

EBOOK

The Virtuous Circle of Digital Transformation

Remote or otherwise, companies find greater success when they're digitally mature.



cherwell

Introduction

In the spring of 2020, just as the COVID-19 pandemic was forcing employees to work remotely, Cherwell Software commissioned Lawless Research to survey managers and executives both inside and outside corporate IT departments. The goal was to better understand how work process integration contributes to digital transformation—or vice versa. At the same time, we were interested in learning about both the successes and challenges companies were experiencing with remote working.

Some findings weren't surprising. Happy with their experiences, many respondents said they expect remote work to continue after the pandemic subsides. And companies that had achieved a mature stage of digital transformation said their remote working experience had been coupled with gains in productivity, employee and customer satisfaction, and customer retention.

Other findings revealed unexpected trends bubbling beneath the surface. In perhaps the most striking instance, respondents said that their companies' commitment to digital transformation hadn't wavered because of the pandemic, although their transformation plans and speed changed dramatically.

The bottom line, says Cherwell CEO Sam Gilliland, is that "the foundations of work process integration—automation of common tasks, low-code and no-code, self-service, maximizing the employee and customer experiences—also make digital transformation possible." Moreover, he adds, "successful transformations let companies take these to an even higher level, creating a virtuous circle that leads to rising productivity and profitability."

The percentage of digitally mature companies in which the CEO—and not the CIO—led digital transformation was 150 percent higher than non-digitally mature companies.

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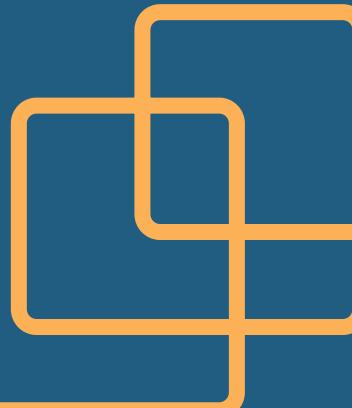
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Part 1: Proof of Change

The Remote Remake

It's difficult to examine the workplace environment in 2020 without recognizing the impact of the COVID-19 pandemic on how—and where—employees do their jobs. Unquestionably, the most significant force is the shift from working onsite to working remotely.

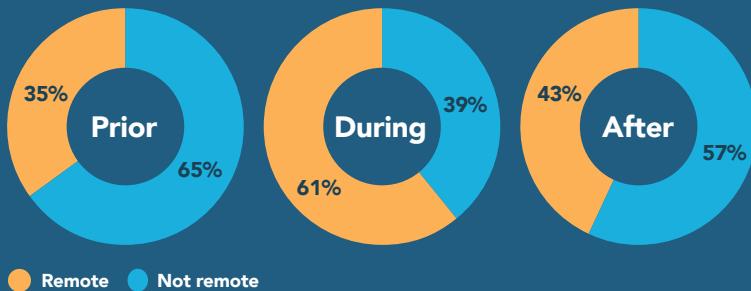
The Lawless data underscores this point. An average of 35% of employees at respondent companies worked remotely before the pandemic struck, but this proportion soared to 61%, a 74% increase, during the pandemic's first few months. Many respondents, moreover, said they believe the remote remake will last: They reported that they expect 43% of their companies' employees to continue working offsite even after the virus has passed. That would be 23% higher than before the pandemic.

The latter expectation isn't surprising, as companies have seen both their expenses and their physical footprints shrink with workers offsite. And employees, armed with the technological tools to succeed, such as quick access to data and work processes as well as ease of communication and collaboration with their colleagues, share this enthusiasm. Eighty percent of respondents, in fact, rated their remote experiences either good or excellent.

The remote shift has had an additional key benefit, notes Cherwell's director of talent and organizational effectiveness, Kim Osoba. "Many workforces have adopted a more agile mind-set," she says. "Employees are reaching levels of flexibility, productivity, and creativity that might not have been possible in a traditional office environment."

COVID-19 has compelled a huge migration to remote working. Not only do an overwhelming majority of employees say they enjoy their remote experiences, but many also expect to remain remote when the pandemic subsides.

