

2021

State of Digital Transformation Report:

Adapting to COVID-19





COVID-19 has shaken the foundation of the working world. Companies have had to rethink how they do business—both internally and externally—and entire industries have faced an existential threat. Amidst these seismic shifts, organizations found themselves at the mercy of disruption, wondering how the pandemic would impact not only their revenue streams, customer base, and day-to-day operations, but the overall trajectory of digital transformation itself. In our 2021 digital transformation study, we sought to determine just how significant the challenges have been for organizations with respect to their transformation journey, which specific business functions and departments have felt the most strain, and what lessons have been learned over the course of the pandemic. Here's what we found:



› **Digital Transformation is More Urgent than Ever**

The crucial role of digital transformation has not wavered during the pandemic—in fact, COVID-19 has shifted transformation efforts from a ‘desired future state’ to a fundamental imperative of doing business.

› **The Hurdles are Bigger**

While COVID-19 has made digital transformation more important than ever, it has simultaneously made it more difficult to achieve—in large part due to the unclear fate of IT teams faced with unprecedented challenges.

› **The Business Impact is Broader**

No company or industry has navigated the pandemic without encountering obstacles, but enterprises with a clear strategy and roadmap for digital transformation were more prepared to adapt to disruption in stride.

Below, we’ll explore the precise ways in which the pandemic has impacted digital transformation and identify the factors that have shaped outcomes for businesses over the last year.

About the Study

This study is based on the results of the 2021 State of Enterprise Digital Transformation survey administered by Hanover Research on behalf of AHEAD. The survey was conducted in April and May of 2021. The analysis includes 292 responses after data cleaning and quality control.

Respondent Qualifications:

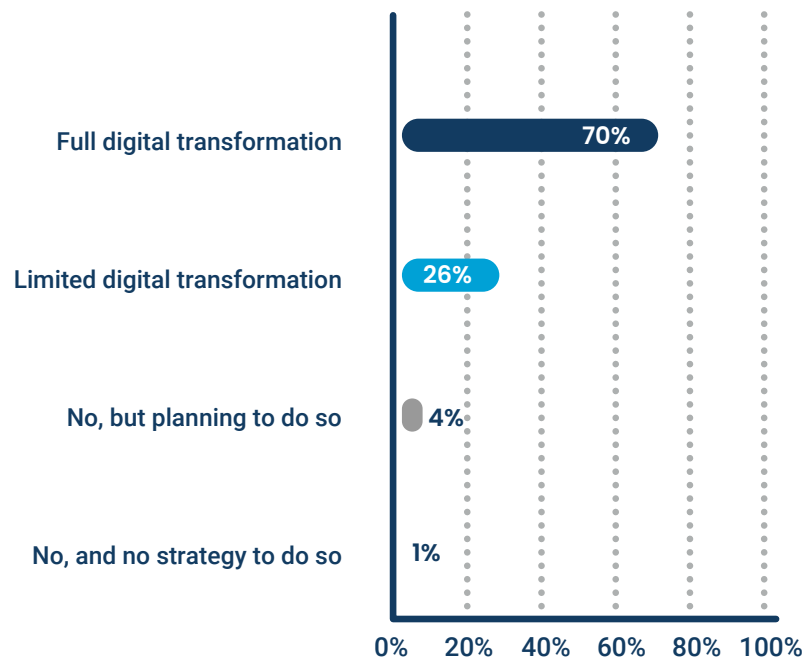
- Employed by a U.S.-based company of 1,000+ employees
- Key enterprise IT decision maker with influence on IT spend (manager level and above)
- Resides in the U.S.

Digital Transformation: By the Numbers

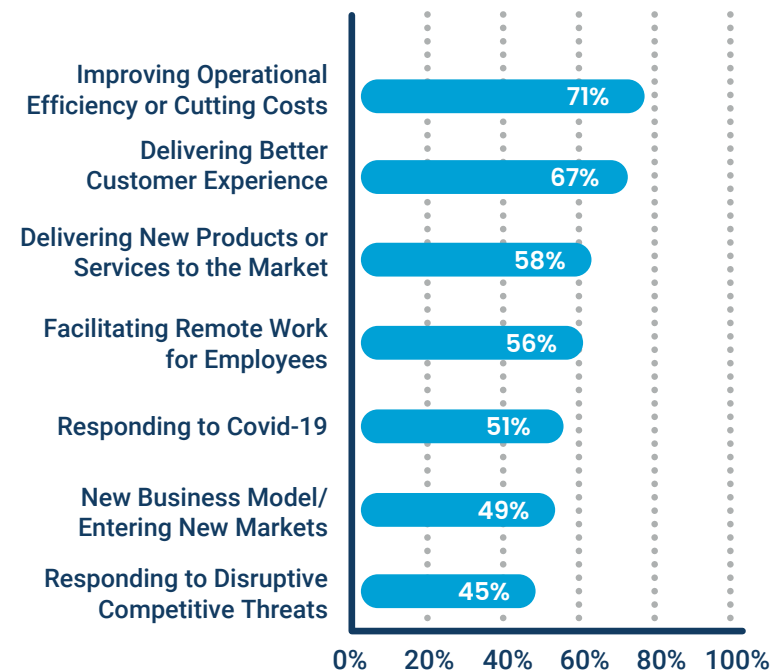
Nearly All Companies are Undergoing Some Type of Digital Transformation

