

TOPIC: Strategy Not Technology Drives Digital Transformation

BACKGROUND

Digital technologies - social, mobile, analytics and cloud - are impacting organisations and most areas of human activity. Organisations need to integrate these digital technologies and their capabilities to transform processes, engage talent and drive new business models to compete and thrive in the digital world. The MIT Sloan Management Review and Deloitte’s 2015 global study of digital business identified strategy, not technology, as the key driver for successful digital transformation.

The report findings are based on identifying an organisation’s level of digital maturity as ‘early’, ‘developing’ and ‘maturing’. Digital transformation is a new phenomenon, and no organisation can be considered yet to have achieved the end state of maturity nor definitively defined it – hence the label ‘digitally maturing’.

This digital business study surveyed more than 4,800 business executives, managers and analysts. Conducted in Q3 2014, survey respondents were from 129 countries and represented various sized organisations in 27 industries. 15% of respondents were based in Education - the second highest industry level after Professional Services at 18%.

KEY FINDINGS

1. Barriers to Digital Maturity

- Lack of strategy and the high number of competing priorities hinders both early and developing maturity organisations.
- Security issues join competing priorities as the main concerns for maturing organisations.
- A lack of technical skills impact the developing and maturing organisations.

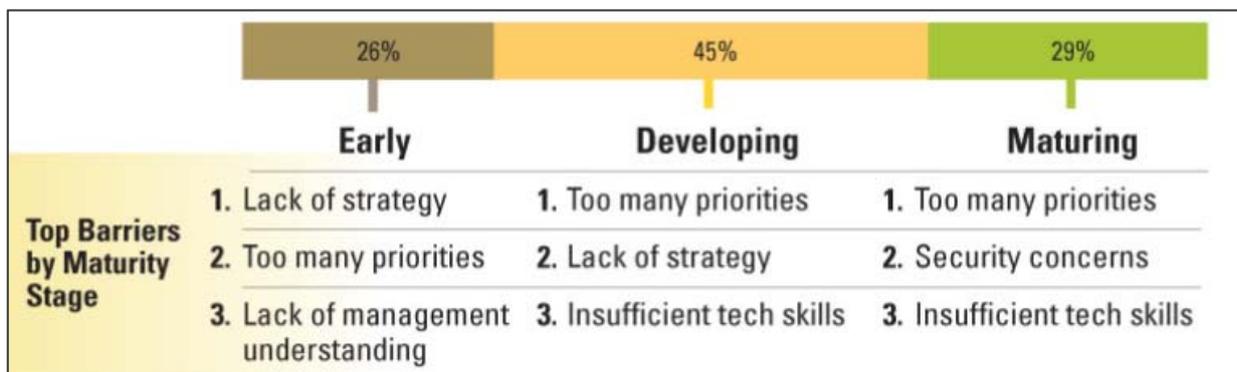


Figure 1. Top Barriers by Maturity Stage

[NOTE: For all respondents 26% were from early stage entities, 45% at developing and 29% at maturing organisations]

2. Digital strategy drives digital maturity

- A digitally maturing organisation follows a clear and coherent digital strategy and effectively communicates it to employees.
- Whereas for an early stage organisation the lack of a digital strategy hinders progress with no real basis to initiate or expand digital developments.

3. The power of a digital transformation strategy lies in its scope and objectives.

- Lacking the skills to conceptualise how digital technologies can impact their business, less digitally mature organisations tend to make the mistake of focusing on the individual technologies and their strategies are operational in focus.
- Digital strategies in maturing organisations are developed understanding the use of technology as a means to achieving the strategic aim of transforming the business.

4. Maturing digital organisations build skills to realise the strategy.

- Digitally maturing organizations do not tolerate skill gaps and are far more likely to provide training to address employee skill gaps, offering digital online and just in time teaching services for staff to seek knowledge when and how needed.
- Recognise that just as important as developing talent is reducing the risk of losing it.
- Early stage maturity entities do not tend to consider employee digital skill needs as a priority need.
- The organisational culture needs to support collaboration, creativity, risk taking and foster innovation.

5. Employees want to work for digital leaders.

- Employees of all age groups are on the lookout for the best digital opportunities and digitally enabled organisations.
- Organisations need to be vigilant and continuous enhancing their digital status to attract and retain digital talent.
- Staff also need to be engaged with the organisation's digital aims and that engagement is dependent the critical components of successfully executing strategy – culture and leadership.

6. Taking risks becomes a cultural norm.

- Digitally maturing organisations are more comfortable taking risks and fostering innovation than their less digitally mature peers.
- For organisations to be less risk averse, the mindset of leaders needs to embrace failure as a prerequisite for success.
- With employees likely to be as, if not more, risk averse as their managers, encouragement and support to become bolder is needed throughout the digital transformation process.

7. The digital agenda is led from the top.

- Maturing organizations are nearly twice as likely as less digitally mature entities to have a single person or group from the C-suite level leading the effort. Leaders need to be able to 'toggle back and forth between the physical, virtual and augmented worlds'.
- Employees in digitally maturing entities are highly confident in their leaders' digital fluency.
- Digital fluency does not require executives to be sophisticated technology users, but need to be able to articulate the value of digital technologies to all levels within the organisation.

