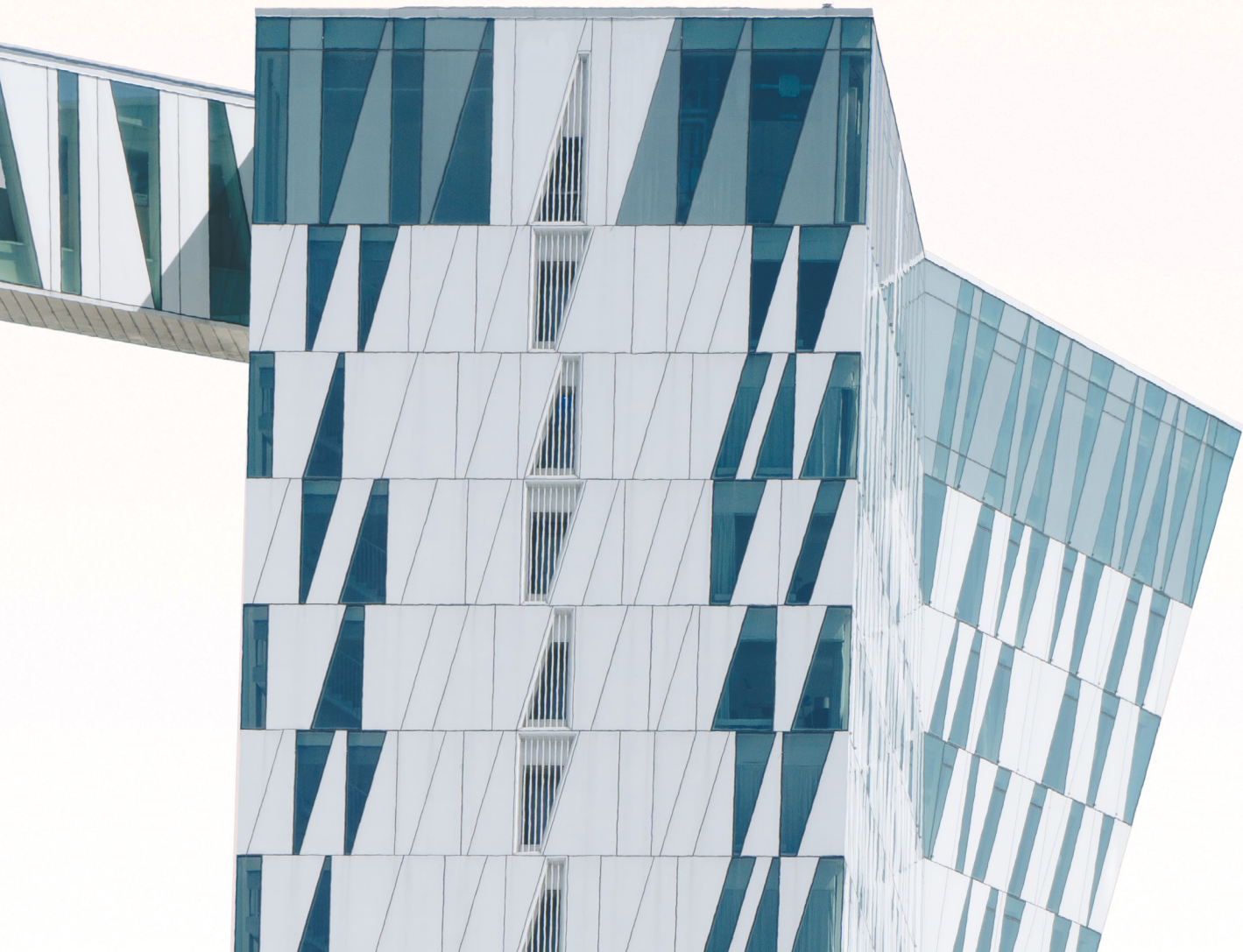

Digital Transformation - Lessons Learned and Strategic Setbacks



A Couchbase research report: Investigating the digital transformation lessons enterprises have learned over the last two years and how they plan to put them into practice

Executive summary

The pandemic's immediate effects on digital transformation are relatively well understood. We know that while digital transformation did not stall, enterprises' energy was rapidly redirected into reaction. While this meant some major strategic goals had to be delayed, many organizations unlocked new veins of creativity – as we found in our [previous](#) digital transformation report.

For our fifth survey of IT decision makers, we wanted to look past the pandemic. What is the long-term impact on organizations? What, if anything, have enterprises learned, and are they putting those lessons into practice? And after two very unusual years, are we seeing a permanent change in the digital transformation challenges that enterprises face, and the strategies they choose to overcome them?

We found that while digital transformation is still largely driven by reaction – whether to outside pressures such as the pandemic, or to competitors' advances – the business itself still has a say. 24% of organizations said an original idea from the business was a primary driver for digital transformation, while the same number mentioned pressure from the C-Suite and more than a third cited pressure from developers. If this trend continues, we may see digital transformation driven more by internal strategy than outside influences.

Yet projects are still suffering, often thanks to very familiar causes. 82% of enterprises were prevented from pursuing digital transformation projects in 2021, and 80% had projects fail, suffer delays, or be scaled back. While some of this might have been due to external factors exacerbated by the pandemic, many issues were caused by a reliance on legacy technology, or by problems accessing or managing the relevant data.

These issues are often a matter of approach and strategy, and lessons learned in the pandemic may help address them. While 56% of respondents said the immediate reaction to the pandemic itself didn't have long-term lessons for how they approach IT, the longer view tells a different story. 90% of enterprises have changed the way they budget for digital transformation, which will hopefully make a lack of resources a thing of the past for many. And 95% have identified opportunities for, or implemented, digital transformation projects that wouldn't have been realistic at the end of 2019.

We should see the results of these lessons over the next year and beyond, with investment in digital transformation set to grow by 32% over the next 12 months. Enterprises are well aware of the consequences of digital transformation failure, from losing staff to competitors to going out of business altogether. But with more enterprises than ever before making significant leaps in end user experience through digital transformation, there are positive signs. It might be too soon to say if we're out of the pandemic's shadow, but there's a bright future ahead if enterprises can push for it.





Part One: Who's setting strategy?

The most successful digital transformation campaigns – those that can truly transform an organization – have one thing in common. They are creative, proactive endeavors – driven by an ideal from within the business, or the organization's own strategic goals, rather than a reaction to outside forces and events. At the beginning of the pandemic, it was quite natural that many enterprises had to adopt a reactive approach to survive. In 2021 there was more opportunity to focus on proactive projects that would truly transform the business.

At present, the most common drivers for digital transformation are still reactive. While the most common driver over the past five years is still reacting to outside events such as Covid-19 (identified by 40% of respondents), responding to advances made by competitors (38%), pressure from customers for new services (37%), and responding to changes in regulation (36%) also rank highly. At the same time, we are seeing almost a quarter of enterprises (24%) list pressure from the C-Suite, while the same number said projects were driven by an original idea from within the business. This suggests that while the proactive approach might not be the most common, between a quarter and almost a half (48%) of enterprises have an at least somewhat proactive view (Fig. 1).

