Digital Transformation Strategies
Adapt to the New Normal

Resilience, adaptation, cost control driving interest in emerging technologies

The global COVID-19 pandemic may have disrupted business as usual, but it has not derailed digital transformation initiatives. A Verizon-IDG survey of 100 decision-makers in U.S. businesses found that 60% are making progress with their digital transformation initiatives and that 72% are accelerating those efforts, with nearly one-third saying they expect the pace of transformation to accelerate significantly in the wake of the virus.

The survey was conducted in late May as many regions and businesses were reopening after more than two months of lockdowns. Results indicate that business strategies have moved beyond crisis response and into a long-term planning mode for a new business environment characterized by a greater volume of virtual interactions, electronic transactions and multimodal communications.

The increasing urgency around digital transformation projects is an outgrowth of the broad adoption of cloud and automation technology that was sparked by a sudden change in the business climate, compounded by the need to accelerate decision-making in an uncertain environment. Organizations that did not have the luxury of planning for shutdowns and workforce relocations found that cloud services accommodated their needs with little difficulty.

While executives are confident in the ultimate payoff of digital transformation, more than three-quarters expect their goals to shift over the next 12 months to meet business needs that have been changed by lockdowns and economic challenges. Nearly half of respondents cited budget as a barrier to the digital transformation progress, making it the number one obstacle.

FIGURE 1. 72% Are Accelerating Digital Transformation Efforts

Source: IDG
Economic pressures brought about by the crisis are creating new urgency around issues of resilience, adaptation and cost control. For example, 40% of respondents said they are focusing more intensely on shoring up supply chain management capabilities in the wake of major disruptions that occurred due to quarantines and lockdowns.

Security concerns are also top of mind, with 40% of decision-makers saying that the need for proven network security expertise has increased as a factor in evaluating network technology partners.

Improved efficiency is at the top of the wish list of network-related capabilities organizations are looking for. The good news is that 80% of respondents expect to reinvest cost savings from IT efficiency measures in new technology to further their transformation goals.

Many are already putting in place the pillars of new networking technologies that will be needed to support agile businesses. These include roadmaps for adopting software-defined networking and preparing networks to integrate 5G technology to drive new edge computing and Internet of Things (IoT) initiatives.

However, decision-makers cited technical complexity and lack of clarity as the second and third most formidable barriers to digital transformation, just behind budget. In response, they are using a combination of in-house and external resources with a particular emphasis on engaging trusted firms with expertise in data security, technology integration, and strategy.

Pace Quicenks but Priorities Shift

Digital transformation has been on IT executives’ minds for some time. IDG’s 2019 Digital Business study, which was conducted before the pandemic, found that 91% of organizations were adopting or planning to adopt a digital-first business strategy, motivated by faster time to market, improved customer experience, lower capital costs, process efficiency, and new sources of revenue.

By most accounts, digital transformation initiatives that had been on the back burner were accelerated by the global health crisis as organizations around the world pivoted suddenly to doing business with distributed remote workforces and new digital channels. Those organizations that had been the most aggressive in adopting cloud computing, e-commerce, supply chain visibility, machine learning, and other leading-edge technologies encountered far fewer challenges in adapting quickly to new ways of doing business.

The success of those early adopters suggests that the digital business shift will continue. Of the 90% of respondents to the Verizon survey who are working on a digital transformation initiative, 41% report that at least half of their initial objectives have been achieved and 60% report at least some progress toward their goals. Success breeds ambition. Organizations that have progressed at least halfway toward their objectives are nearly twice as likely as others to anticipate that their initiatives will move at an even faster pace in the future. They also cite improved customer experience as a significantly more important goal.

The results also indicate that priorities may have been affected by recent events. Indeed, three-quarters of respondents anticipate that digital transformation initiatives will change over the next 12 months to meet immediate business needs. Those include business resiliency, tighter digital security, improved customer experience, increased network scalability, and better business agility.

Collectively, these results indicate that early transformation projects are guided more by bottom-line considerations but that as organizations gain maturity their goals evolve upwards.

The State of the Network

For many businesses, the path to digital transformation will be paved with new network infrastructure characterized by flexible data management, high efficiency, and vastly improved performance. These will anchor distributed computing frameworks in which intelligence is pushed closer to end points where data is collected, and decisions are made. These networks are crucial to enabling the compute- and data-intensive needs of such emerging applications as autonomous vehicles, self-contained robots, and smart buildings.

