from within an organization who are focused on building the operational capabilities of the team inside an organization (supported by external specialists).

Digital evolution normally requires significant and ongoing organizational change. This change can be challenging, yet can also be subtle and deeply psychological. This form of change includes team structure and accountabilities, team culture and behaviors, team cadence and discipline. Positive habits must be identified, adopted, and adhered to, in order to develop the ongoing cycle of planning, experimenting, and measuring, which in turn provide the team with the insights and answers that inform the next cycle of planning, experimenting, and measuring. A cadence is established, the pace is quickened, and so digital evolution drives the organization forward and ever close to achieving digital excellence.

As you strive to create digital excellence for your organization, I very much hope this report provides you with insights and provokes your thoughts around your own digital journey. A journey that embraces both digital transformation and digital evolution. For while digital transformation can create high impact and a step change in the short term, digital evolution is required to create digital excellence for the long term.

Alex Atzberger, Optimizely

We all know from first-hand experience that the past two years have been defined by profound upheaval and uncertainty. They have also, however, been a clarifying moment for us at Optimizely. As we pushed forward our mission to help every organization on the planet unlock its full digital potential, one thing was certain: when it comes to digital, the stakes for our customers couldn't be higher.

While establishing new technological processes and capabilities is never easy, the unprecedented acceleration of transformation brought on by the pandemic underscored the digital complexity that our clients must navigate if they truly want to seize the maximum positive impact and returns.

At Optimizely, taking on this complexity on behalf of our customers is core to what we do, who we are, and why we've embraced our own journey of continuous digital evolution. As we detail in this report, in partnership with Netcel and Siteimprove, businesses continue to face significant digital challenges distributed along a new axis of organizational capacity, what we at Optimizely call digital maturity.

Our findings draw a clear conclusion for many who continue to think their digital transformation is complete: in fact, businesses are often only talking about systems and processes rather than the broader organizational and cultural integration that reflects true and durable digital maturity. In other words, many businesses are 'digitized' rather than truly 'digital.'

We understand that investing in new technology alone is not a silver bullet to all the challenges businesses are facing today. But as executives invest in new technology, this report highlights how essential it is also to ensure the tools are seamlessly integrated across your organization and embraced at every level, from the Board Member to the Associate. Ultimately, this report underscores that digital evolution is the selective pressure of our age.

Responding to this evolutionary imperative, reaching digital maturity, and unlocking your full digital potential is about creating highly adaptive and digitally fluent people, teams, processes, and cultures with the tools and mindset to take your business from just surviving to continuous and frictionless thriving. Your success in this effort will define more than just your website or ecommerce store. It will be the soul of your brand and the growth engine of your business.

Shane Paladin, Siteimprove

Our world has completely changed – with the pandemic pushing everyone to adopt digital living faster and faster. And since digital never stops evolving, companies that don't shift are getting left behind as consumer expectations change, privacy requirements increase, and a future without cookies changes advertising.

To thrive, companies need to experiment and take risks. Experiments don't have to be a leap in the dark. They can be calculated and informed, based on data and insights. Teams should feel confident that new strategies and tactics have a high chance of resonating with their audience, and if they don't, be confident with the insights into why they've failed.

Our conversations over the last several years mirror the findings in this report: a minority of companies are continually evolving digitally. The rest struggle with poor technology, fragmented data, and misaligned teams – they aren't confident in their next step. They're standing still. And standing still means customers are replacing them with solutions that better fit the rapidly changing digital lifestyle. This report shows there's a massive opportunity to create teams that are confident in their digital journey and equipped with the necessary insights to make bold moves.

This is the core of Siteimprove: helping marketing teams meet their goals at every stage of their digital maturity, to continuously evolve and progress. Companies that are equipped to build confident, agile, and successful teams that create a digitally fluent culture, where the journey to digital maturity is at the heart of everything. That's the type of company consumers are buying from and are loyal to, that top talent wants to work for, and will not only lead but create our digital future.

It's my expectation that the findings and commentary in this report make it clear how companies can be part of that future – and not be passed by.

About us

London Research, set up by former Econsultancy research director Linus Gregoriadis, is focused on producing research-based content for B2B audiences. We are based in London, but our approach and outlook are very much international. We work predominantly, but not exclusively, with marketing technology (martech) vendors and agencies seeking to tell a compelling story based on robust research and insightful data points.

As part of Communitize Ltd, we work closely with our sister companies Digital Doughnut (a global community of more than 1.5 million marketers) and Demand Exchange (a lead generation platform), both to syndicate our research and generate high-quality leads. Learn more at **londonresearch.com**.

Netcel is a leading digital product consultancy, helping organizations discover, create, and improve digital experiences. We create intelligent digital products using the power of insight, design thinking, and market-leading Optimizely DXP technology. Our range of services span: Digital Strategy, Experience Design, Technology, Data & Insights, and Managed Services. Get ready to transform your digital products and experience at **netcel.com**.

At Optimizely, we're on a mission to help people unlock their digital potential. We equip teams with the tools and insights they need to experiment in new and novel ways. Now, companies can operate with data-driven confidence to create hyper-personalized experiences. Building sophisticated solutions has never been simpler. Learn how we unleash new limits at **optimizely.com**.

Siteimprove empowers marketing teams to optimize their content for accessibility, user experience, and marketing performance, so they can expand their brand's reach, exceed their marketing goals, and work towards a future with purpose.

Over 7,000 companies use Siteimprove to optimize their content for every outcome – and the experts have taken notice. We've been named a Leader in four major enterprise categories in the latest G2 Grids leader for SEO, Digital Analytics, Digital Accessibility, and Digital Governance. We also work with leading accessibility groups, such as the International Association of Accessibility Professionals (IAAP), the W3C, and the European Commission's Horizon 2020 Program. Learn more at **Siteimprove.com**.