One additional factor we wanted to investigate this year was the role of developers in driving digital transformation projects. They turned out to be surprisingly influential. 37% of enterprises said empowering developers to build more applications to meet customer needs had been a primary driver, while 34% listed pressure from developers to support agile development and innovation.

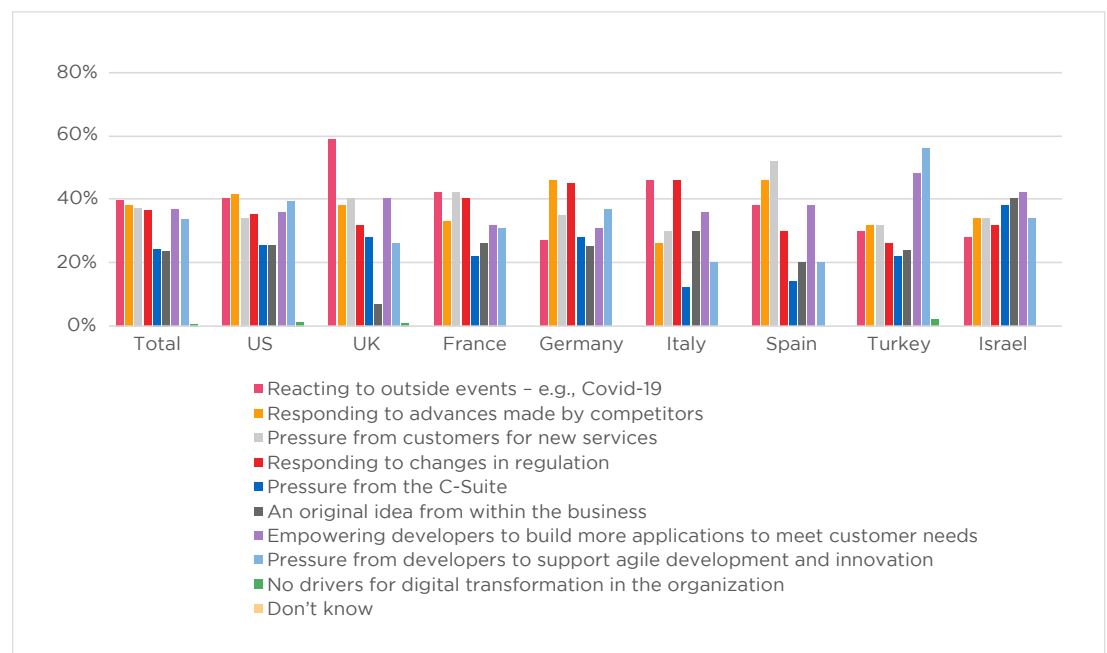


Fig. 1 – Primary drivers for digital transformation projects in the past five years



Another way of understanding organizations' approach to digital transformation is by looking at the benefits. Are enterprises focusing on goals such as increased efficiency that, while important, won't bring about transformative changes? Or are they producing completely new offerings or ways of doing business that can propel the enterprise to new heights?

While in 2020 many enterprises focused on keeping the business operational, in 2021 the benefits organizations have seen appear evenly split between improvements such as more efficient working processes (49%) and application performance (46%), alongside improved experiences for customers (49%) and employees (45%) **(Fig. 2)**. At the same time, employee and customer behavior are still considerations. 84% said their organization's digital transformation over the past two years has been driven more by changes in user behavior than by creating new business opportunities **(Fig. 2a)**.

While this might seem to show stagnation, we prefer a positive view. As we have seen, many organizations' primary drivers for digital transformation are still reactive. Coupled with many still adapting to the pandemic in 2021, if a significant proportion can show benefits that transform the business or the end user experience, then the future may be bright as more organizations take a proactive approach.





Fig. 2 - Benefits realized from digital projects in the last 12 months



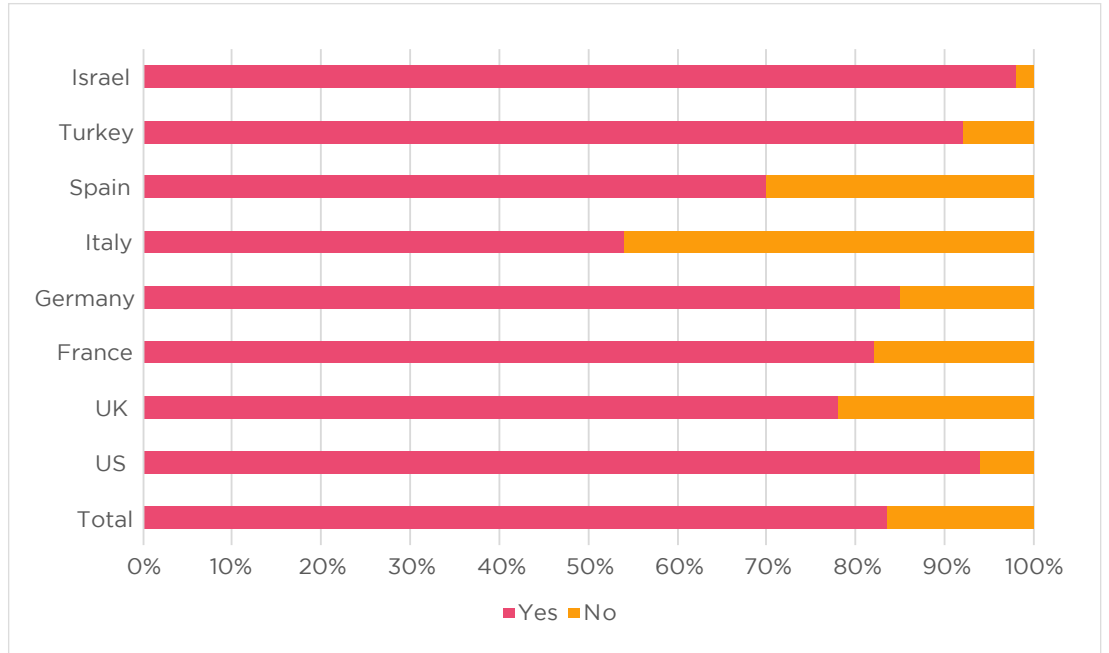


Fig. 2a - 84% of organizations say digital transformation is driven more by changes in user behavior than creating new business opportunities

A lot will also depend on who sets digital transformation strategy. As an essential element in an organization's overall goals, digital transformation decisions should be guided by the C-Suite. However at present, responsibility for setting digital transformation strategy has barely changed since 2020, or even 2019. The exact same percentage of organizations - 36% - say the C-Suite sets digital transformation strategy (**Fig. 3**). If enterprises want to make digital transformation a truly strategic asset, involving the C-suite more should be a priority for many.