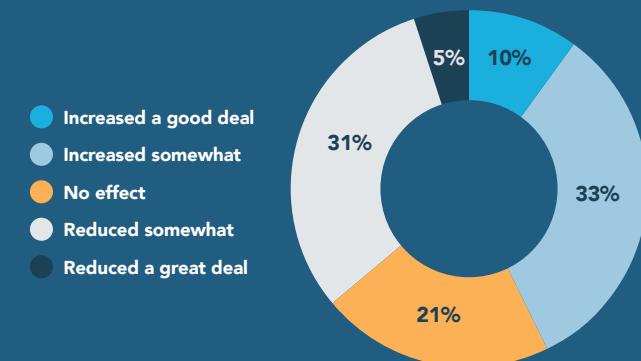
The share of remote workers increased by 74% during COVID—and a large portion of the increase is likely to remain.



The vast majority rate their remote experiences good or excellent.



And more than 40% report an increase in productivity.



Part 1: Proof of Change

Out of the Shadows: The Emergence of Low-Code/No-Code

"Low-code" and "no-code" refer to the amount of professional coding required to design a business app or platform. In recent years, the popularity of low-code has grown beyond its targeted user base of professional developers to include non-coding workers (known as "citizen developers") as well. The inverse applies to no-code.

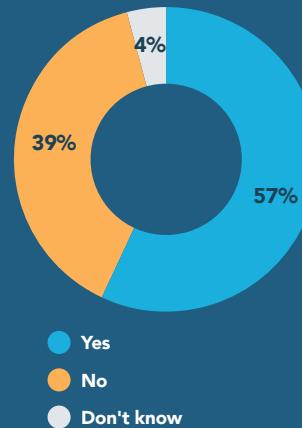
The use of low-code and no-code brings several major advantages to IT service management platforms. These notably include greater ease of use, faster implementation, lower costs, automation of repetitive manual tasks, and built-in artificial intelligence. But that's not all. Phil Bowermaster, Cherwell's principal product marketing manager, calls low-code/no-code "the indispensable ingredient in achieving high IT efficiency and digital transformation maturity." That was underscored by the fact that respondents in both categories reported much higher usage of low-code/no-code platforms than those reporting less IT efficiency and a less-evolved approach to digital transformation.

The survey compared companies that allowed citizen and professional developers to use low-code and no-code to those in which only professionals employed them. Combined citizen and professional developer companies realized important benefits—higher developer productivity, reduction in shadow IT, faster development and delivery of apps, and more—to a much greater degree.

As Bowermaster puts it, "This use by both types of developers is the powerful one-two punch of low-code/no-code. Together, they facilitate and accelerate companies' ability to maximize technology as a competitive weapon."

Using low-code and no-code opens up a vast universe of opportunities for companies to jump ahead in the race for digital transformation.

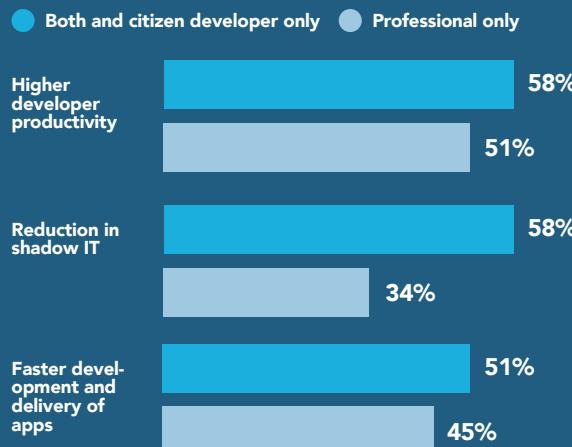
Most enterprises use low-code/no-code platforms...



...and they are being used by both citizen and professional developers.



Leveraging citizen developers on low-code/no-code reduces shadow IT and speeds app development.



Part 1: Proof of Change

Self-Service as a Key to Effective Service Management

It's been said that an IT service management (ITSM) platform is only as strong as its users' ability to operate the platform with minimal assistance. In other words, self-service holds the key to a platform's effectiveness. In theory, this aligns perfectly with both the expansion of remote working and the growing movement toward low-code and no-code.