This new breed of real-time applications will require robust security, high levels of automation and streaming analytics to deliver transformative customer experiences such as mixed reality and personalized buying recommendations. The survey indicated that such initiatives are already well under way in many businesses.
"Envision a magic mirror that can pair an article of clothing with complementary accessories or seamlessly show your likeness in different color variations of a shirt you like," says Amelia Arata Powell, 5G Product Marketing Manager at Verizon. In the future, Powell sees customers being able to access up-to-the-second status reports on shipments in transit, interactive storefront displays that react to a customer’s dwell-time, or smooth artificial intelligence (AI)-powered customer service programs that facilitate conversations ranging from simple design options to complex, data-informed discussions about mortgages and investing.

Organizations are especially intrigued by the potential of edge computing, with 37% in production and nearly 60% planning such projects. Similarly, nearly two-thirds of respondents said IoT projects have increased in urgency since the beginning of the year. This surge of interest may relate to the need to redesign workplaces in the wake of the pandemic with an eye toward reducing touch points, improving surveillance for contact tracing, tracking assets in the supply chain, and increasing automation in areas like manufacturing and material handling.

Executives said the network-related capabilities that matter most to them right now are improved efficiency and real-time data processing, both of which are necessary to make distributed edge computing practical.

5G networks will be an essential part of the framework for most edge projects. Although limited in availability at this point, 5G networks are expected to roll out rapidly over the next two years—and organizations are preparing for the robustness and speed benefits those networks will bring.

The high-speed connectivity that 5G provides will be transformative technology for a host of different use cases, initially in areas like manufacturing, supply chain, healthcare, and office productivity, Powell expects. But the value of reliable, low-latency networks will become evident in nearly every market and industry.

Fully 65% of respondents to the Verizon survey have already started building out 5G ecosystems or plan to do so within the next 12 months. Those organizations that have progressed at least halfway toward their digital transformation objectives are significantly further along the 5G adoption curve.

By virtualizing networks, instituting benchmarks, creating agile security protocols, and structuring data to inform machine learning and AI applications, companies “will be well-positioned to get ahead of the technology curve and benefit from a first-to-market advantage,” Powell says.
Given the ambitious and complex nature of these transformative projects and the shortage of available skills, most organizations are seeking outside help. More than 40% of respondents said technical complexity is a significant barrier to progress. Smaller companies are especially prone to complexity issues, with twice as many reporting unexpected project complications as large enterprises.

With skills in short supply, it is not surprising that just 38% of digital transformation workloads are being handled by in-house teams with the rest taken on by third-party consultants and managed service providers. Executives said they lean most heavily on external experts for network security expertise, network planning and new technology integration.

Verizon recommends the Five States of Ready approach to digital transformation strategies:

- **Ready to START** — Evaluate and benchmark the current state of your IT, operational and customer experience systems and networks. This enables you to build the right technology infrastructure to deliver better experiences to more people in more places on more devices.

- **Ready to ADAPT** — Learn how to take advantage of the flexibility of software-defined networks to create an agile environment that makes applications faster and responsive, so that network professionals can take on more value-added roles.

- **Ready to ELEVATE** — Optimize operations and processes to improve efficiency, reduce waste and eliminate blind spots.

- **Ready to INNOVATE** — Accelerate innovation and business value by deploying value-added solutions that transform customer experiences enabled by a high degree of operational automation and real-time analytics.

- **Ready to DISRUPT** — Extract significant value to disrupt competition by adopting technologies like mixed reality, predictive maintenance, smart supply chain, robotic control, AI business analytics and omnichannel customer experiences to put distance between yourself and your competitors. Enabled by 5G, these technologies can now interact in a real-time enterprise which can transform everything from forecasting to physical design to the ways in which customers interact with products.

Digital transformation isn’t an endpoint but an ongoing process. Organizations that create an agile culture on a foundation of flexible and scalable technology are best equipped to adapt to a changing business landscape.

For more information on digital transformation, network security expertise, network planning, and new technology integration visit: [https://enterprise.verizon.com](https://enterprise.verizon.com)