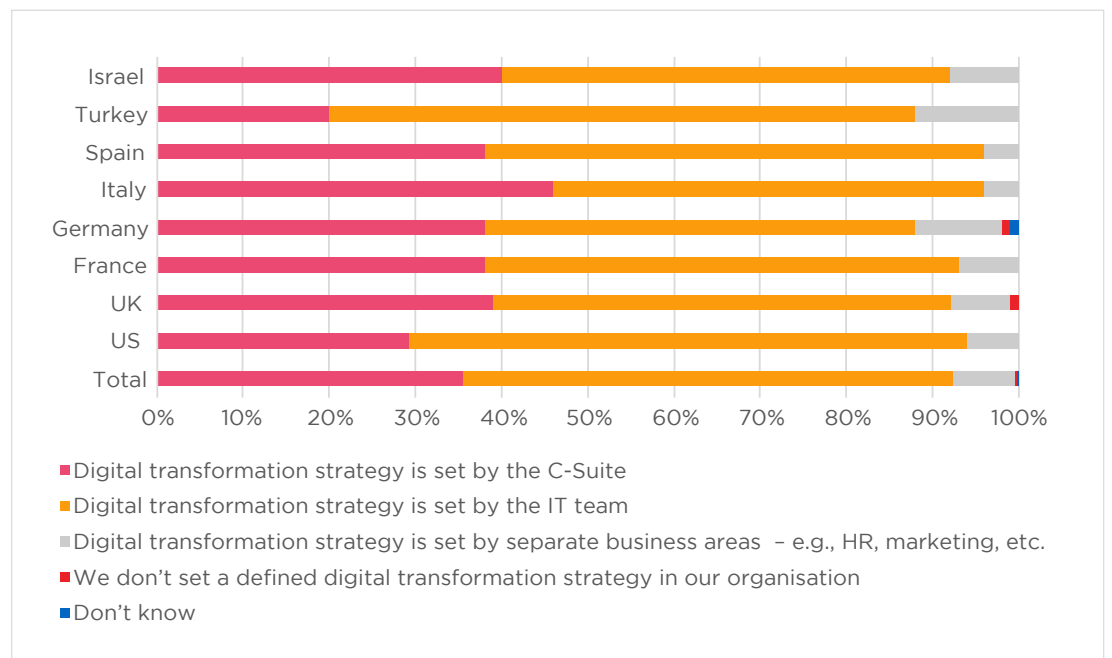


Fig. 3 - C-suites set digital transformation strategy in 36% of organizations



Part Two: Progress and setbacks in digital transformation

Regardless of who is responsible for digital transformation, organizations still have to ensure their projects are on track and aren't holding back their strategic goals. Enterprises need to be sure that they have clear goals; that they have the technology and skills they need; and that they have planned for potential risks. Otherwise, their overall digital strategy could soon start showing cracks.

The first risk is that, if they haven't addressed all potential issues, enterprises might not be able to pursue their planned digital transformation projects at all. In 2021, 82% of organizations were prevented from pursuing the digital transformation projects they wanted. The most common reason given – by 26% of respondents – was a lack of resources or funds, which might be understandable for organizations still responding to the pandemic. Yet many more were prevented for reasons that should have been within the organization's control: such as a lack of skills to deliver the project (24%), the complexity of implementing technologies (23%), or an inability to secure the necessary budget or remain within budget (20%) (Fig. 4). With the correct choices and sufficient planning, these issues shouldn't hold enterprises back.

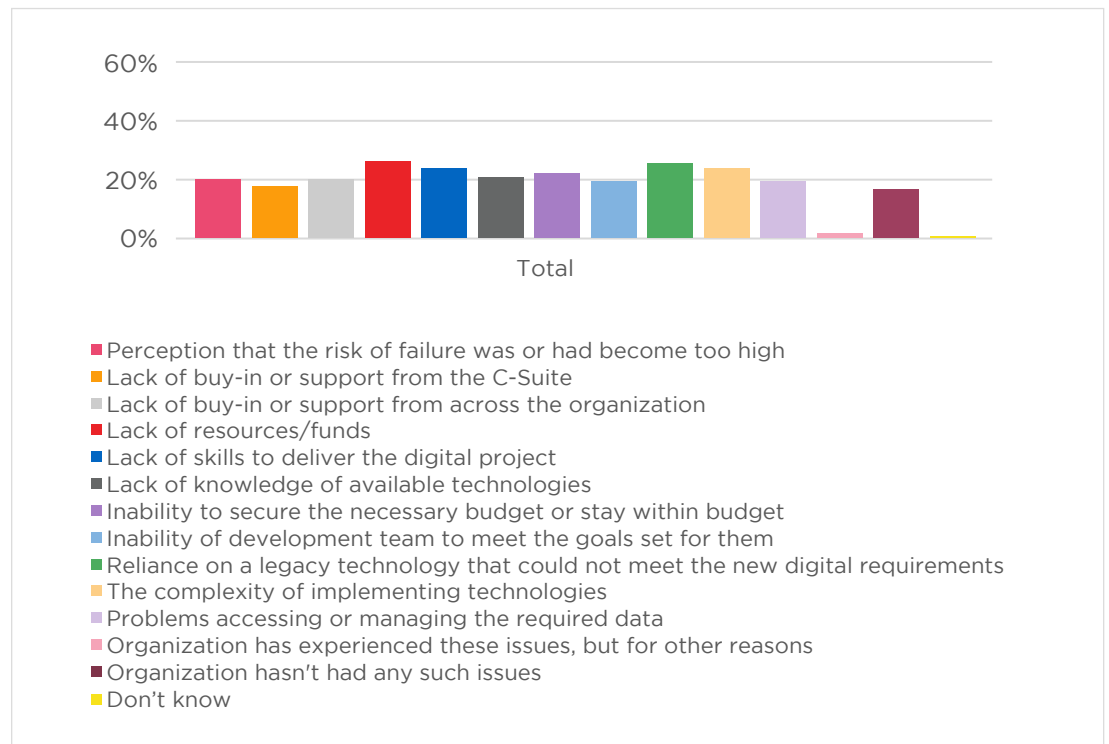


Fig. 4 – Factors preventing enterprises from pursuing new digital transformation projects





Similarly, even if enterprises get projects off the ground, there's still the risk they could falter. 81% of organizations experienced at least one project that failed, suffered a serious delay or was scaled back in 2021. Here, technology was a clear issue; 24% reported problems accessing or managing the required data as the reason behind their projects' issues, while 20% highlighted reliance on legacy technology that could not meet the new digital requirements (**Fig. 5**).