70% of companies are in the midst of a full digital transformation that will change business models and activities, and 26% are undergoing a limited transformation on select parts of their business. Consistent with the 2020 study, operational efficiency/cutting costs (71%) and delivering better customer experiences (67%) are the top two drivers of digital transformation.

DEGREE OF UNDERGOING TRANSFORMATION



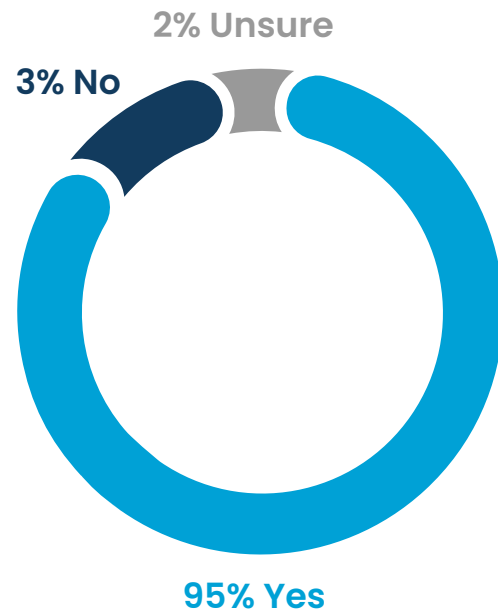
DRIVERS OF DIGITAL TRANSFORMATION



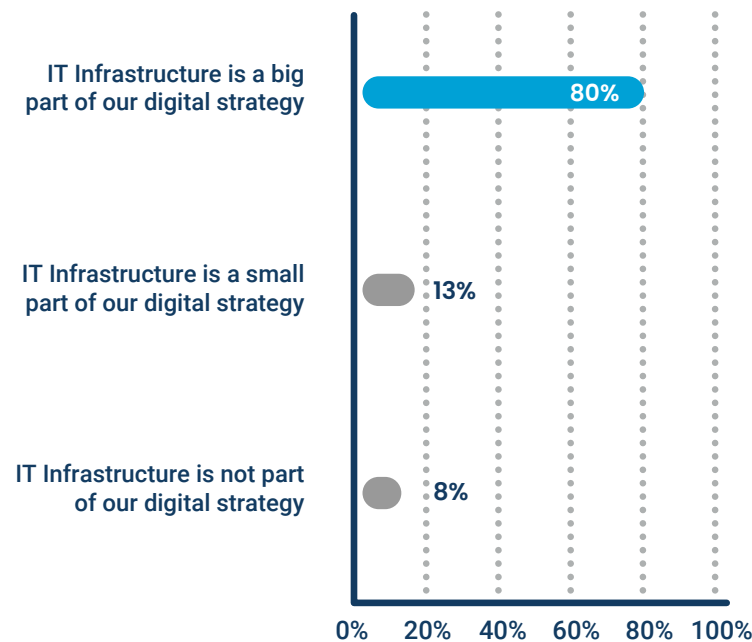
Digital Transformation Strategies are Present at Most Organizations

Both IT infrastructure and app/software development play an important role in companies' digital transformation strategies. In fact, over three-quarters of reporting companies (80%) indicate that IT infrastructure is a large part of their digital strategy, with just 8% claiming that it is not currently part of their transformation initiatives.

PRESENCE OF DIGITAL
TRANSFORMATION STRATEGY



ROLE OF IT INFRASTRUCTURE IN DIGITAL
TRANSFORMATION STRATEGY



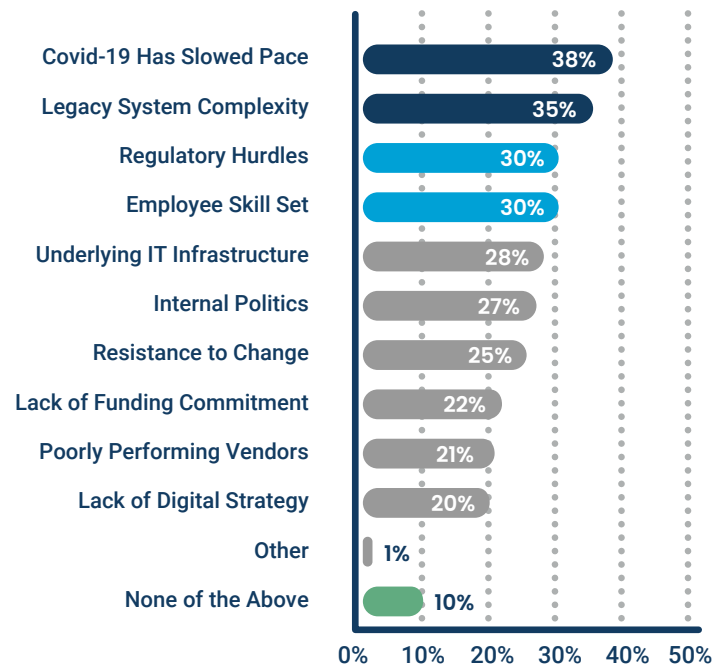
The Impact of COVID-19 on Digital Transformation

