

A close-up portrait of a woman with dark hair pulled back, looking upwards. Her face is the central focus, with a digital overlay of vertical lines and numbers (0, 5, 8, 9, 4, 3, 2, 7, 1, 5) across her eyes and nose. The background is a soft, out-of-focus blue.

# **DIGITAL TRANSFORMATION INVESTMENT IN 2020 AND BEYOND: THE UNDENIABLE PEOPLE FACTOR**



# IT'S NOT ABOUT HARDWARE OR SOFTWARE— IT'S ABOUT THE HUMAN ELEMENT

Digital transformation may involve disruptive technologies like artificial intelligence (AI), internet of things (IoT), mobility and augmented reality (AR). But companies don't adopt these tools purely to update their technology stack. They adopt them so their people can deliver more value, faster.

So, while these projects involve technology, it is the commitment of the actual human beings implementing and using them to realize measurable benefits that will likely determine success. Employees need to be ready and able to commit whole-heartedly not just to a software project, but a new, digitally enabled way of working and contributing to the organization. In short, the human and change elements of a transformation program are more important than the digital elements themselves.

Transformation projects in all forms must not only account for hard and measurable factors tied to business goals, but also soft factors like culture, leadership and motivation. And change projects fail to get off the ground when companies neglect the soft factors.

In the spring of 2020, IFS conducted a global study of more than 3,000 IT decision makers, C-suite executives and individuals working in operations in six markets. Respondents were asked about the digital transformation projects they have planned and those they have completed, including a raft of questions on the people-related elements of digital transformation.

Respondents agreed that people can serve as both enablers and barriers in digital transformation programs. In fact, 23 percent of respondents in this survey voted people the “unsung heroes” of such projects. When change management is handled effectively, and employees are aware of and empowered to support the transformation, it not only powers overall project success but impacts job satisfaction and operational efficiencies.

The study goes on to identify poor change management as one of the key reasons digital transformation projects fail, at 24 percent of respondents. When implementing new digital transformation projects, businesses are focused on implementing the key technology and solutions but aren't considering the importance of staff buy-in and acceptance of the project, which is intrinsically linked to its overall success.

“People can act as both an enabler and a barrier in digital transformation. If change management is handled effectively and employees are aware and inspired to support the transformation, the business is much more likely to reap success. The key learning from this study is that staff involvement should not be seen as a just a tick-box exercise. Rather, people are the secret sauce in any transformative initiative and what will ultimately determine the outcome.”



JANE KEITH

CHIEF HUMAN RESOURCES OFFICER AT IFS



## RETENTION AND SATISFACTION

From a human resources (HR) perspective, there is ample proof that digital transformation makes good business sense. Ranked highest among the people-related factors, respondents stated that employee retention would be higher if the business could offer more exciting technology to its people. Furthermore, 39 percent said that technology provides the ideal opportunity to retrain and upskill existing staff, thereby bridging the skills gap that is a major pain point in many industries.

And employees are keen for HR to play a bigger role in transformation, but also for digital transformation projects to include HR technology that will benefit them in their current roles. In fact, nearly one third of respondents (30 percent) stated that employees want more HR technologies to help them be more efficient.

Employee satisfaction and efficiency gains are not, however, the only effects of digital transformation. Respondents cited the need for more HR involvement when the demand on the workforce continues to evolve. This indicates a notable desire in many businesses to take a more holistic view of digital transformation and employee empowerment.

## FORGOTTEN TREASURE

Despite their ostensibly essential role, respondents noted that consideration for the human element isn't always at the forefront of digital transformation projects, which can have a negative impact on both implementation and daily use of transformative technology.

Somewhat paradoxically, 27 percent of respondents stated that people are key to change but are often overlooked. When considering people's role in the change process, the second-most cited response (25 percent) was that they are guilty of often forgetting to involve HR in the process of change, even while recognizing that HR involvement is a requisite for a successful transformation to take place.

This goes hand in hand with the fact that nearly one quarter (24 percent) of respondents identified poor change management as a key reason for transformation project failure.

In fact, when asked about past experiences of project failure, a resounding 30 percent of respondents named lack of employee engagement as the main reason.

The negative effects of neglecting the human element in digital transformation projects has even become a factor in the decision-making of a large portion of businesses. In fact, lack of staff buy-in was among the top two reasons for digital transformation hesitance.