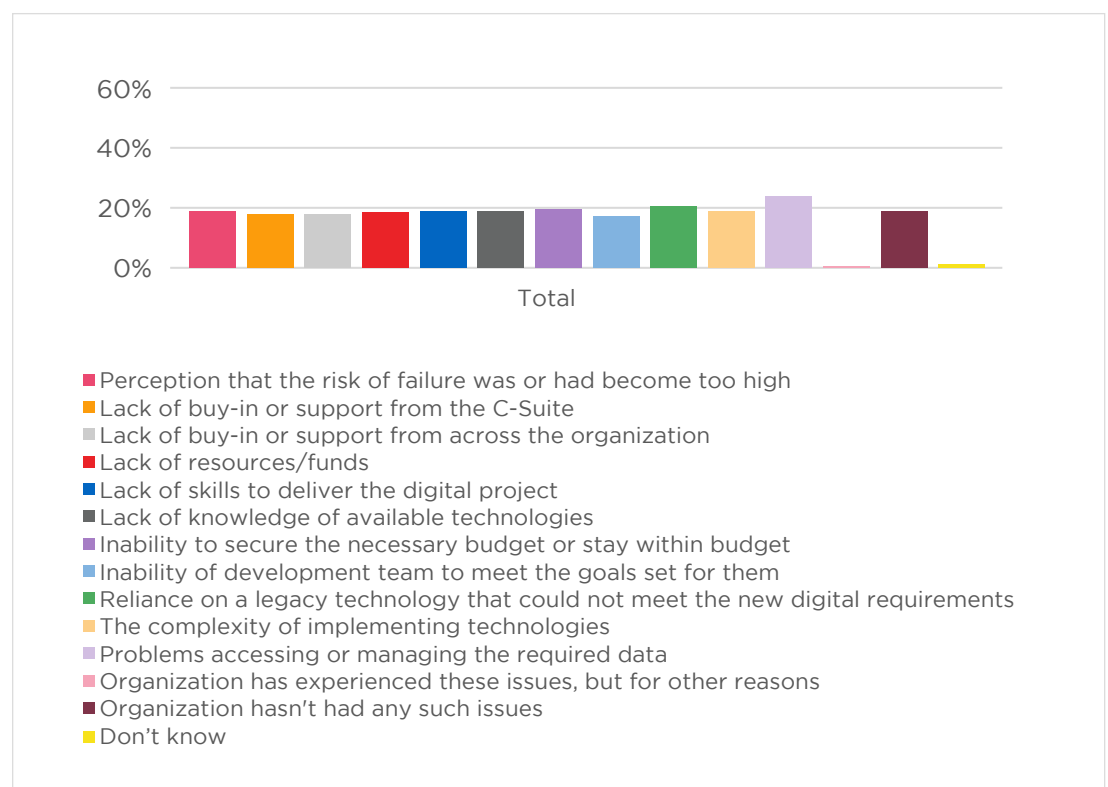


Fig. 5 - Factors that caused projects to fail, suffer serious delays, or be scaled back

These issues all have direct financial and strategic consequences for enterprises. At the most basic, there is the cost of wasted investments. On average in 2021, enterprises spent \$4.12 million on projects that failed, suffered serious delays, or were scaled back (**Fig. 6**). This could represent a notable loss on its own, but it has to be considered alongside the costs of planning for projects that couldn't go ahead; not to mention the costs of failing to meet strategic goals. Of those enterprises that encountered failed, delayed, or scaled back projects, 55% had to push back their broader strategic goals by more than three months – or even totally reset them – because of their digital transformation issues (**Fig. 7**).



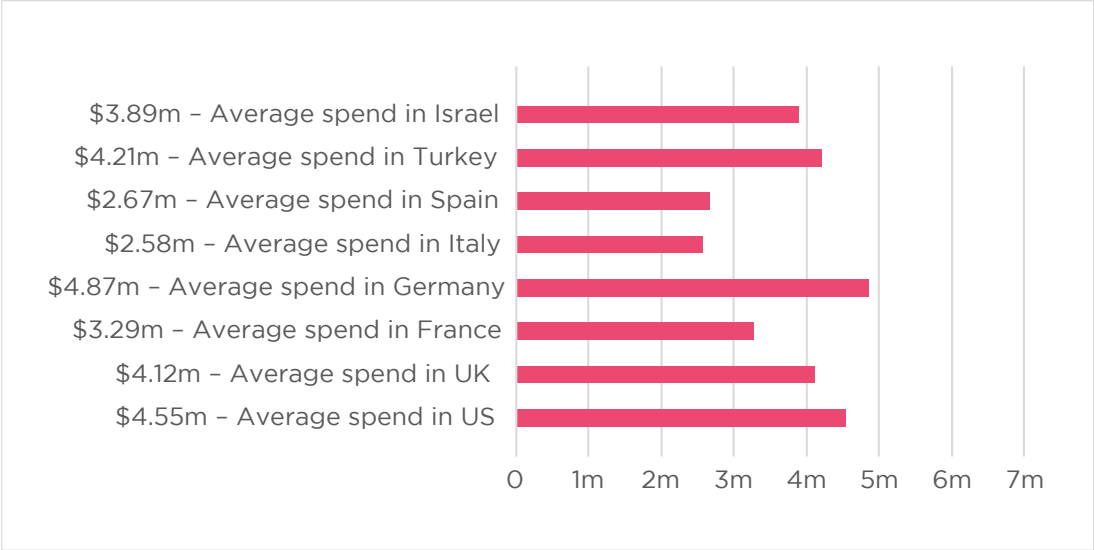


Fig. 6 - Average global spend on projects that failed, suffered serious delays, or were scaled back

Organizations need to investigate and understand how they can address these issues and reduce the costs of digital transformation failure. There is no one-stop solution, but a mix of ensuring technology can perform as needed without demanding additional skills, and using methods such as cloud services to reduce CapEx, can begin paying dividends relatively quickly. In the longer term, enterprises need to look at where they can learn lessons and put those learnings into practice.

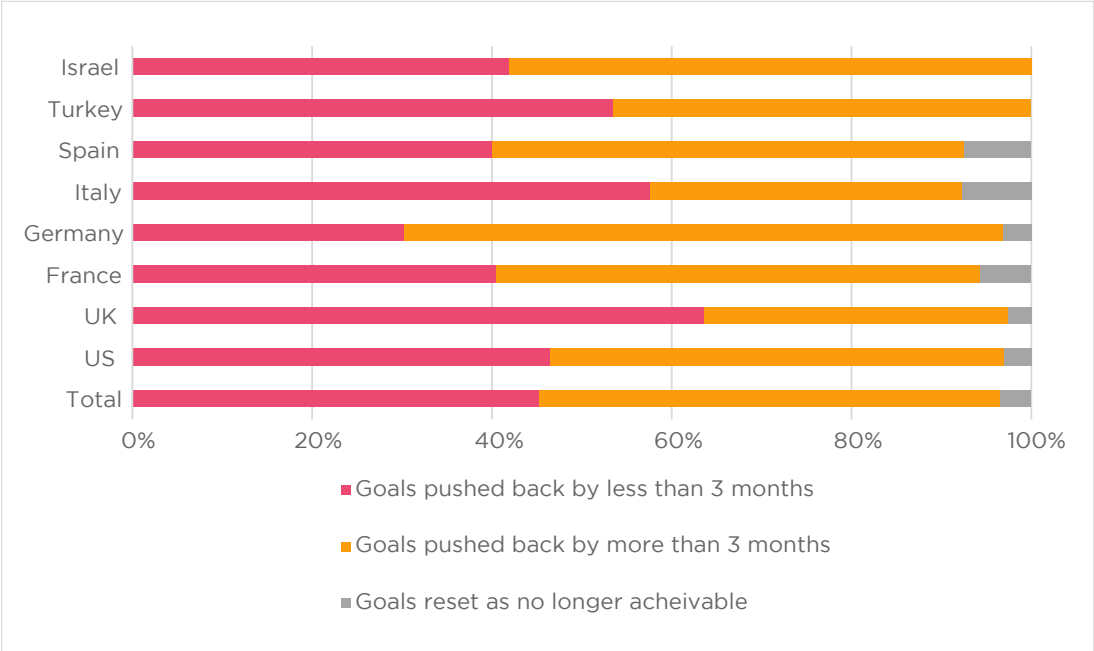


Fig. 7 - Delays in meeting strategic goals



Part Three: The long-term lessons of the pandemic

We're all aware of the short-term reaction to the pandemic and its impact, from the boom in hybrid working to ongoing fears around the so-called Great Resignation. But what about longer-term? What lessons are enterprises going to carry into the future?