With regard to digital transformation, the COVID-19 pandemic has been a mixed bag for businesses in all industries. While many organizations with a strong digital foundation commonly saw an increase in the velocity of their transformation efforts, others experienced significant, immediate barriers along their digital journey as a direct result. Furthermore, organizations found that challenges which predated the pandemic were exacerbated by COVID-19, instilling a sense of urgency in all areas of the business, no matter the industry.

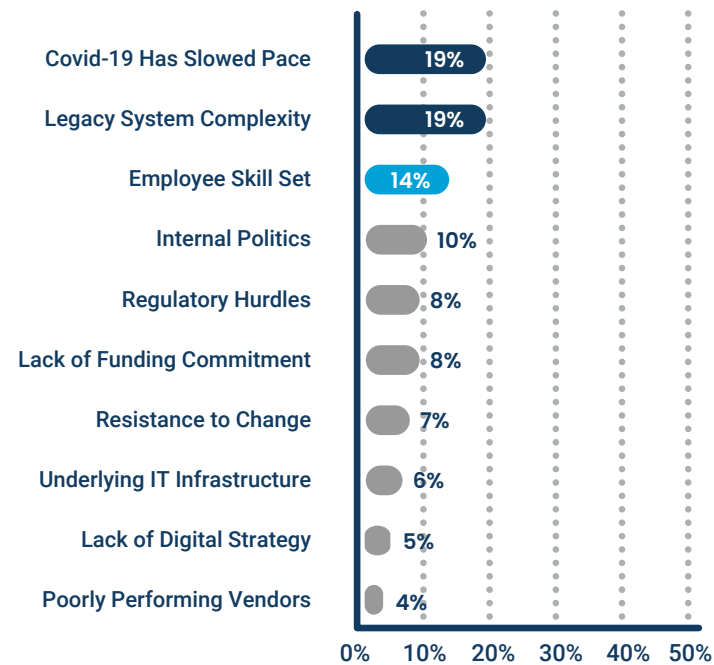
COVID-19 Introduced a New Obstacle, but Traditional Challenges Remained

Legacy system complexity (35%), regulatory hurdles (30%), and lack of employees with the right skill set (30%) remained as top barriers to digital transformation. Additionally, over a third of IT decision makers (38%) report that COVID-19 slowing the pace of digital transformation has been a challenge. Notably, no single barrier is reported by a majority of respondents, indicating that while some business functions (such as IT) were disproportionately affected, these challenges are unique to each organization's specific circumstances as well as their level of digital maturity.