Looking at the top factors for digital transformation success, it is clear that people are the secret sauce that will ultimately determine project outcomes. One third of respondents identified HR involvement to ensure employee awareness as the top reason for success. Similarly, 26 percent stated that making sure change is seen and felt around the business was a key success factor, which reinforces HR's vital role as a hub for employee communication and engagement.

## SMARTER APPROACHES TO PEOPLE

The study contains both encouraging and concerning news when it comes to the current level of human resources sophistication of many digital transformation projects. On the positive side, a good user experience, which helps users actively adopt the technology, was the single most frequently reported factor in choosing technologies. However, other critical HR-related factors like the impact of change on employees, and maintaining an engaging workplace, were in low single-digit percentages, suggesting a need for HR managers to be more assertive in technology selection processes.

Even though, as noted above, employee engagement was named as a crucial success factor for digital transformation, it is worth noting that the top two slots were claimed by technology and product-related factors. Clear project objectives came in at first place at 50 percent and technological fit at 44 percent, while nearly one third of responses said involving the HR department was a significant success factor.





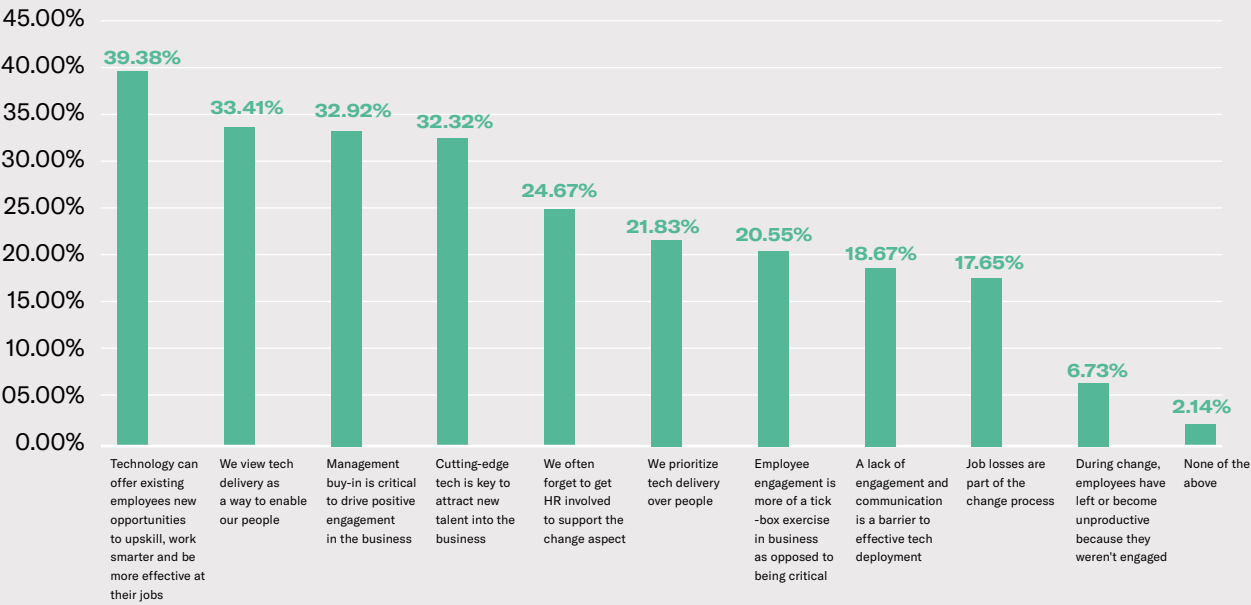
## FOCUS ON HARD FACTORS

When asked what they thought about the role of employees in digital transformation, a plurality of 39 percent of respondents said they thought that technology should be able to offer existing employees opportunities to upskill, work smarter and be more effective at their jobs.