Opinion is divided on whether the initial reaction to the pandemic was a pivotal point for IT. 56% of respondents said the reaction to the pandemic didn't have any long-term lessons for their organization in how it approaches IT. But there was a clear impact over the course of two years. 88% said that their organization's digital transformation goals have fundamentally changed compared to pre-pandemic (**Fig. 8**).

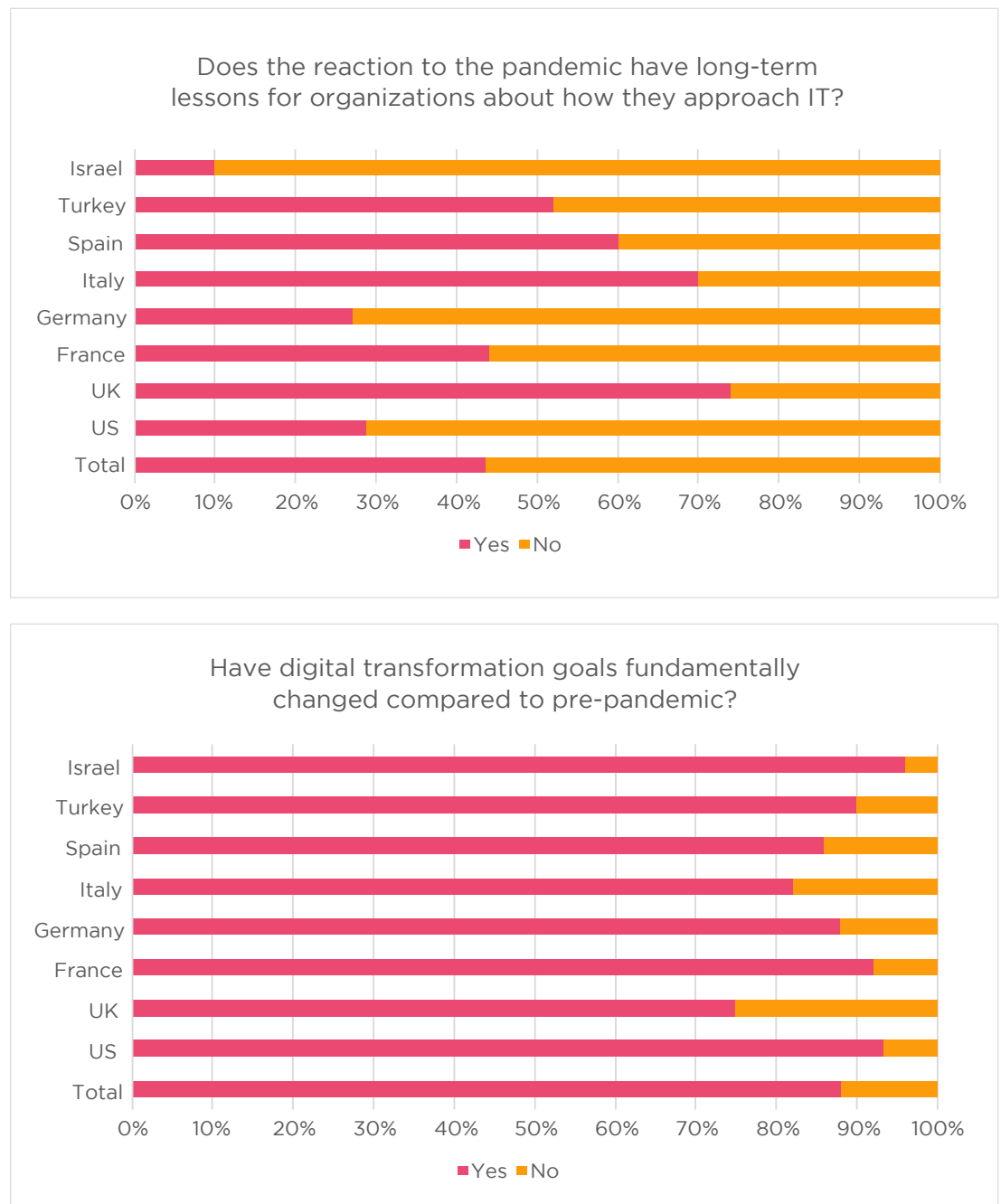


Fig. 8 - Enterprises divided on the pandemic's impact on IT



- 96% of enterprises say digital transformation projects in reaction to the pandemic have added value
- 95% of enterprises have accelerated application modernization strategies
- 93% of enterprises say digital transformation projects in reaction to the pandemic represent permanent changes to ways of operating and working
- 90% of enterprises have changed the way they budget for digital transformation

Digging deeper into the statistics it seems that, despite most organizations claiming there were no lessons learned, even the reaction to the pandemic has had a long-term impact on enterprises. 96% say that the digital transformation projects they underwent in reaction to the pandemic have added value; 95% have accelerated their application modernization strategy; 93% say these projects represent permanent changes to their ways of operating and working; and 90% say the pandemic has changed the way they budget for digital transformation (Fig.9).

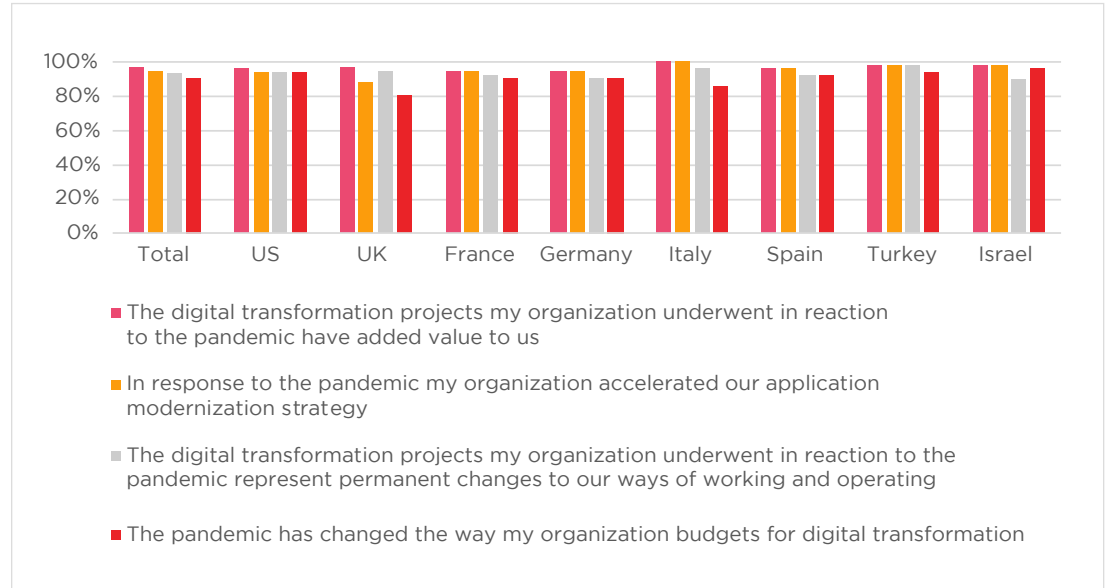


Fig. 9 - Long-term impact of the pandemic on enterprises



However much they deny it, it seems most organizations have at least had a change in thinking. Perhaps even more compelling evidence is the fact that 95% of organizations have either implemented or identified opportunities for digital transformation projects that wouldn't have been realistic at the end of 2019. That almost 47% identified opportunities around hybrid working might seem obvious. But 46% identified opportunities around moving to the cloud; 42% around replacing legacy technology and processes; 36% around changing the way the business operates; and 35% around creating new business offerings, suggesting a wealth of opportunities are opening up (Fig.10).

