G² | CROWD

Crowd Views
on Digital Transformation

FALL
2016

Solving Common Enterprise Problems

Table of Contents

Welcome to the first edition of the Crowd Views report, presented by G2 Crowd. This report kicks off a recurring quarterly series that presents information and insights derived from the crowd, broken out into two sections: a recurring section and a section that will change every quarter. The recurring section is focused on software that supports digital transformation and establishes a satisfaction benchmark of digital transformation solutions in six key areas. The other section of the report, which will generally be based on data collected in a quarterly survey of the G2 Crowd community, will, for this edition, focus on gaining an understanding of the challenges that businesses are facing and how they prioritize those issues. That survey of business leaders in enterprise companies, those with an employee count of 1,000 and greater, was completed in June 2016.

Note: For the specific methodology used for each section of the report, please refer to the methodology section in the appendix.

Executive Summary

Businesses today are facing many challenges. Pressure from changing behaviors of employees and customers, new internet enabled business models, global competition and aging technology infrastructure that needs modernization are all combining to create the need for what many call "digital transformation". This edition of Crowd Views lays out the digital transformation satisfaction indices and takes a look at a survey of enterprise managers and executives to understand what problems are the most impactful and need to be addressed first.

Section One:

Digital transformation impacts a business as a whole and is not limited to any particular size segment. Generally it is easier to think of the impacted areas as:

1. Business models

2. Workforce

3. Sales, marketing and customer interactions

4. Business operations

In each of these areas, businesses are facing many challenges and are looking at technology to aid in dealing with them successfully. Technology alone isn't enough though, and companies must tie culture, behavior and process to any initiative.

To address these broad, general categories of business issues companies are implementing solutions that fall into these five groupings:

WORKFORCE TRANSFORMATION

COMMERCE

OPERATIONAL AGILITY

CUSTOMER EXPERIENCE **SALES & SERVICES**

CUSTOMER EXPERIENCE **DIGITAL MARKETING**

As a way to gain greater understanding of the progress of businesses in each of these five solution areas, G2 Crowd has developed a satisfaction index that takes all the relevant software solutions in each area and provides a calculated satisfaction index based on crowdsourced reviews. This index, especially when trended over time, should provide some insight into the maturity and progress of businesses as well as the effectiveness of the available solution sets. The updated indices will be provided in each subsequent report to provide insight into the overall progress trends.

Section Two:

Addressing the long list of challenges involved in digital transformation is daunting to most business executives. To address them, it is critical to understand which problems are the most severe and prioritize the investment of resources to maximize the positive outcomes. A survey conducted by G2 Crowd in June of this year looks at enterprise challenges to better understand which ones the G2 community members prioritized and are addressing.

Looking at the survey data, the analysis provided is focused on challenges faced in two areas: customer and sales and workforce/employee. Strategic impact of particular problems is examined and a third category of issue emerges as enterprise wide. The survey found the top issues with impact on business strategy are:

1. Improving customer experience (72.7%)

2. Integrating data across multiple platforms (62.2%)

3. Finding and retaining the best employees (61.9%)

4. Digital Transformation (56.8%)

In customer and sales, and workforce/employee, a more tactical set of questions provides insight into what problems are currently an issue, were a past issue or are not perceived as an issue by enterprise users. In customer and sales, getting qualified leads and connecting with customers ranked at the top of current issues. For workforce/employee, difficulty finding, hiring and retaining employees ranked highest for current issues and lack of interdepartmental collaboration or organizational silos ranked second.

Respondents were also asked about technology initiatives that related to the issues and were implemented in the past two years, were planned for the next two years or were not implemented or planned at all. The highest reported initiative implemented in the past two years was team collaboration with threat monitoring/security as the second. For planned projects respondents reported integrating customer data and work management solutions as the top priorities.

Section One:
Digital Transformation Solution Satisfaction Index

Digital transformation continues to dominate business conversations and media, as it has for the last few years, in and outside of technology circles. Only the most isolated individual would deny that something has changed that is creating many diverse issues for businesses, and that as these new issues surface, many find that a technology-enabled solution is required. What exactly is digital transformation and how does it affect businesses?

Defining Digital Transformation

There are probably as many definitions for the term "digital transformation" as there are consultants trying to pitch some form of transformation consulting. In a simplistic way, digital transformation is the business response to the economic, social and cultural changes that are occurring as a result of the widespread use of the internet and the shift away from the industrial model that had underpinned the last 200 years or so of human history.