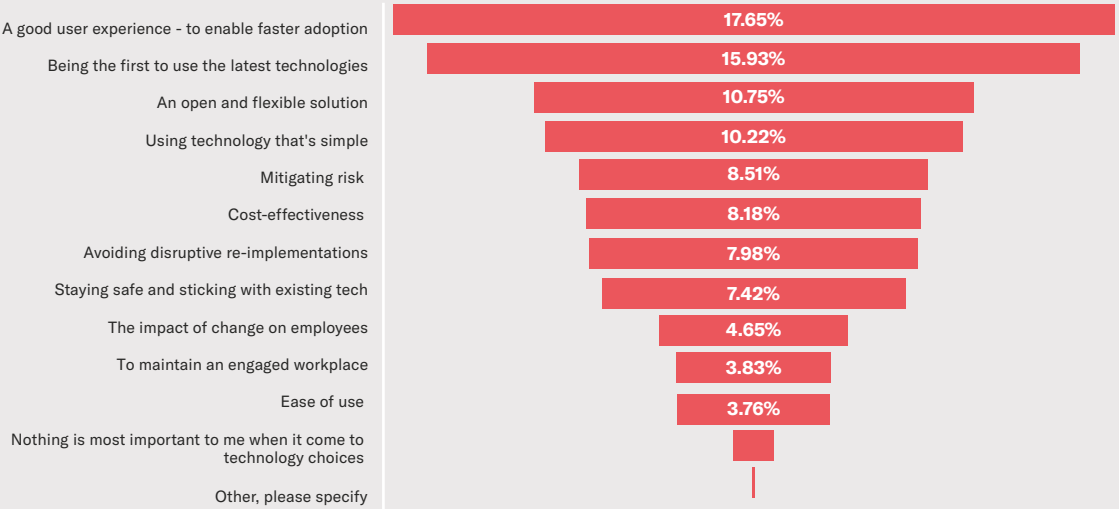
A close cadre of responses filled out the rest of the top three slots, with a near-even spread across each:

- 33 percent said “We view tech delivery only as a way to enable our people”
- Another third indicated that “Management buy-in is critical to drive positive engagement in the business”
- A final third responded that “Cutting-edge tech is key to attract new talent into the business”

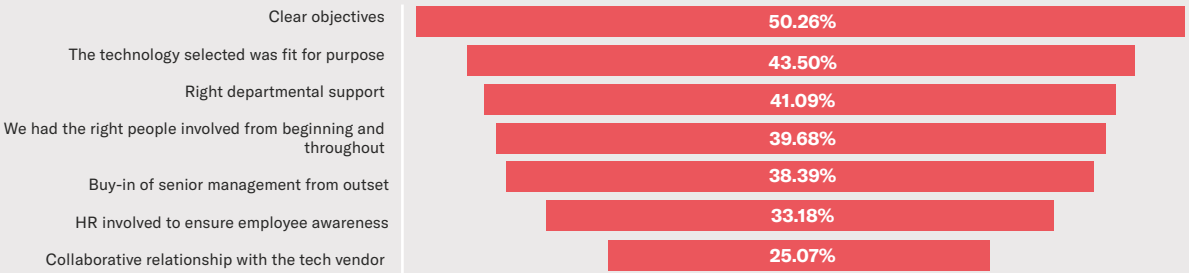
## VIEW OF EMPLOYEES IN DIGITAL TRANSFORMATION



## MOST IMPORTANT IN MAKING TECHNOLOGY CHOICES



## DIGITAL TRANSFORMATION SUCCESS FACTORS





FURTHER UP THE FOOD CHAIN

While a significant percentage of respondents seemed to recognize the centrality of rank-and-file employees in digital transformation, the role of senior management is not lost on respondents.

- 54 percent said their project had senior management support throughout
- 39 percent said buy-in from senior management from the start is essential to ensure success
- 38 percent said they experienced project failure in part because stakeholders lost confidence in the project
- One third said management buy-in is critical to drive positive engagement across the business

The idea that digital transformation must have support from the top of the organization has become common practice. But the data suggests that companies of different sizes have very different experiences when it comes to the role of senior management in digital transformation projects.

The very largest companies, from \$850 million in annual turnover on up, were between 6 and 10 percent more likely than the sample as a whole, to keep full senior management support throughout their digital transformation project. Middle-market companies with between \$550 million and \$649.99 million had the hardest time keeping senior management behind the project. There may be several reasons why this is the case, including the fact that leadership of larger companies may be more experienced with enterprise technology projects and the high complexity, relative to size and resources, that middle-market companies face.