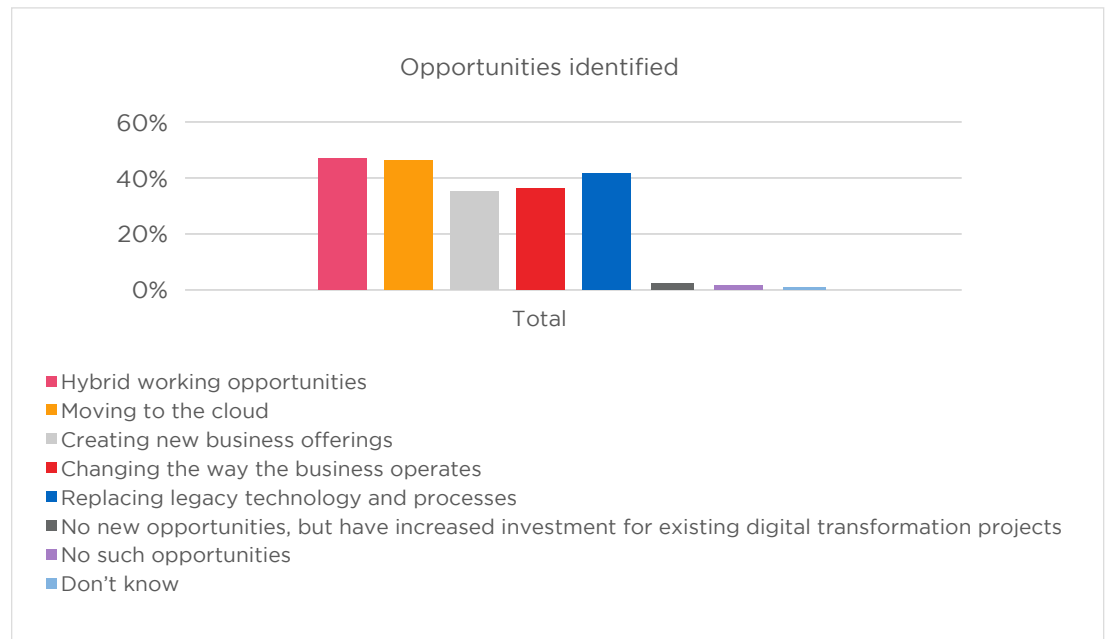


Fig. 10 - 95% of organizations identified or implemented digital transformation opportunities that wouldn't have been realistic at the end of 2019





Further evidence is the fact that 99% of respondents said their organization learned something from the pandemic. Not just the importance of supporting remote and hybrid working (45%), but the need for continuous investment and research in digital transformation technologies (41%), and how to better engage the wider business in digital transformation strategy (34%) **(Fig.11)**.

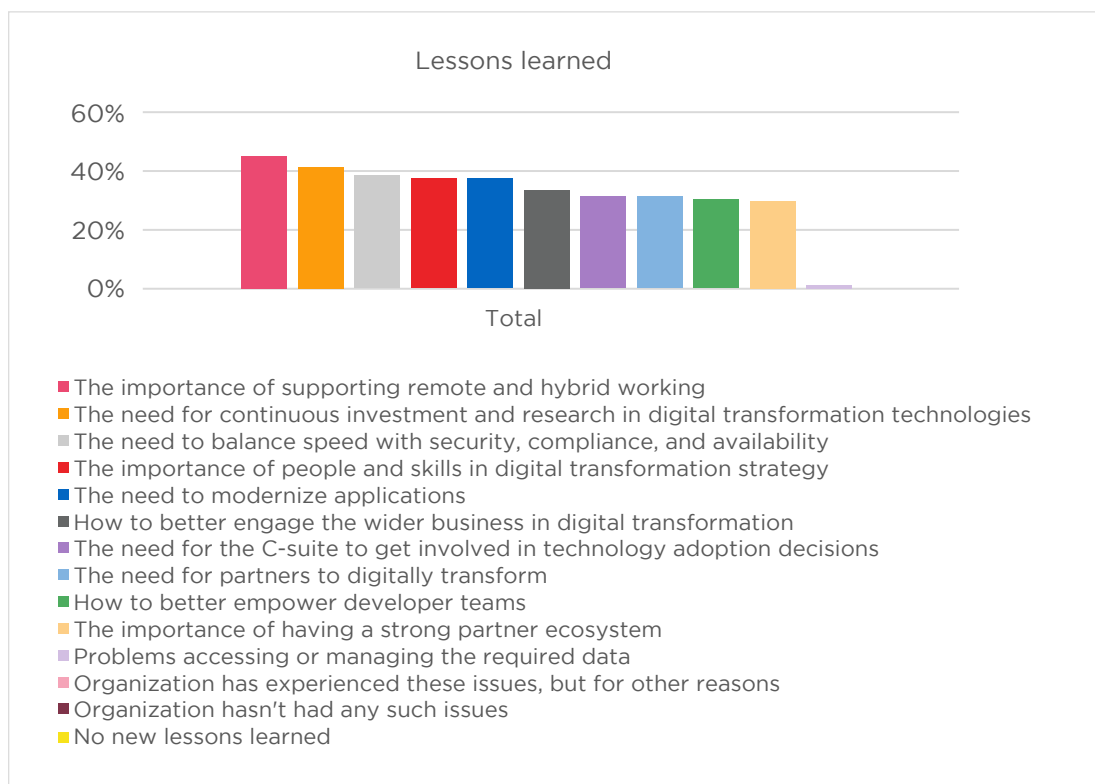


Fig. 11 - 99% of enterprises learned something from the pandemic



Interestingly, we are beginning to see some differences in enterprises' investment priorities compared to the end of 2019. Cybersecurity was top priority at both times, while both supporting hybrid working and adopting new technology have grown in importance. However, enhancing customer experience has seen a noticeable drop – along with modernizing existing technology, suggesting enterprises realize they need a large-scale refresh to support their digital transformation ambitions (Fig. 12).