The internet forms a new platform for technology that is enabling the development and growth of several other technologies including online social communities or networks, mobile computing devices that offer ubiquitous connectivity, online marketplace platforms that are highly disruptive to business models, internet of things (IoT), pools of massive quantities of data, and artificial intelligence (AI) that enables intelligent applications. Each of these technologies are fueling change, and together they create a change wave that leaves almost nothing untouched.

The problems that businesses are facing today are diverse and have many possible solutions, which only adds to the complexity and confusion. All areas of a business are impacted, but generally the issues tend to collect around the business models; workforce; sales, marketing and customer interactions; and business operations.

Business Models

The term innovation is most often associated with products or services in a business context, but the addition of the internet as a business platform has opened up the capability to build unique business models that are very disruptive. The most common foundation for this disruption is the use of the marketplace concept to connect people or businesses that need a product

or service with the direct provider of that product or service. This concept plays out in all sorts of different permutations; for example, eBay, Amazon, Zipcar, Airbnb and Uber.

Online retail is of course the largest example, but other models are taking this concept and applying it to many different industries in a very disruptive way.

In technology, the "as a service" model that grew up first around business software applications, and leverages the internet platform and a subscription licensing model, has caught on in and outside of technology. From software as a service (SaaS), the cloud computing model now encompasses infrastructure and platforms (development, integration, storage, security, collaboration and a host of other services), and the basic concepts are available to consumers for cars, razorblades, notebooks and nearly any other consumer-packaged goods you can name. Using this hyper-connected platform, businesses can build models that produce high-growth companies that outsource almost all their "core" business functions, and have full-time staff a fraction of the size it would have taken before the internet was available.

"Having both the strategic vision to see the threat and the business agility (systems and people) to adjust and respond to the threat in time is proving to be a rare business capability in many industries."

The frequency of business model innovation is increasing as more startups look for uses of this peer-to-peer marketplace approach. Competition often appears to traditional companies rapidly and with little or no warning. The high frequency and velocity of business model innovation often makes it even more difficult for established companies to respond to the extreme pressure of this unique competitive threat. Adequately responding to the threat requires that the existing market see, understand and have the strategic agility to respond quickly enough that the market shift doesn't leave them behind.

In many businesses, strategy is implemented through rigid systems and processes, and deeply engrained in both systems and people. Having both the strategic vision to see the threat and the business agility (systems and people) to adjust and respond to the threat in time is proving to be a rare business capability in many industries. One of the underlying technology imperatives is to implement strategy through systems that provide the flexibility to support rapid business change, something that old, monolithic software systems were not designed to support.

Workforce

There are many forces at play in today's workforce. Across many functional areas there seems to be a talent shortage, and companies struggle to recruit and retain high-performing employees. Talent shortages are not new to businesses, but the current shortages are somewhat different and driven by:

1. The specialization of the workforce around new digital tools and processes, and including high levels of competition across departments for some specific and scarce new skill sets created by the transformation.

2. An increasing lack of employees with a broader knowledge base and the ability to create agile business strategies.

Both of these drivers are related to the availability of skills, or the scarcity of them, but are on opposite ends of the issue. The second shortage is, to some extent, magnified by the growing number of highly specialized digital jobs, and as older experienced strategists in many professions are leaving the workforce, there's no replacement pool from which to replace them.

The impact of changing demographics goes beyond the skills issue though; the entire makeup of the workforce is changing as millennials become the largest generation in the U.S. workforce in 2016, surpassing the Baby Boomers who have started to decline in the workforce, according to U.S. Census Bureau and U.S. Labor statistics. Expectations of modes and methods of interaction are now tied to mobile devices, online networks and peer communities, instant and continuous idea exchange, and a sense of entitlement to circumvent systems and tools that do not meet those modern standards. Much has been written about the differences in the attitudes and expectations of the different generations, so suffice it to say that while generational differences are broad, and individual behavior can vary greatly, there are some patterns that do seem different.

The **entire makeup** of the workforce is changing as **millennials** become the largest generation in the U.S. workforce in 2016.