UNTAPPED POTENTIAL OF WETWARE

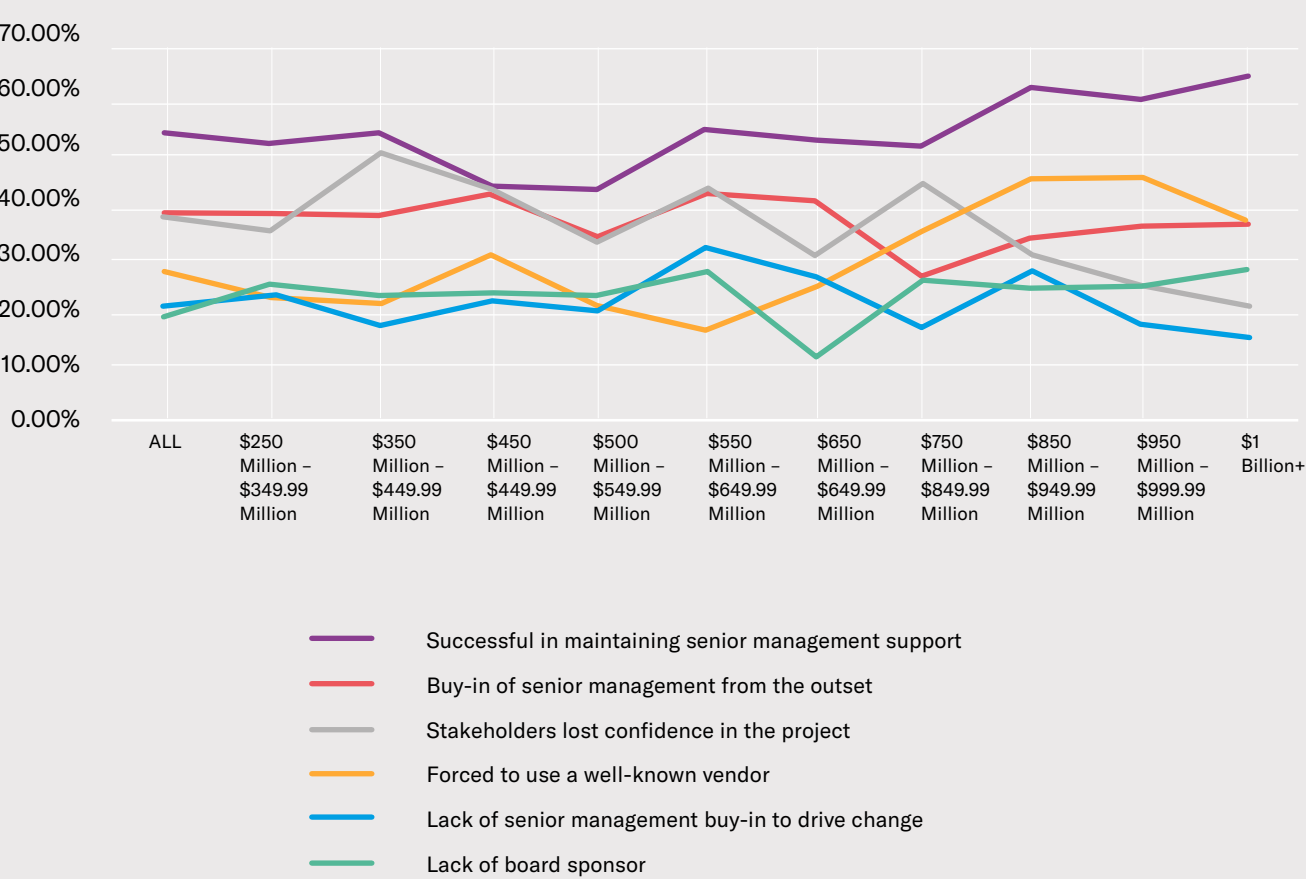
Digital transformation is less about data and software and more about behavior and wetware—which is more aligned to how the human mind operates, how people work, how much they are enabled to produce and how they are equipped to work together. Regardless of the technologies being leveraged, they ultimately must not only increase productivity and deliver a return, but they must be implemented collaboratively by and with the full support of senior management, end users and middle management.