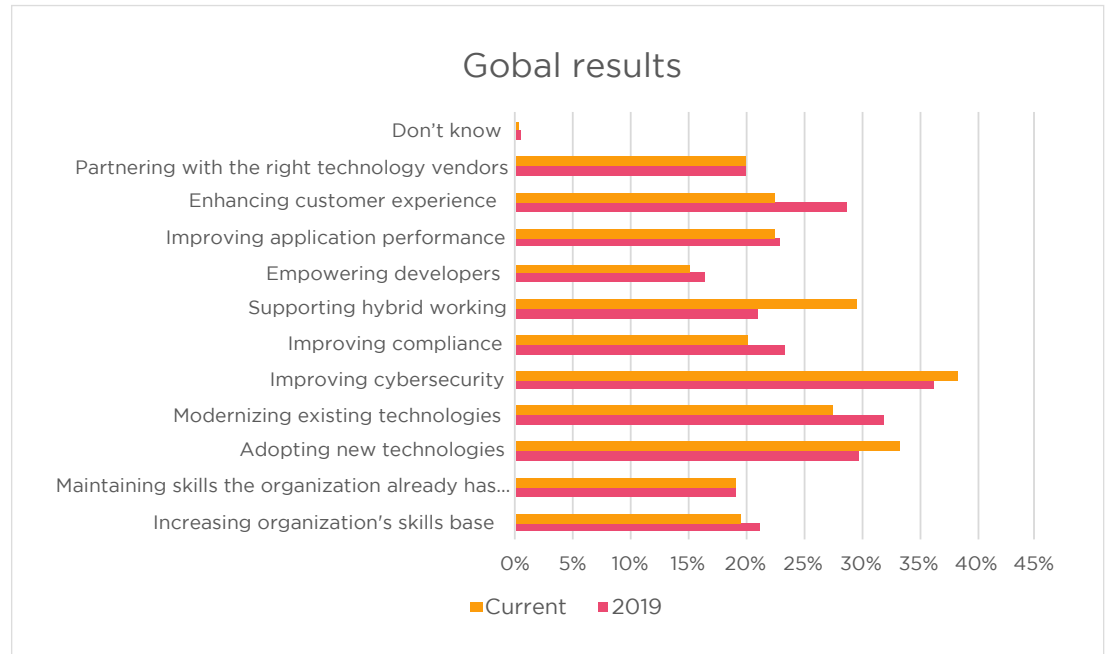


Fig. 12 – Top investment priorities compared to end 2019

Ideally, the lessons learned and their new investments will help enterprises face whatever challenges the rest of the 2020s bring.





Part Four: The last word

The good news is that, while the last two years were a trying period for most enterprises and IT departments, there is light at the end of the tunnel. Investment in digital transformation is set to increase by an average of 46% over the next 12 months (**Fig. 13**), and many organizations are making great strides in improving the end user experience. What shouldn't be forgotten is the importance of the right approach to digital transformation – otherwise, that increased investment could simply represent more waste on projects that don't meet their potential.

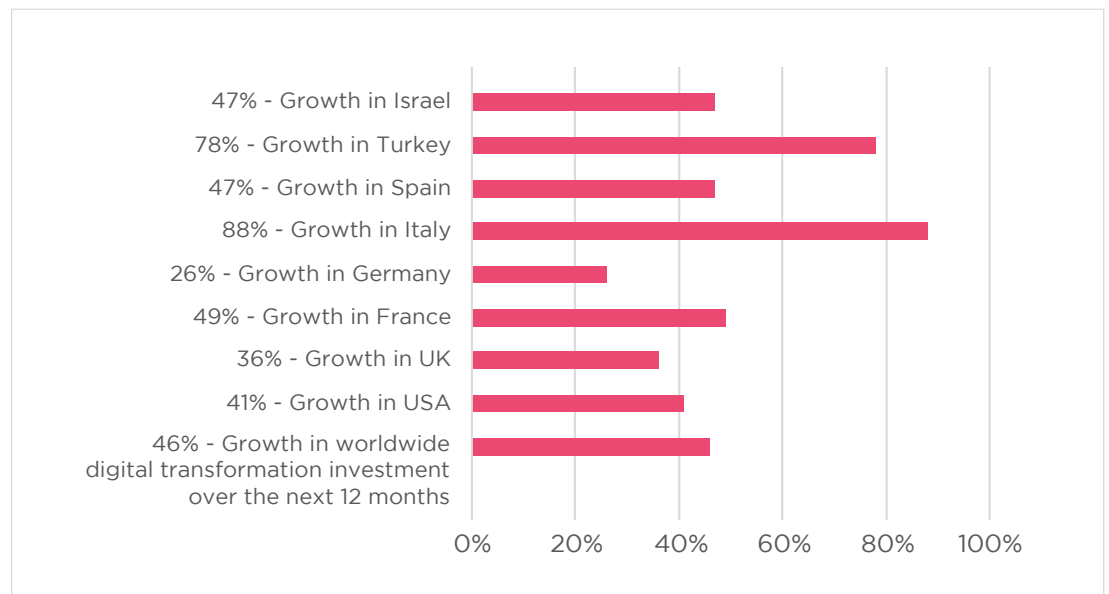


Fig. 13 - Investment in digital transformation projection



It seems enterprises are learning their lessons. 67% of respondents say business leaders are so fixated on the promise of digital transformation that IT teams risk working on projects that may not actually deliver tangible benefits, but this is noticeably lower than in 2019 or 2020 (Fig. 14). And 79% of enterprises have made significant, transformative, or even revolutionary improvements to their end-user experience through digital projects in 2021 – higher than 2019 (73%) or 2020 (72%) (Fig. 15).

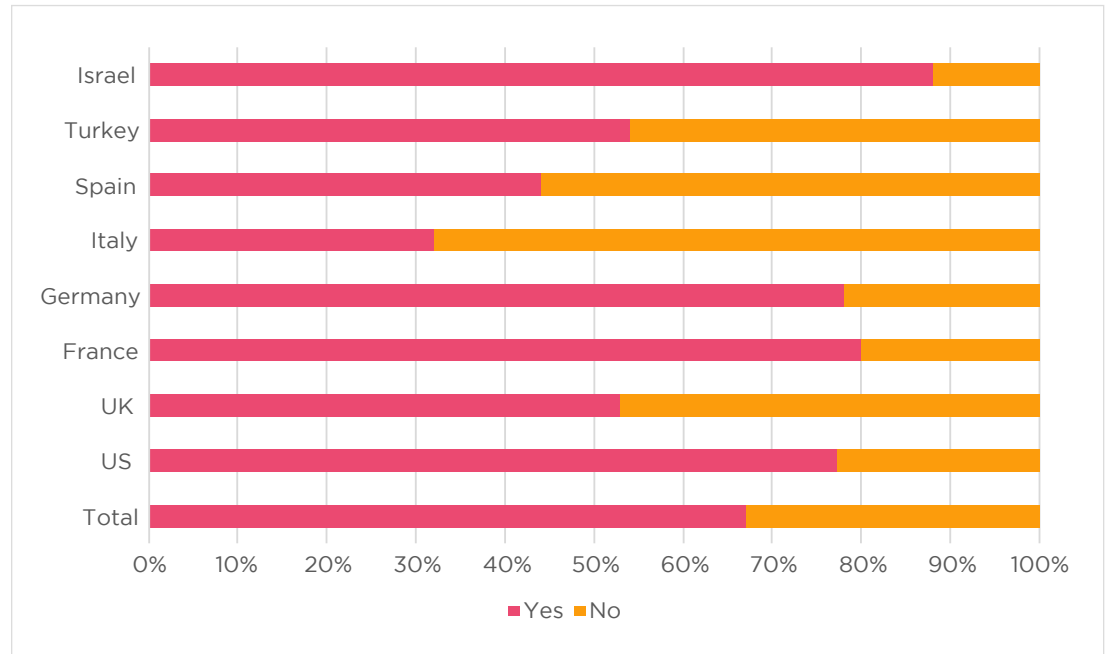


Fig. 14 – Do enterprises risk working on projects that may not deliver tangible benefits due to digital transformation fixation?