CHALLENGES TO DIGITAL TRANSFORMATION



MOST DIFFICULT CHALLENGE

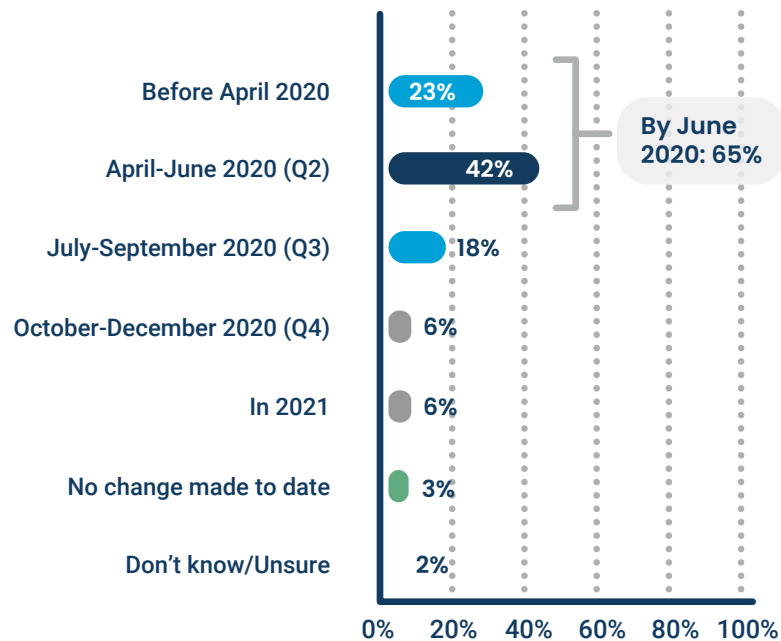


**Note: Those who selected more than one choice answered this question.*

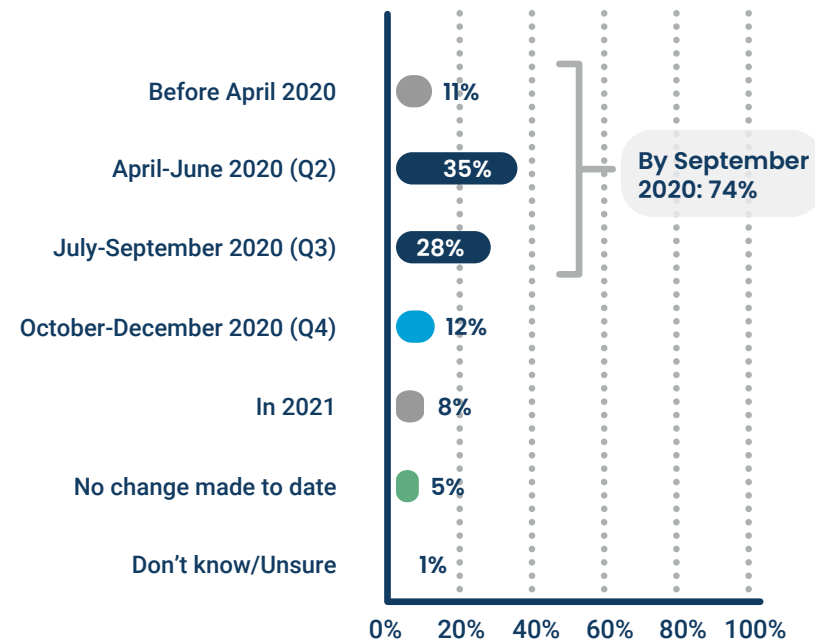
Enterprises Reacted Quickly

65% of companies made reactionary changes to their IT approach by June of 2020. By September 2020, 74% had made intentional, long-term adjustments. Further, more than three-quarters of IT decision-makers (84%) believe COVID-19 has irreversibly altered their organization's digital transformation strategy, for better or worse.

TIME WHEN REACTIONARY
CHANGES WERE FIRST MADE



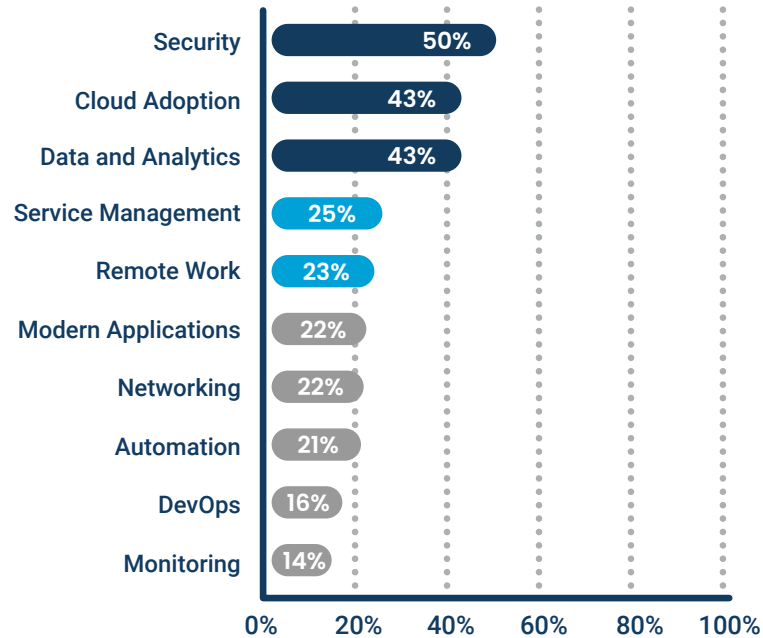
TIME WHEN INTENTIONAL, LONG-TERM
ADJUSTMENTS WERE FIRST MADE



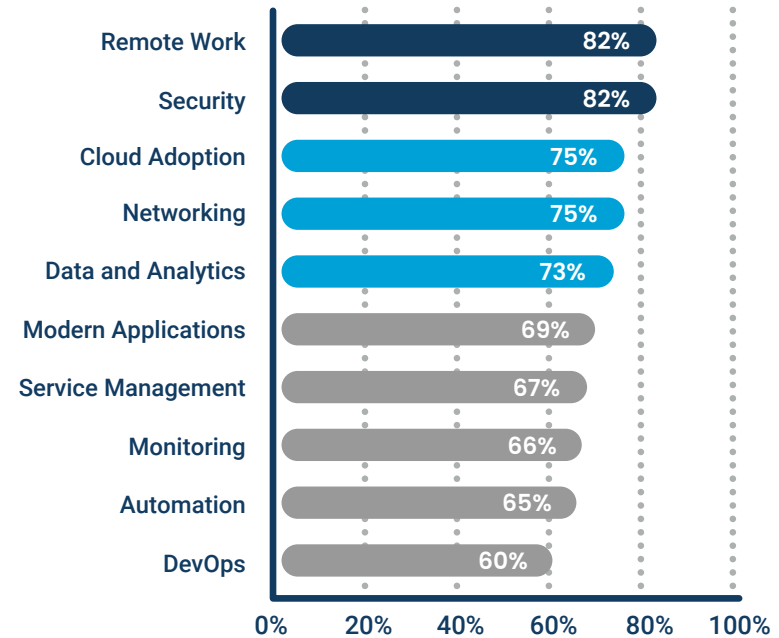
IT Had to Reprioritize Almost Everything