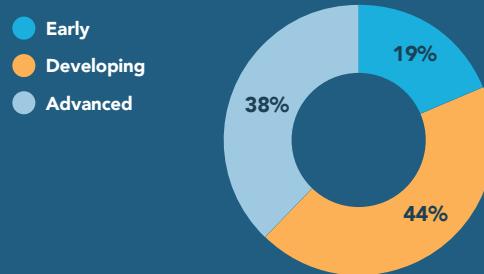
But how successfully are companies encouraging and implementing self-service?

When asked to name the stage at which their company was in terms of promoting self-service to improve departmental services, 63% of survey respondents said early or developing. "This suggests that companies still have work to do to get out the self-service message," says Matt Klassen, vice president of product marketing at Cherwell, "but it also shows they're moving in the right direction and have plenty of room for improvement."

The survey found that three-quarters of responding companies in a mature stage of digital transformation had already installed self-service portals on their ITSM platform, and that three-quarters of all respondent companies had either already implemented self-service or planned to do so in the next year. This reflects the growth in remote working and concurrent large-scale layoffs, suggests Klassen: Companies must emphasize self-service because performing many tasks manually is no longer viable and there are fewer employees to provide tech support.

Companies that invest during periods of uncertainty in process automation—which enables self-service—position themselves for growth as conditions improve. They're ahead of competitors because they've already raised productivity and reduced costs.

Most companies are at a developing or advanced level in terms of promoting self-service as a means for improving departmental service.



This is most pronounced among companies that have reached a mature stage of digital transformation.

Companies that have implemented self-service:



But with increased remote working, more than half of companies report that they have implemented self-service, and another quarter expect to do so within a year.



- Already implemented
- Plan to implement within 12 months
- Plan to implement in 13+ months
- No plans to implement

Companies that reported very high levels of IT efficiency paralleled companies that had reached maturity in digital transformation in key areas.



Part 2: Driven by the Quest for Maturity

Process Awareness Links Digital Transformation Maturity and IT Efficiency

When it came to such key metrics as profitability, productivity, customer satisfaction, finding new forms of revenue, and adopting low-code/no-code platforms, the survey found that the primary beneficiaries were those companies that ranked their IT services as highly efficient as well as those that said they had achieved a mature level of digital transformation.

Although this may seem to suggest a causal link between IT efficiency and digital transformation maturity, Kari Nelson, Cherwell's director of product marketing, explains that these factors actually go hand in hand, demonstrating more of a chicken-and-egg relationship. "Maturity makes organizations more efficient," she says, "but efficiency also helps to define maturity. Neither one exclusively drives the other."

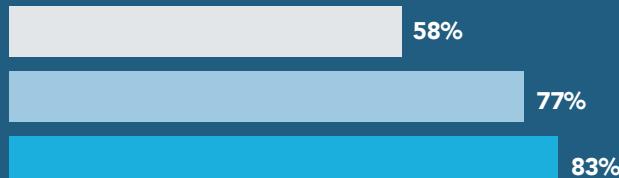
What the two types of companies share, Nelson adds, is the advanced extent to which they are aware of—and committed to—their processes. In order to achieve successful digital transformations, for instance, companies must formalize and document what they did and how they did it. The same goes for companies with very efficient IT services. The key to being both mature and efficient, Nelson notes, is not only to understand exactly how to get there, but also how to make that hard-won knowledge available so that others can easily learn and repeat the processes.

Although digital maturity and high IT efficiency both generate strong results in the same key metrics, the relationship is not causative. Instead, they work together and share an advanced awareness of their underlying processes.

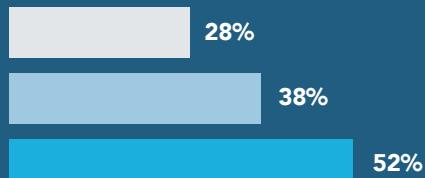
While companies in all stages of digital transformation reaped benefits, rewards were greatest for those that were advanced or mature.

● Early or Developing ● Advanced ● Mature

Higher Profitability



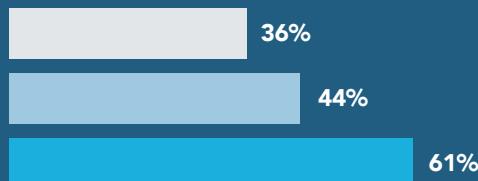
Exceeding Revenue Goals



Higher Productivity



And this was equally true when the workers became remote.



