MAKING DIGITAL TRANSFORMATION A REALITY

An IDG Research survey finds that 92 percent of organizations are on the path toward digital transformation. They recognize the challenges ahead and the need for a technology solution to improve outcomes.

Digital transformation is not just an IT industry catch phrase; it's an actual movement to dramatically change the way we do business with the help of technology. And it is already underway at many companies in a variety of industries across the globe.

With this type of transformation, an organization adapts to a "digital first" approach by revising and redefining its business processes, organizational structures, as well as employee, customer, and partner engagements. Digital transformation leverages solutions such as in-memory technology, data analytics, mobile devices and apps, social media, cloud services, and in a growing number of cases, the Internet of Things (IoT).

Transforming to a digital enterprise can deliver numerous potential benefits for organizations. These include focusing the business more on improving the customer experience and redesigning and enhancing core business processes such as finance, supply chain, and manufacturing.

Any significant transformation will come with challenges and inhibitors to progress. In the case of digital transformation, the hurdles can include infrastructure complexity, security, privacy concerns, and lack of available budget and resources—to name a few.

Despite these challenges, IT and business decision makers at many organizations are moving ahead with these initiatives to transform the enterprise. There are many business drivers as well as ambitious goals behind these efforts. And digital

transformation projects are getting support from multiple lines of business and senior executives.

One of the keys to success is selecting the right solutions to make the transition as smooth as possible and to make the outcomes as beneficial as they can be for the organization and its customers. Technology providers such as Hewlett Packard Enterprise (HPE) and SAP are working together to provide comprehensive offerings that can help enterprises on their journey to digital transformation.
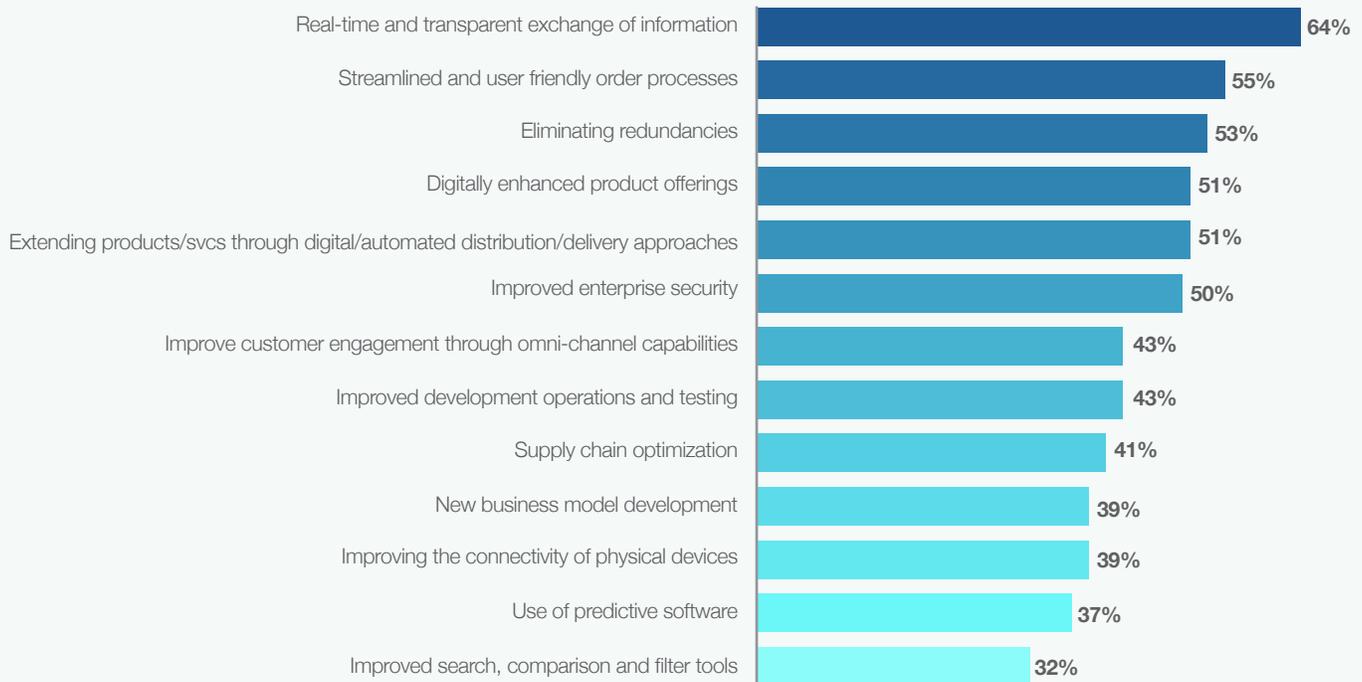
This white paper looks at the growing trend of moving toward digital transformation, as well as the drivers, challenges, and benefits involved in such an effort. It also explores how new solutions can help companies make the necessary changes to become digital businesses that are prepared to compete more effectively in today's dynamic market.