Security, cloud adoption, and data and analytics have remained high priorities both pre-COVID-19 and during the pandemic. Additionally, remote work (82%) and networking (75%) have increased in priority for many companies since the onset of COVID-19.

TOP PRIORITIES – PRE-COVID-19



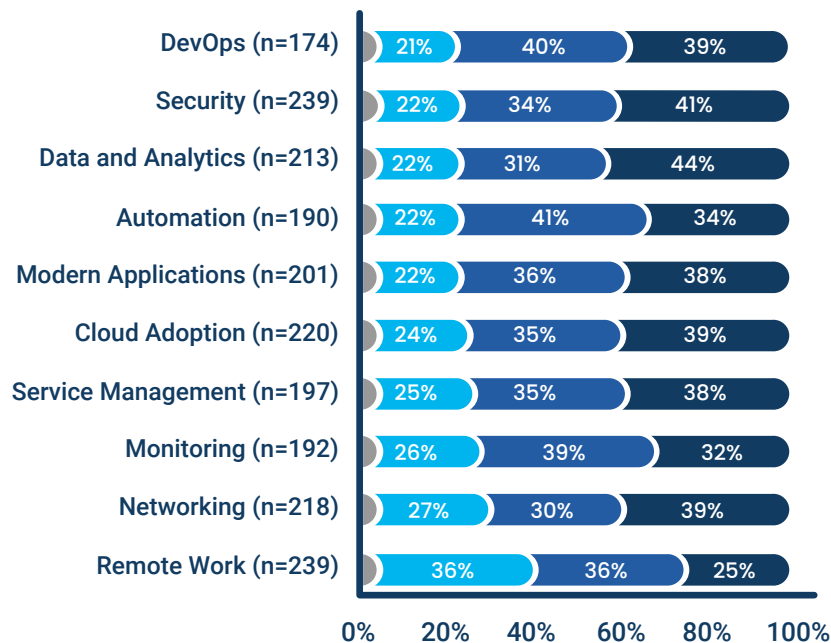
INCREASED PRIORITY SINCE COVID-19



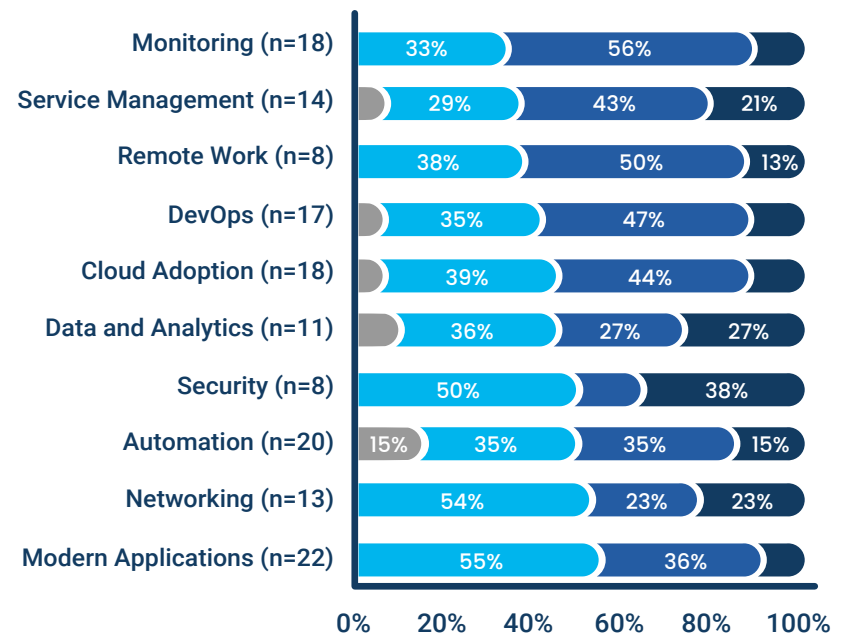
These Changes Will Last

Each function of digital transformation is expected to remain a priority for a similar timeframe other than remote work, which companies expect to stop prioritizing sooner than any other function. Among those who report deprioritization in certain areas, monitoring and service management are expected to be deprioritized for the greatest length of time.