8. Summary

- Digitally maturing companies behave differently from their less mature peers.
- It has less to do with technology but more with business fundamentals.
- Digitally maturing organizations are committed to transformative strategies supported by collaborative cultures open to taking risk.
- Equally important, leaders and employees at digitally maturing organizations have access to the resources they need to develop digital skills and know-how.

INTERACTIVE INSIGHTS

The dashboard in Figure 2 summarises the findings for Education respondents.

Access the website *Interactive Charts: Becoming a Digitally Mature Enterprise* at <http://sloanreview.mit.edu/2015-digital-business-interactive-tool/> to explore in greater depth this report's findings.

NOTE: of the 700 Educational respondents, 32% were from early stage entities, 46% at developing and 22% at maturing organisations.

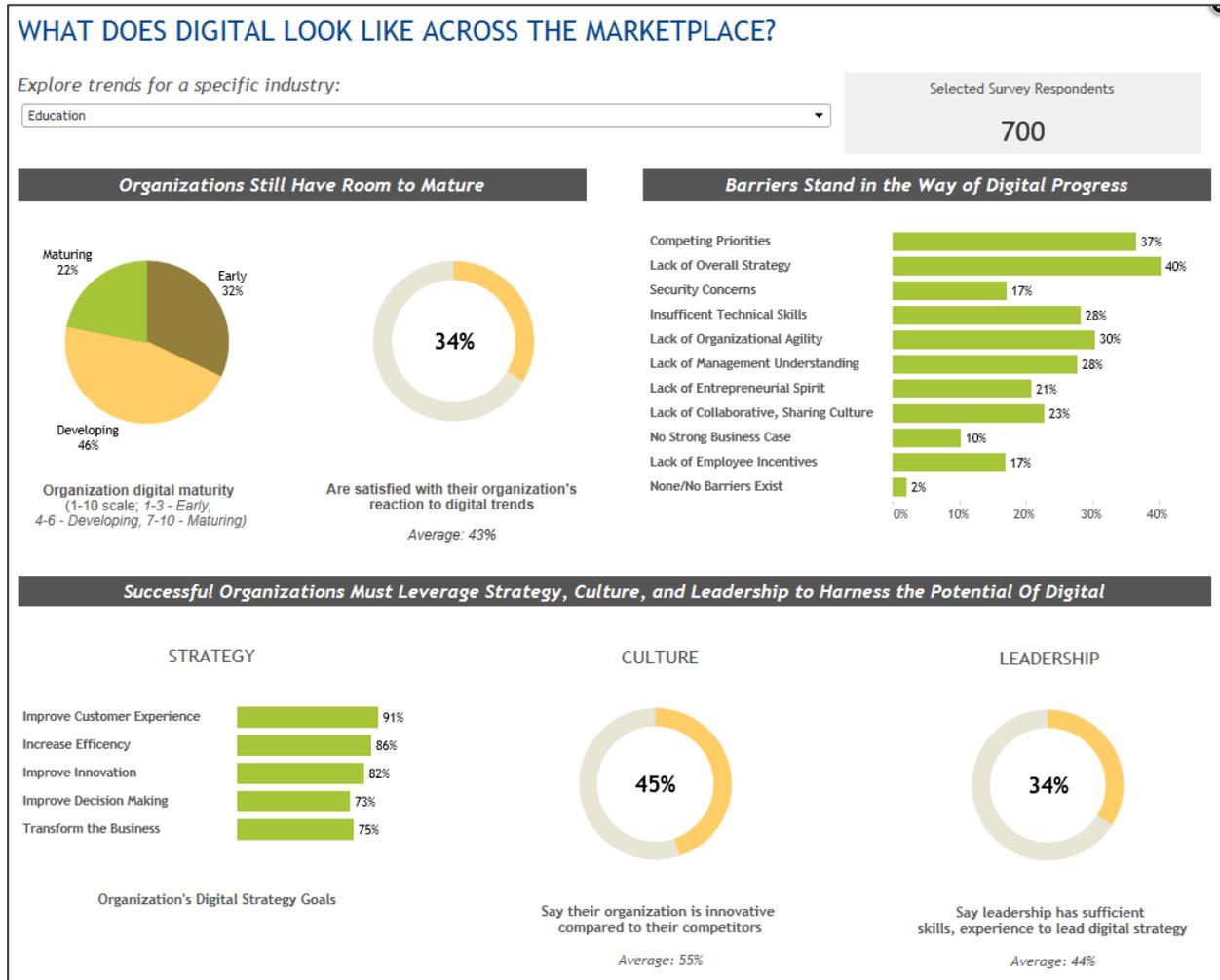


Figure 2. Charting Digital Transformation by Digital Maturity Stage

ACTIONS FOR CIOs

- Circulate to managers
- Access the interactive website
- Review digital strategy

REFERENCES

¹G. C. Kane, D. Palmer, A. N. Phillips, D. Kiron and N. Buckley, "Strategy, Not Technology, Drives Digital Transformation" *MIT Sloan Management Review* and Deloitte University Press, July 2015.

<http://sloanreview.mit.edu/projects/strategy-drives-digital-transformation/>

<http://sloanreview.mit.edu/2015-digital-business-interactive-tool/>

FOR FURTHER INFORMATION:

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