Part 2: Driven by the Quest for Maturity

Primed for Profit: The Impact of Maturity on Profitability, Exceeding Revenue Goals, and Productivity

Reaching digital maturity can be daunting. Many companies have hesitated to commit to it, and just 11% of respondent companies identified themselves as having reached a mature level. But those that get there know that the benefits are both numerous and substantial: Among companies undergoing digital transformation, it literally pays to be mature.

Respondent companies in the advanced and mature stages of transformation reported superior results along several key financial metrics. Compared to those in the early and developing transformation stages, for instance, much higher percentages of advanced and mature companies raised profitability, exceeded revenue goals, and—in a recurrent survey finding—boosted productivity.

Anecdotal evidence suggests that executives at many companies struggling to achieve digital success regret that their lack of progress left them ill-prepared for COVID-19's big shift to remote working. Not so for advanced and mature respondent companies, however, which increased productivity in significantly higher proportions than did their early and developing counterparts when employees went remote.

This last point shouldn't be a surprise, says Cherwell's chief marketing officer, Scott Gainey. "Digitally mature companies," he notes, "have automated thousands of mundane tasks and enabled their employees to be more self-sufficient—capabilities that are particularly advantageous in a remote environment."

Digitally mature companies were ready to face the challenges of COVID-19 when the pandemic hit. They'd already switched their workforces to working remotely, and achieved superior results in profitability, revenue, and productivity.

Digital transformation also provided critical benefits for mature companies in three key areas.

Percentage of mature companies that experienced higher:

Employee Satisfaction

81%

Customer Satisfaction

84%

Customer Retention

81%

Part 2: Driven by the Quest for Maturity

How Maturity Drives Employee Satisfaction, Customer Satisfaction, and Customer Retention

Digitally mature companies are making their customers and employees happy. Of the survey's respondent companies that identified themselves as having reached a mature stage of digital transformation, the vast majority experienced benefits in employee satisfaction (81%) as well as both customer satisfaction (84%) and customer retention (81%).

These numbers aren't surprising. After all, in order to mature digitally, companies need to empower their employees to innovate at the same time that they are delivering outstanding experiences for their customers. And, say two Cherwell experts, the results reflect an even deeper truth: a long-awaited confluence of what customers want and what companies can offer them.

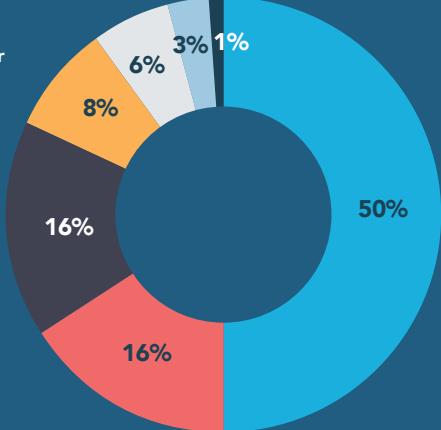
"Transformation succeeds when companies can digitally provide a product or service that consumers want from them," says Bill Sheridan, vice president of global services. "For years that product was self-service, but consumers weren't ready for it until recently."

"Consumers and employees alike are demanding that their needs be met immediately—and in a personalized and accessible way," adds Carol Donnelly, director of learning services. Compared to companies that haven't achieved digital maturity, those that have are much more flexible and can give consumers and employees what they want, when they want it, and how they want to receive it."

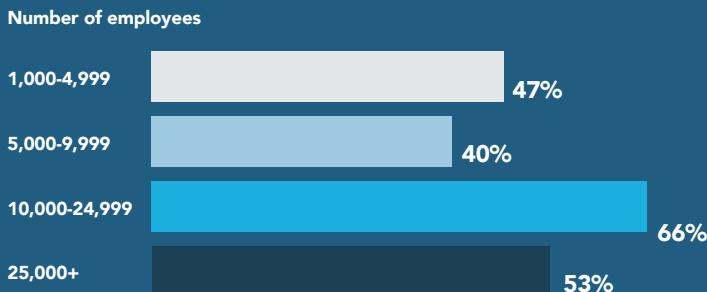
By achieving digital maturity, companies can harness technology to lead the way in satisfying and retaining customers as well as employees. It's a win-win for everyone.