EXPECTED LENGTH OF PRIORITIZATION



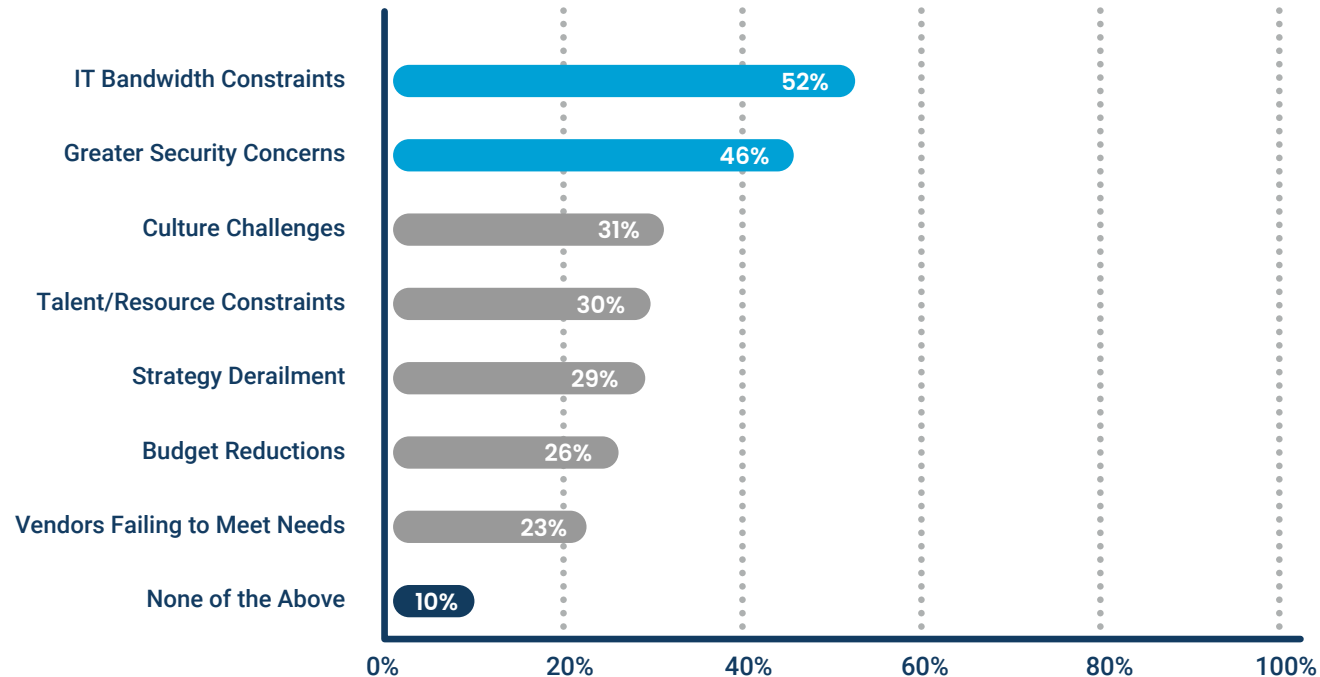
EXPECTED LENGTH OF DEPRIORITIZATION



COVID-19 Presented a Variety of Challenges to Digital Transformation

While new and increasing demands on IT resulted in pronounced bandwidth and security challenges, digital transformation efforts were impeded by a number of other obstacles. Over a quarter of companies noted culture challenges (31%), talent/resource constraints (30%), strategy derailment (29%), and budget reductions (26%) as additional roadblocks to these efforts during the pandemic.

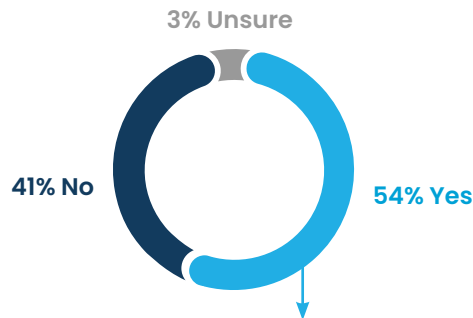
CHALLENGES RESULTING FROM COVID-19



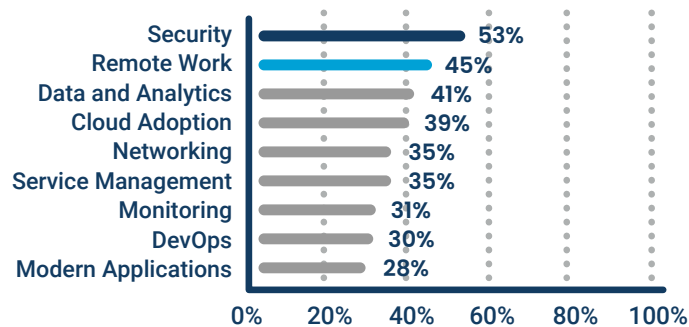
Companies Needed Help

Specifically, smaller companies are more likely to have added new vendors compared to larger companies. The top areas where vendors have been added include security (53%) and remote work (45%), demonstrating the urgent need to patch these areas as top priorities in the face of the pandemic. Of those who have added new vendors in each area, nearly all expect to keep these vendors to assist with COVID-19-driven digital transformation efforts for at least a year, and roughly half expect to maintain these vendors for at least three years.