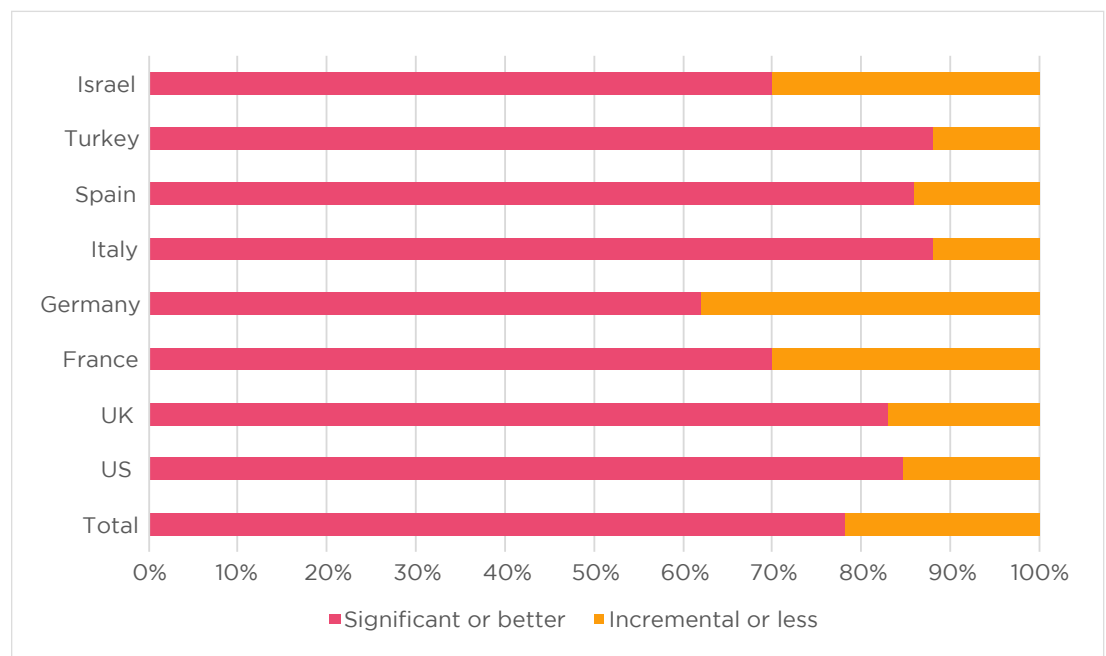


Fig. 15 – Percentage of enterprises making significant or better improvements to the end-user experience



Methodology:

The report is based on an online survey conducted in February - April 2022 by Vanson Bourne, an independent market research organization, of 650 heads of digital transformation, such as CIOs, CDOs and CTOs, in organizations with 1,000 employees or more in the US, UK, France, Germany, Spain, Italy, Turkey and Israel.

These figures are optimistic, but optimism can't be an excuse for complacency. 89% of respondents say that they or their organizations are still at risk if they fail to digitally innovate in the next 12 months. Potential consequences include losing valuable staff to more innovative competitors – whether in IT (identified by 41% of respondents) or other areas of the business (40%); struggling to secure finance or undergo a successful IPO (31%); or going out of business or being absorbed by a competitor (26%) (Fig. 16).

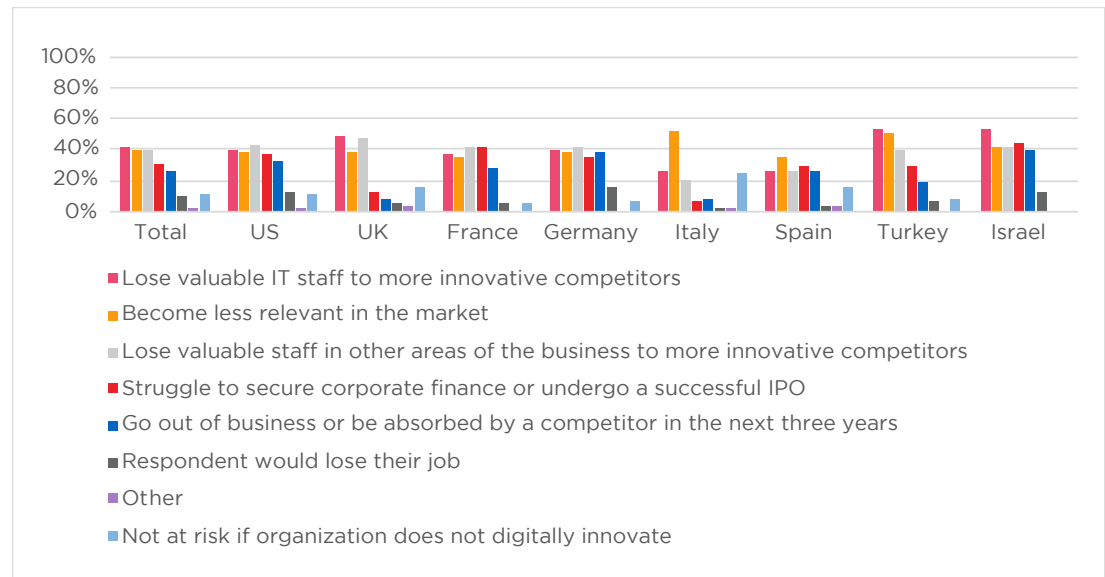


Fig. 16 – Consequences of failing to digitally innovate in the next 12 months

Conclusion: Modernizing digital transformation

In 2019, digital transformation had reached an inflection point: from organizations often finding their ambitions thwarted by a lack of technology or strategy, to beginning to realize their goals. The last two years have been, at best, a necessary change of direction, but now we will once again see digital transformation strategies bearing fruit, often with a new vigor.

To make the most of the opportunities ahead, and the lessons they have learned over the last two years, enterprises should ensure they are taking a modern approach to digital transformation. For instance, are they making the best use they can of the cloud? Are they investing in modern technology that will allow them to use all the data and other resources at their disposal? And will they need to invest in new skills to use it correctly, or can they adapt while keeping their employees' valuable skillsets?

Enterprises have so far shown that they are resilient, willing to learn lessons, and can bounce back from setbacks. With the outlook still improving, enterprises that take the right approach to digital transformation should have a very bright future indeed.





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