While this study includes some encouraging data points, the data lends credence to the idea that organizations that succeed with digital transformation are those that involve not just the functional

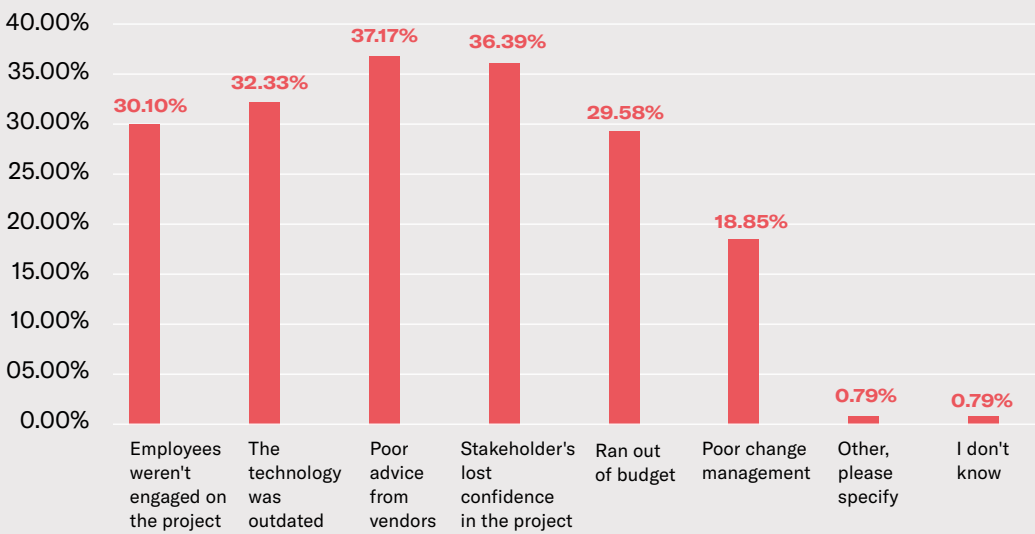
departments a transformation is affecting, but the people whose approach to and philosophy towards work must change. One area for potential growth is in the area of involving HR directly in transformation projects—in IFS’s data, 33 percent of respondents identified this as a success factor. But the human resources function is in fact responsible for hiring, retaining, supporting and maximizing return on the people whose work is being transformed.

Where are the greatest opportunities to add value? What is required of each employee, and what is the best way to help them maximize their contribution to the organization? These are the questions that must be answered prior to a digital transformation effort to ensure the software, hardware and wetware coalesce.

SENIOR MANAGEMENT INVOLVEMENT BY REVENUE



REASONS FOR DIGITAL TRANSFORMATION FAILURE



PEOPLE-RELATED SUCCESS FACTORS





## TAKEAWAY #1

The human factor is key to the success of any digital transformation project and companies need to ensure they involve all departments in the business before, during, and after, with after being the most important. If change management is handled effectively, it will not only encourage employee engagement and buy-in, but the overall impact of the project.

## TAKEAWAY #2

To get ahead of the game, make sure people are the driving force behind your digital transformation project. It is clear that this is where businesses are currently missing the mark when planning and executing transformative projects.

## TAKEAWAY #3

If people are viewed as just a tick-box exercise instead of a crucial force for progress, they can often become a barrier rather than an enabler.

## TAKEAWAY #4

On the flipside, when new technology is implemented effectively, it provides the perfect platform to retrain, upskill and retain employees while attracting new talent to the business.



## PEOPLE AS THE STARTING POINT

A company's plans for digital transformation must start with its people, who must not only be involved, but committed to the project and how it will change the way they work. The project must also be clearly designed around people's needs in order to help them do more than they could before, more efficiently, or help them do things in ways a human alone cannot.

A primary part of project design consists of coming to a full understanding of the people performing work, the tasks they are performing and how those tasks create value for the organization. Even at this early stage, and then throughout implementation and long after the software is live, success is largely dependent on securing active participation and buy-in from people at all levels of the organization and in each department. This requires a disciplined approach to aligning both the people and technology with corporate goals and objectives.

## ABOUT THE SURVEY

The study is based on responses from 3,000+ executives in the UK (501), the US (519), Australia (505), France (503), Germany (498), and the Nordics (501). Respondents represent a broad industry scope, including manufacturing, construction, healthcare, IT/Telco, energy & utilities, and travel & transport. A vast majority of respondents are from companies in the midmarket (\$250M - \$500M) and enterprise market (\$500M+), taking into consideration annual turnover and spending power. Data was collected between April 8–May 5, 2020, by Censuswide.

## ABOUT IFS

IFS develops and delivers enterprise software for customers around the world who manufacture and distribute goods, build and maintain assets, and manage service-focused operations. The industry expertise of our people and solutions, together with a commitment to delivering value to every one of our customers, has made IFS a recognized leader and the most recommended supplier in our sector. Our team of 4,000 employees and growing ecosystem of partners support more than 10,000 customers around the world to challenge the status quo and realize their competitive advantage.

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