While CIOs are leading digital transformation in most companies...

- CIO
- Chief transformation officer
- CEO
- Business-unit managers
- Cross-functional team
- Enterprise architect
- Other



...and while the percentage is even higher in larger organizations...



...in more mature-stage organizations, that role is more likely to be shared with the CEO.



Part 2: Driven by the Quest for Maturity

Creating a Partnership: Where CIOs and CEOs Work Together on Digital Transformation

The success or failure of a digital transformation can hinge on who is leading the process. Most of the time, the leader is a company's chief information officer. This was true for half of survey respondents—more than three times higher than the 16% that reported their efforts were led by the next-most-likely leaders: CEOs and chief transformation officers.

"CIOs' domination of transformation leadership makes sense," says Tony Banger, Cherwell's vice president of strategic initiatives, "considering their expertise in the technologies that companies need if they are to go fully digital." Most recently, he adds, "the CIO role also has become more integrated with operations and the business side, meaning that newer CIOs bring a stronger involvement in overall strategy to their transformation responsibilities."

CEOs are increasingly heading up the transformation process as well. This was particularly true at the survey's digitally mature companies: Although CEOs still trailed CIOs at the top, they were leading the charge more than any other executive by an overwhelming margin.

That CEOs are leading transformations highlights the fundamental necessity that the process must be a companywide endeavor, says Banger. CEOs, he notes, are fully versed in all parts of their companies and use their political clout to bring these disparate constituencies together to achieve common goals.

A partnership between CIOs and CEOs may be the ideal way to lead transformations: It would combine technological prowess with whole-company participation in a way that neither leader could do individually.

Part 3: Looking Ahead

Double Down on Efficiency, Then Refocus on Customers

While COVID-19 has been a hugely disruptive force for companies, it hasn't affected the importance that digital transformation holds for them. Sixty percent of survey respondents said that transformation was a high priority for their companies during the pandemic and would remain so—essentially the same as the 61% who said it had been a high priority before the pandemic.

Digging deeper, however, the survey found considerable disruption. Half of all respondents noted that their companies had to make significant or major changes to their transformation plans because of COVID-19; this number jumped to 81% when moderate changes were included. And the virus compelled companies to alter the pace of transformation: 40% said that their companies had accelerated transformation efforts, while 47% said transformation had been slowed.

What can companies do, not simply to deal with such disruption but also to use it to their advantage? Matt Klassen, Cherwell's vice president of product marketing, advocates boosting employee efficiency through increased investment. This would, he says, include automation, low-code/no-code platforms, self-service, artificial intelligence, machine learning, and virtual assistants—all areas that survey respondents indicated an interest in. "Once companies have made and implemented these investments," he says, "they should double down and push harder to raise efficiency even higher."

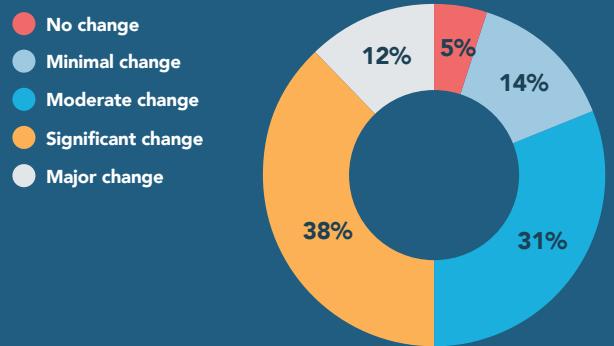
After that, Klassen adds, "it'll be time to refocus on customers with best-in-class service and experiences. Companies that emphasize efficiency and then pivot toward their customers will position themselves for superior growth."

The COVID-19 pandemic has forced big changes in digital transformation plans and speed. Companies can build on this and prepare for growth by emphasizing internal efficiency and then refocusing on customer satisfaction.