WHY THE PUSH FOR DIGITAL TRANSFORMATION?

The move toward digital transformation is well under way at many organizations, according to a new study by IDG Research Services. Of the 100 IT and business professionals surveyed in May 2016, more than one-third (37 percent) say they have launched enterprise-wide digital transformation initiatives.

Larger enterprises—those with more than 5,000 employees—are significantly more likely than smaller businesses to have made this move, with 45 percent saying they have made process, operational and/or technology changes on an enterprise-wide scale to support digital transformation.

Specific Digital Transformation Goals

Goal	Percentage
Real-time and transparent exchange of information	64%
Streamlined and user friendly order processes	55%
Eliminating redundancies	53%
Digitally enhanced product offerings	51%
Extending products/svcs through digital/automated distribution/delivery approaches	51%
Improved enterprise security	50%
Improve customer engagement through omni-channel capabilities	43%
Improved development operations and testing	43%
Supply chain optimization	41%
New business model development	39%
Improving the connectivity of physical devices	39%
Use of predictive software	37%
Improved search, comparison and filter tools	32%

Figure 1. Q: What are your organization's specific digital transformation goals? Base: 100 qualified respondents. Source: IDG Research Services, May 2016

Another 27 percent of the organizations surveyed have made process, operational or technology changes at the departmental level; 11 percent are currently piloting digital technologies, and 17 percent are creating a digital transformation strategy. A mere 8 percent say they have not yet begun to formulate a strategy.

Several broad business goals are driving the digital transformation, but two stand out as being especially important. One is the redesigning or re-platforming of core business processes such as finance, supply chain, research and development, and manufacturing. This gets to the heart of what transformation is all about: leveraging the latest technology to create entirely new and more efficient ways of supporting key functions of the business.