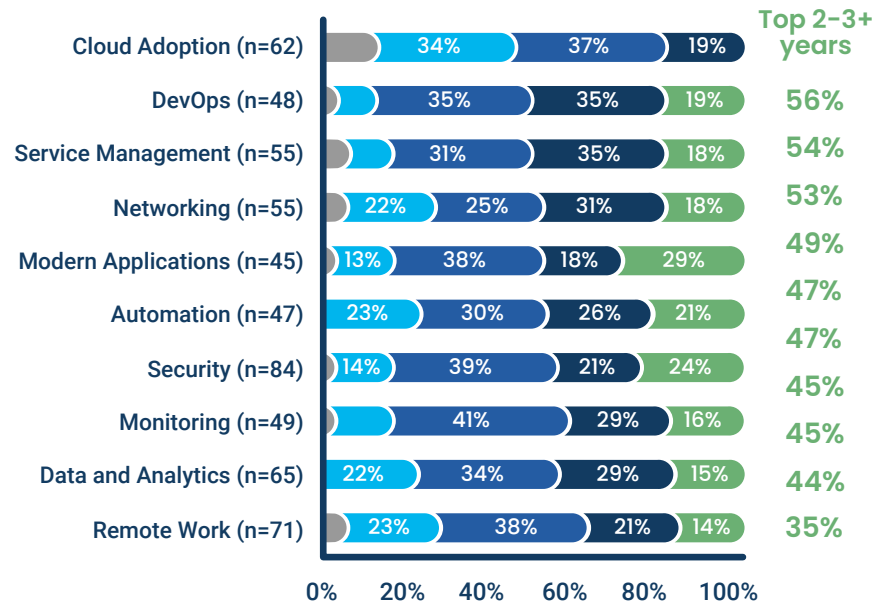
NEW VENDORS ADDED



AREAS WHERE COMPANIES HAVE ADDED VENDORS



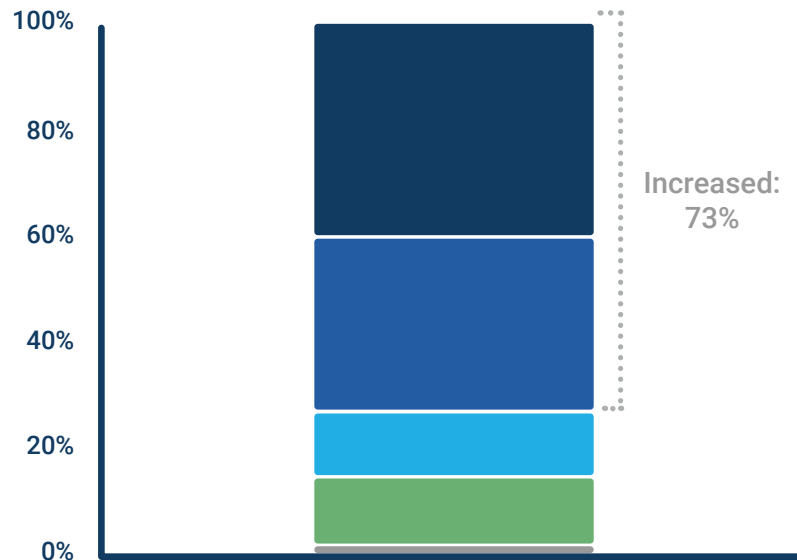
EXPECTED TIME TO MAINTAIN ADDED VENDORS



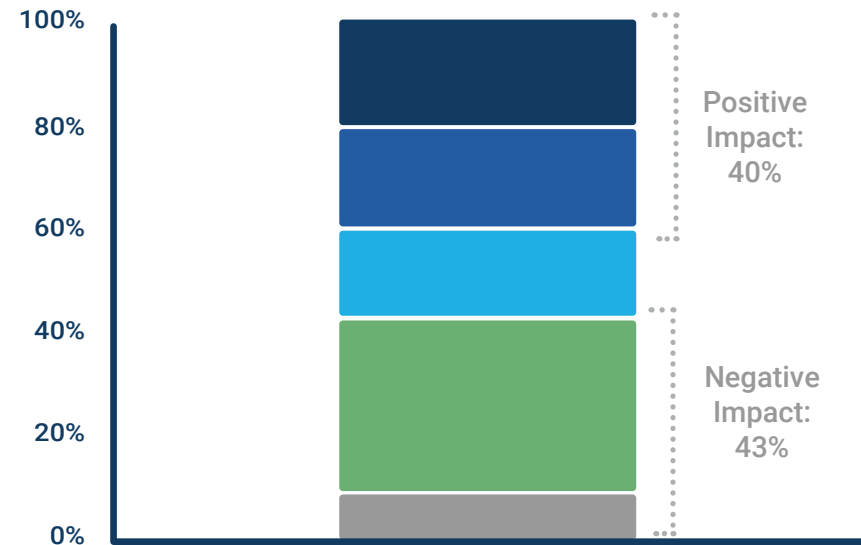
Revenue Saw Both Positive & Negative Outcomes

