

EXECUTIVE BRIEF

REDEFINING IT PRIORITIES FOR A DIGITAL FUTURE - A NORTH AMERICAN PERSPECTIVE ON DIGITAL TRANSFORMATION

THIS EXECUTIVE BRIEF IS A SUMMARY OF THE WEBINAR:

Digital Transformation – Turn Disruption into Differentiation – in the US

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INTRODUCTION

- The Enterprise Digital Transformation Study, conducted by 451 Research, provides insight into how, why and at what pace organizations are preparing for the digital future. The results of the survey – which polled executives in North America, Europe, and Asia Pacific – is the basis of a series of webinars exploring both the geographical nuances and lessons learned.
- This summary of the North American focused webinar uses the survey results as a basis for discussion with an experienced executive from CenturyLink, a global IT services company, who shares valuable insights into the digital transformation journey organizations are undertaking.
- Digital Transformation is real and it's happening now. Software is at the heart, transitioning every business across all sectors into digital organizations as new approaches are required to remain relevant to customers and for traditional businesses to survive.

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KEY POINTS

- In North America, the top 3 IT-led priorities for Digital Transformation were all rated as equally important by respondents, with 38% prioritizing each. These are:
 1. Reliable and agile IT infrastructure
 2. Improve systems for application refresh
 3. More automation to improve scalability
- Digital Transformation is not just about technology. It's about strategy, focus and the inclusiveness of everyone within the organization feeling they are part of the process that enables greater innovation.
- Competitive advantage depends on how well organizations use enterprise digital infrastructure, utilize business applications and most importantly, how they use the massive volumes of data that flows across it.
- A hierarchy of business needs shape digital transformation strategies. In order, these are:
 1. Improve customer experience and reduce costs through operational efficiencies
 2. Focus on improving risk management and collaboration
 3. Data-based decision-making and enhanced innovation both help to accelerate the business
 4. New revenue streams and services contribute to creating competitive differentiation

IMPORTANT FINDINGS

- 60% of US organizations polled cited cloud as 'Very important' and 27% as 'Important' in the context of digital transformation. This underlines the role of multiple cloud environments in providing agile, scalable, secure IT infrastructure as businesses prepare for a digital future.
- How digital transformation is measured impacts its success, with companies measuring achievement using different KPIs. In North America, the top metric is employee productivity (42%), the key to cost reduction and operational efficiency. A decrease in security incidents ranked second (37%) followed by response times to customer inquiries (34%).
- 87% of US organizations polled preferred working with an expert digital transformation partner as they seek help in understanding and applying big data (34%), understanding and diversifying the network (34%), and migrating to the cloud (32%). The partner's ecosystem of solutions should be a high consideration when selecting.
- There is a direct correlation between digital transformation maturity and an organization's ability to innovate. 50% of respondents in US based businesses with a formal digital strategy in place felt capable and faster to innovate, whereas those without a formal roadmap, this figure drops to 27%.
- 45% of North American businesses surveyed have active digital strategies in place and are digitizing their processes. But this percentage is lower than the global figure of 51%.

BUSINESS BENEFITS

- Digital Transformation is driving bigger IT spend across all US sectors, but the outcomes for these organizations include driving down cost by improving operational efficiency; developing new revenue streams and creating competitive differentiation.
- Digital Transformation changes the way IT budgets are spent. Today, many organizations spend most resources on legacy infrastructure upkeep. Just 38% spend budgets strategically. In 5 years time, that figure will rise to 51% as digital transformation releases more funds for strategic business investments.
- Successful digital transformation requires a vision and strategy but also an understanding of 'why'. Once transformation goals are achieved, companies are more profitable. A recent MIT study showed these organizations enjoying 26% better profitability than industry peers.

CHALLENGES

- The level of digital disruption to businesses, as perceived by US executives, is prominent and growing across all sectors. In the next 3 years, major disruption is expected by 42% of respondents, an increase from 33% over the last 3 years. Look to Amazon, CrowdMed and Square as examples of digitally-innovative companies changing acceptable operating forms.
- In the North American market, the three biggest barriers to successful digital transformation identified by businesses are organizational silos (39%), lack of funding and understanding about return on investment (36%) and inflexible IT systems (36%).



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CHALLENGES (Cont.)

- US based organizations at the early stage of digital transformation often have unrealistic expectations about how long their transformational projects will take, with 41% predicting a time-span of 1-2 years. This optimism drops to 22% for those with a formal strategy.
- US businesses are at a significant strategic disadvantage compared to those in Hong Kong and other APAC regions because their digital transformation progress lags behind their APAC competitors, as measured by the % organizations with a formal digital transformation strategy (US 42% Vs. 63% in Hong Kong).
- A clear understanding of multiple clouds and a secure, agile IT infrastructure, underpinned by industrial strength connectivity, is essential for IT and line of business executives if their US based organizations are to remain competitive on the global stage.
- Successful digital transformation is dependent on an organization's leadership capabilities. Senior management teams must communicate a clear and shared vision of what they want to achieve. Success depends on a company culture that embraces the idea of everyone being part of the solution, not isolated teams working in silos.
- Competitive advantage is dependent on how effectively an organization implements digital solutions to challenges such as:
 - Delivering new and effective customer engagement channels
 - Understanding and applying data effectively
 - Successfully refining business operations

CENTURYLINK'S OFFERING

(Key points on company offering made by CenturyLink in the webinar)

- Educating and training employees in following the steps of Maslow's hierarchy of needs model when applied to digital transformation projects has proven to be a successful formula. CenturyLink's transformation workshops leverage this model, helping customers prioritize their needs and identify the most important drivers necessary to achieve their particular vision.
- Transforming from a small local telco in the 1930's to a \$18bn global IT services provider, CenturyLink has undergone its own digital transformation. This experience is helping its enterprise customers achieve their digital transformation goals by leveraging a platform with access to over 600 different partners running on a single global network.
- Managing multi-cloud environments in real-time is a key component of digital transformation projects. CenturyLink's ElasticBox service makes application development, deployment, and management for the cloud a seamless process.
- Today's technology trends drive the shape of digital transformation across entire markets. Customers know about technologies like the IoT and expect organizations to be able to incorporate and deliver them. Real-time customer interaction, mobile technology, hybrid WAN, hybrid cloud, and multi-cloud management are solutions in addressing these needs and are provided by CenturyLink.

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TAKEAWAYS

- Digital Transformation is about the application and exploitation of technology in all aspects of an organization's activity. Success isn't only about the technology, it's about rethinking strategy, culture, talent, operating models and processes.
- Failure of US enterprises to implement a holistic digital transformation strategy leaves organizations at risk of being left behind. Competitive advantage depends on how effectively digital is embraced by the organization across the four key pillars.
- Most organizations prefer using external specialists in support of digital transformation projects - 92% globally and 87% in North America. The most popular are cloud service providers (46%) and IT Service providers (45%), but increasingly organizations are looking for preferred partners with expertise across the whole digital transformation process.
- Key Takeaways for Digital Transformation:
 1. Use multiple clouds and industrial strength connectivity
 2. Security is not a bolt-on extra. Build it into the infrastructure from the start
 3. Consider partners to ease and speed-up the transformation journey
 4. Customer experience is the bedrock for competitiveness

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