Another broad business goal that many organizations are making a priority is focusing business outcomes on the customer experience. This should not be a surprise, given that enhancing the user experience has become a big focus for so many enterprises. Other key goals include driving real-time data insights and new business models (through assets and IoT); enabling both internal and external collaboration and innovation; and improving workforce engagement (employees and contractors).
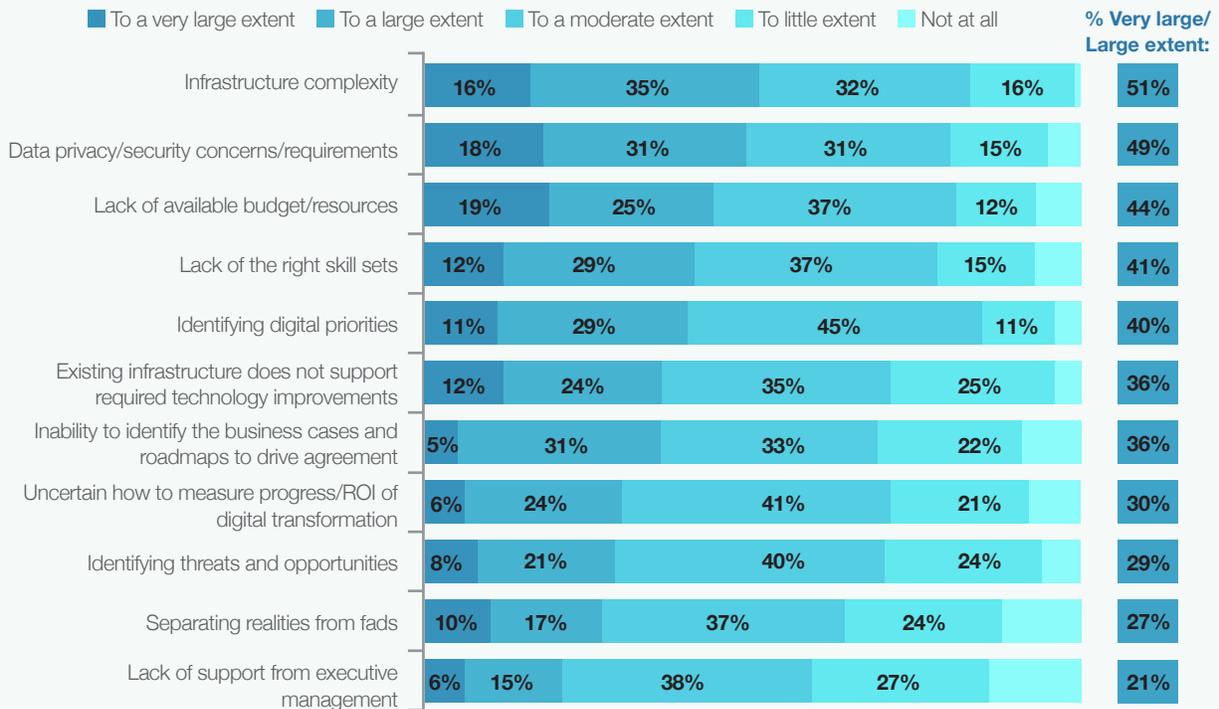
When asked about the more granular goals of digital transformation, the most commonly cited objective is real-time and transparent exchange of information, mentioned by about two-thirds of the respondents. Other goals are included in Figure 1. It's worth noting that while some of the top goals

are IT-focused, others—such as having digitally enhanced product offerings—have more direct business implications, such as generating revenue. The largest enterprises surveyed have digitally enhanced product offerings at the top of the list of goals for transformation, with 62 percent of businesses with 5,000+ employees citing this as an objective, as compared to 51 percent of all companies, regardless of employee size.

Indeed, being a digital enterprise can result in significant value creation for organizations. A research report from Capgemini and MIT Sloan, "The Digital Advantage: How Digital Leaders Outperform Their Peers in Every Industry," shows that companies that have embraced the digital world and execute on their digital strategy are seeing real shareholder value. The value creation is significant, including an average 9 percent increase in revenue, 26 percent rise in profitability, and 12 percent jump in market valuation.

And while IT is often cited as the primary line of business that's driving digital transformation strategies (mentioned by 82 percent of the IDG survey respondents), other parts of the business are also driving these efforts—including sales, operations, customer service, finance, marketing, human resources, research and development, and manufacturing. To support digital transformation, it's most important that the infrastructure be designed to enable high availability and real-time analytics and transactions, according to survey respondents. Nearly 90 percent cite high availability as being critical or very important, and 82 percent indicate the same for real-time analytics and transactions.