73% of IT decision-makers report that their budget has increased due to the impact of COVID-19. The pandemic has had mixed impacts on companies' revenue, with 40% of respondents reporting that their company's 2020 revenue was higher than projected and 43% reporting that it was lower than projected.

IMPACT OF COVID-19
ON IT BUDGET



IMPACT OF COVID-19 ON
COMPANY'S 2020 REVENUE



- Significantly Decreased
- Slightly Increased
- Slightly Decreased
- Significantly Increased
- No Impact



Lessons Learned



1

Digital transformation is as much about people as it is about tools and technologies.

When the business world went—for the most part—fully virtual, organizations needed to pivot immediately to accommodate the plethora of new obstacles presented by the pandemic. And among those obstacles, few were more pressing than the challenge of managing people and resources. Between coordinating remote device setup, navigating bandwidth constraints, addressing cultural issues, and accounting for the undue stress related to global health crises, managers at all levels had their work cut out for them.

What most organizations found is that the tools and technologies adopted to enable digital transformation provided little value without the right people to facilitate their use. Companies that set consistent expectations for their employees, proactively addressed bandwidth gaps, and approached the pandemic with a clear sense of empathy for the current situation not only drove more value from their transformation efforts, but gave their people a better sense of responsibility and trust in their decisions as an organization.

2

Enterprise security is a prerequisite to all other business functions.

After more than a year of disruption caused by COVID-19, very few business functions have become commonly regarded as top priorities quite like enterprise security. As organizations restructured their workforce into networked teams to account for social distancing requirements, a host of new security concerns arose—and the majority of businesses found themselves unprepared.

However, by reprioritizing network security as a top concern, adaptive enterprises have been able to quickly adopt new and better methods for safeguarding their employees as well as company assets. In a sense, COVID-19 served to usher in a new era of security standards, forcing the hand of business leaders but simultaneously creating opportunities for innovation.

3

The future of work is much more than just remote work.

At the outset of COVID-19, remote work felt like the most significant shift that businesses would need to traverse—and for a little while, it was. However, the implications of a distributed workforce called to attention challenges well beyond the scope of remote work. And organizations that spent too much time or too many resources standing up remote capabilities were already behind the curve.

On the other hand, those that saw remote work as a one-and-done activity were in a better position to pivot their attention toward more pressing issues, such as network and cloud infrastructure, security, compliance, customer experience, and general business continuity. What's more, many companies that misjudged remote work as the most significant component of their pandemic response claimed victory too early and ultimately paid the price by neglecting other imperatives for the future of work.

4

IT is the most vital function for resilience in the face of disruption.

As remote work became the new normal in the United States and across the globe, the role of IT departments grew exponentially, resulting in new opportunities for innovation and investment as well as heightened internal pressure and scrutiny. From device procurement and network security to cloud infrastructure and disaster recovery, organizations now find themselves relying heavily on IT to maintain business continuity.

Once again, those companies who had already invested time and resources in building robust IT capabilities have moved swiftly through the pandemic, with many reporting higher revenues and better efficiency than years prior. However, organizations who entered the pandemic with a reactive posture regarding IT are feeling the ramifications in almost all areas of the business.

Now, as organizations look to the future with a refreshed outlook on the importance of IT, new strategies for building resilient, flexible, and secure networks have taken hold in nearly all sectors—and most companies will be better positioned for future success as a result.

5

A sound strategy for digital transformation is a top differentiator between successful and unsuccessful enterprises in today's business world.

Throughout the pandemic, we've seen almost every possible outcome for businesses play out in real time. Some organizations made the right moves at the right times and maintained some semblance of 'business as usual' while others found themselves spread thin as they seemingly took on every challenge at once.

The key difference between these outcomes is embedded in the level of digital transformation planning that was present at the outset of COVID-19. Companies with digital-first methodologies, remote capabilities, mature cloud infrastructures, secure networks, and lucrative technology partnerships felt the strain of the pandemic, but ultimately kept their heads above water. Conversely, those with little or no plan in place for digital transformation are finding themselves ill-prepared not just for the pandemic, but for the future of business altogether.



About AHEAD

AHEAD builds platforms for digital businesses. By weaving together advances in cloud infrastructure, automation, analytics, and software delivery, we help enterprises deliver on the promise of digital transformation.

To learn more about our approach to enterprise digital transformation, get in touch with us at www.ahead.com.