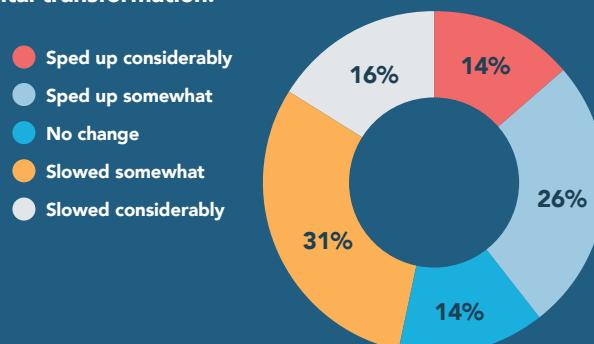
Although the share of companies that consider digital transformation a high priority has not been affected by COVID-19...



...respondents said that COVID-19 had forced them to make changes in their plans around digital transformation.



And relatively equal numbers said they'd either sped up or slowed down the pace with which they were approaching digital transformation.



Part 3: Looking Ahead

Do You Need a Technology Evolution—or a Revolution?

Key among survey findings were the benefits enjoyed by companies that had achieved digital transformation maturity—a state aligned with very high IT efficiency. Companies searching for similar results could start by looking through their IT toolbox to see whether they need to hone current tools or start from scratch.

There are several ways this assessment can go. Depending on a company's technological sophistication as well as its specific needs, that could mean installing an IT service management platform, upgrading existing ITSM capabilities, expanding ITSM into the broader enterprise service management platform, or wiping the slate clean and going all-in on ESM.

A top-shelf ESM platform, explains Matt Klassen, Cherwell's vice president of product marketing, is intended to deliver superior employee experiences across the organization "by supporting corporate areas like HR, facilities, finance, and legal." The ESM platform, he notes, "should be flexible enough to allow customization and upgrades and enable low-code/no-code development to encourage automation and self-service."

In essence, Klassen explains, ESM builds on ITSM's process-based approach to achieve greater efficiency. "While ITSM focuses on managing services and solutions that the IT department provides, ESM extends to those provided by enterprise-level functions—and manages it all with a single platform."

To reach the next level of performance, companies can choose evolution, by building on what they have, or revolution, by starting fresh and installing all-new capabilities.

Beef up your toolbox by leveraging technology to:



Handle growth



Regain a customer-centric approach to service delivery



Improve the bottom line with time and cost savings



Integrate with other systems



Support agility



Provide a better end-user experience



Reduce on- and off-boarding time



Monitor trends

This might mean installing ITSM—or moving beyond ITSM to a more inclusive ESM platform.

Conclusion: Digital Maturity Is a Game-Changer

The Lawless survey makes it abundantly clear that achieving high IT effectiveness and a mature stage of digital transformation are essential for companies seeking to establish or maintain a competitive edge. These companies see work process integration—as achieved through automation, low-code/no-code, self-service, and C-suite commitment—as the key to generating superior and sustainable growth.

Results underscore the major benefits that digital maturity provides: outstanding technological efficiency, higher profitability, above-target revenues, large productivity gains, and exceptional levels of employee satisfaction, customer satisfaction, and customer retention. That these are attainable during COVID-19 further magnifies the accomplishments of digitally transformed companies.

What can companies and their leaders take from this research to move forward and stay ahead of their peers? Sam Gilliland, Cherwell's CEO, notes the increased importance of managerial excellence. "In an environment in which direct physical contact has become the exception rather than the norm," he says, "managers must find new ways to stay in touch with their teams, keep them energized about their work, and measure their productivity."

Gilliland also urges all companies to take a fresh look at their IT infrastructure to determine whether it will help them reach their objectives. "Now is the time," he says, "for a clear-eyed assessment of where they are versus where they want to be. Companies that can align their infrastructures with their goals will set themselves up for success."

Achieving successful digital transformation puts companies in a different league and changes the playing field in their favor. Emphasizing work process integration helps them get there faster.

Methodology

- **15-minute online survey of 506 full-time employees in U.S. companies with 1,000+ employees, including:**
 - 251 IT managers and executives**
 - 255 non-IT managers and executives**
- **All respondents were involved in software/applications purchase decisions for their departments or companies**
- **Survey was conducted between April 29 and May 12, 2020**
- **Survey was designed, conducted, and analyzed by Lawless Research**
- **Blind survey (i.e., respondents did not know Cherwell was the sponsor)**
- **Panel respondents were provided by Quest Mindshare**

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