Extent to Which Challenges Inhibit Progress with Digital Transformation

■ To a very large extent ■ To a large extent ■ To a moderate extent □ To little extent □ Not at all

% Very large/Large extent:

Challenge	To a very large extent	To a large extent	To a moderate extent	To little extent	Not at all	% Very large/Large extent
Infrastructure complexity	16%	35%	32%	16%		51%
Data privacy/security concerns/requirements	18%	31%	31%	15%		49%
Lack of available budget/resources	19%	25%	37%	12%		44%
Lack of the right skill sets	12%	29%	37%	15%		41%
Identifying digital priorities	11%	29%	45%	11%		40%
Existing infrastructure does not support required technology improvements	12%	24%	35%	25%		36%
Inability to identify the business cases and roadmaps to drive agreement	5%	31%	33%	22%		36%
Uncertain how to measure progress/ROI of digital transformation	6%	24%	41%	21%		30%
Identifying threats and opportunities	8%	21%	40%	24%		29%
Separating realities from fads	10%	17%	37%	24%		27%
Lack of support from executive management	6%	15%	38%	27%		21%

Figure 2. Q: To what extent are the following challenges inhibiting progress with digital transformation at your organization? Base: 100 qualified respondents. Source: IDG Research Services, May 2016

CHALLENGES AND INHIBITORS

While many organizations are showing an interest in digital transformation and some have made strides in achieving it, the IDG research indicates that much work needs to be done in terms of completing transformation projects. In general, those organizations that have launched enterprise-wide initiatives are a bit farther ahead, but still nowhere near being fully operational.

For example, when asked for a progress report on various aspects of digital transformation, respondents say their organizations on average are 44 percent operational in terms of focusing business outcomes on the customer experience. That compares with 51 percent for those with enterprise-wide initiatives.
Efforts are similarly in the early stages for:
• Redesigning of core business processes
• Enabling both internal and external collaboration and innovation
• Improving workforce engagement
• Driving real-time data insights and new business models

Organizations are facing several challenges that are inhibiting their progress with digital transformation. Among the most notable are infrastructure complexity, and data privacy and security concerns. More than half of the respondents (51 percent) say infrastructure complexity is inhibiting progress to a very large or large extent. Slightly fewer (49 percent) say that about data privacy and security concerns. Other challenges can be found in Figure 2.

The good news is most organizations do not have to deal with a lack of support from executive management, which has been mentioned as a considerable challenge by only 21 percent of the respondents. With strong executive support in place, enterprises should be able to address many of the obstacles, including the lack of resources and skill sets.

Only half of the organizations surveyed by IDG report that they have an excellent, very good or good ability to leverage technology to predict and prioritize market threats and opportunities. Those that have enterprise-level digital transformation efforts are more likely to rate their ability as excellent or very good.
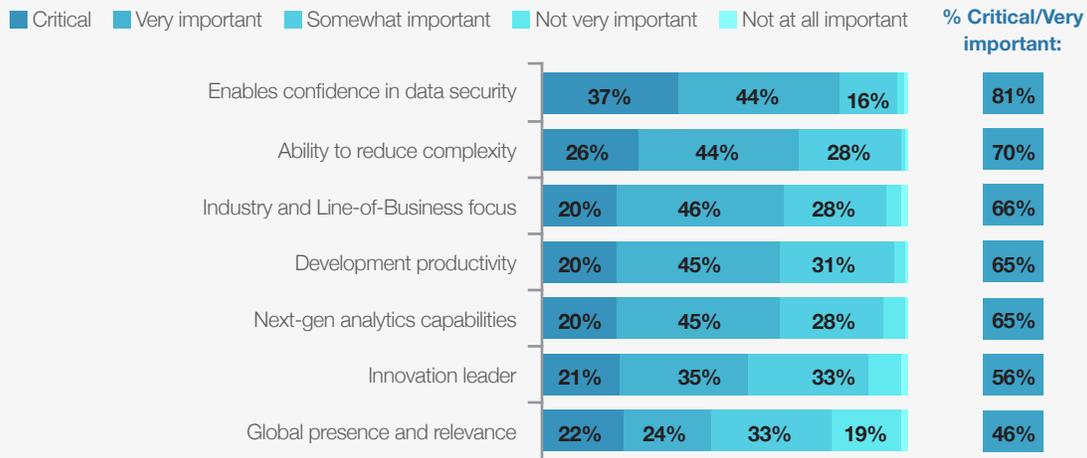
SOLUTIONS TO HELP TRANSFORMATION MOVE FORWARD

Decision makers say there are a few important factors to keep in mind when selecting a software platform for digital transformation. One factor is the ability to enable confidence in data security (mentioned by 81 percent of the respondents as being critical or very important). Another factor is the ability to reduce complexity (70 percent). Additional considerations can be found in Figure 3.

These priorities shouldn't be surprising, given that those are the most commonly mentioned key challenges companies face. Other criteria in platform selection include industry and line-of-business focus, development productivity, and next-generation analytics capabilities.

These selection criteria tie in well with the solutions offered by HPE and SAP. What's more, many of the responding organizations are familiar with these companies' offerings. For example, almost half of the enterprises surveyed by IDG have had experience with at

Important Aspects When Choosing a Software Platform to Support Digital Transformation Initiatives

Legend: ■ Critical ■ Very important ■ Somewhat important ■ Not very important ■ Not at all important

% Critical/Very important:

Aspect	Critical	Very important	Somewhat important	Not very important	% Critical/Very important
Enables confidence in data security	37%	44%	16%		81%
Ability to reduce complexity	26%	44%	28%		70%
Industry and Line-of-Business focus	20%	46%	28%		66%
Development productivity	20%	45%	31%		65%
Next-gen analytics capabilities	20%	45%	28%		65%
Innovation leader	21%	35%	33%		56%
Global presence and relevance	22%	24%	33%	19%	46%

Figure 3. Q: How important are the following considerations when choosing a software platform to enable and support your digital transformation initiatives? Base: 100 qualified respondents. Source: IDG Research Services, May 2016

least one SAP HANA solution, and more than two-thirds are either implementing, planning to implement, evaluating, or considering the new SAP S/4HANA platform.

The most important potential benefit of SAP S/4HANA is perceived to be the improvement of workforce productivity, which is cited by 77 percent of the respondents as being critical or very important. Other benefits include enabling business agility, reducing total cost of ownership, and simplifying the user interface.

SAP S/4HANA is the next-generation business suite designed to help organizations simplify IT in the digital economy. Based on SAP HANA, an advanced in-memory platform, the suite combines transactions and analytics in a single data source, free of redundant data. This allows business processes to run live from transactional data. SAP S/4HANA offers a personalized user experience and choice of deployment on premises or in the cloud for rapid adoption by IT and the business.

Both HPE and SAP have extensive experience helping enterprises build and maintain IT infrastructures to support the business. This experience reaches across many industry sectors, and to organizations of all sizes. They are particularly well suited to help organizations on their path to digital transformation.

SUMMARY AND CONCLUSION
Organizations that resist the trend toward digital transformation risk becoming quickly irrelevant in today's business environment. It's difficult—if not impossible—to achieve the agility, scalability, and efficiency required to be competitive without this type of transformation.

Companies face significant challenges in trying to become digital businesses. By teaming up with partners such as

HPE and SAP and leveraging the latest technology offerings, companies can address these difficulties and get the most value from their digital transformations.

HPE and SAP together deliver simplified, innovative solutions that target real-world challenges created by today's digital economy. Every joint HPE and SAP solution includes hardware, software, and services components that are designed for optimal performance. Together, they help their mutual customers to:

- Transform to a hybrid infrastructure through datacenter modernization
- Protect the digital enterprise using SAP software and services delivered on premises and in the cloud
- Empower the data-driven organization using analytics powered by SAP S/4HANA
- Enable workplace productivity using mobility solutions for employees, customers, and partners

Regardless of industry or company size—from large manufacturing companies looking for time-proven business solutions to high-tech start-ups searching for the latest innovations—HPE and SAP deliver the comprehensive solutions that help their mutual customers empower the data-driven organization using analytics powered by SAP S/4HANA.

With HPE and SAP, companies can capitalize on today's disruptive technologies, including mobility, big data, and cloud-native applications, more quickly turning ideas into reality to remain one step ahead of the competition. ■

Sponsored by

SAP® | **Hewlett Packard Enterprise**