U.S. LABOR FORCE BY GENERATION, 1995-2015 ⬛ Boomers ⬛ Gen Xers ⬛ Silents ⬛ Millennials

G2

Value	
53.5	
52.7	
44.6	
3.7	

Source: Pew Research Center tabulations of monhly 1995-2015 Current Population Surveys, Integrated Public Use Microdata Series (IPUMS)
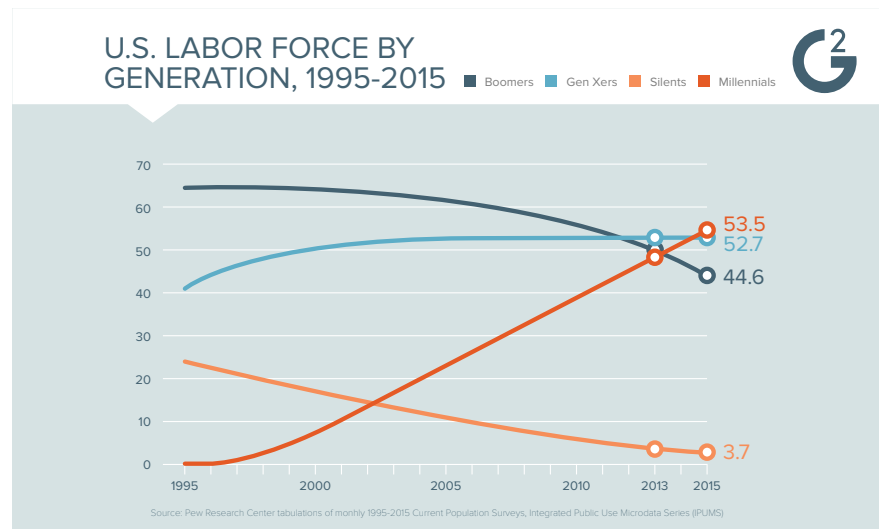
Other organizational factors are also playing a part in changing workforce realities: Flatter organizations with deep specialized silos often means less upward opportunity and the need to create horizontal movement to keep workers learning and engaged. Employees have increased access to online learning and training that let's the self-motivated broaden skills rapidly, but old work design systems still support keeping an employee inside a specific "box" of skills, not opening up opportunities for employees to use new skills and gain experience outside the boundaries of the "box".

The so-called "gig economy" is creating change in the approach to getting certain types of jobs done and in the type of work arrangement a portion of the workforce desires. The roots of this shift seem to go back to the 2008 recession, when out-of-work/laid-off individuals found opportunity in providing contract/consulting services to companies that needed their services and skills intermittently.

Companies found readily available sources of skills augmentation as well as peak capacity, while the new contract worker gained access to a wealth of project

sources. While on one hand there was greater risk for the worker and the need to source many projects to replace the single employment model, there was also a great deal of freedom and flexibility created. As the economy started to recover, many of these new consultants found that they liked the new approach to work better and continued to provide for themselves in the new structure.

Companies also learned that it was economically advantageous to use some contract labor to provide highly specialized skills only needed for specific projects or business cycles, and to provide a ready pool of staff augmentation when necessary to deal with peak load issues. Adding to the attitude shift in both individuals and companies, businesses emerged to serve this new gig economy, providing platforms for facilitating the business exchange. This included sourcing contractors, managing work and even providing the vehicle for paying individuals across geographic boundaries that would create headaches to individual businesses in dealing with local labor laws, taxes and regulations.

Sales, Marketing and Customer Interactions

In a B2B buyer behavior survey conducted by G2 Crowd earlier this year (G2 Crowd, March 2016, N=651), 62% of the respondents agreed or strongly agreed with this statement: "We usually engage a sales professional only when we have made a purchase decision." When asked about influence on business purchases, 35.8% reported that professional networks were the "most influential," while only 2.7% listed vendor sales professionals.

Many companies believe they have a selling problem that has gotten progressively worse over the last 5-to-10 years. If revenue is declining or sales professionals are working harder to stay even, then sales, sales processes and even marketing have to be examined. Many companies are learning, though, that the fix to this "selling" problem requires a new approach to marketing and sales, not just optimizing current processes. The buying process seems to have changed for many buyers. In other words, buying has changed but in many cases marketing and selling have not, creating a mismatch of expectations and making selling increasingly more difficult and less productive.

Because of the widespread use of the internet; the proliferation of mobile devices; and the growing use of online networks, communities and marketplaces, the way individuals access information and the amount and breadth of the information accessed is fueling a variety of changes. The level of personal empowerment and self-sufficiency has increased dramatically for buyers as they have learned to use the massive amount of connected information at their fingertips.
Having access to a wide amount of information and information sources offers

62%
agreed or strongly agreed with:
"We usually engage a sales professional only when we have made a purchase decision."

the opportunity for buyers to educate themselves and do deep research on solutions without vendor interaction. Buying has changed but the psychology of selling hasn't really advanced in 20-plus years. Marketing to support that broken sales approach has been in its own transition for many years: the move to "digital marketing".

Buyers accept and use information to varying degrees based on the buyers' level of trust for the source of the information. Trust then is the filter used to determine whether information will be used (or not) to support the decision process. Getting past a buyer's trust filter is not a simple matter, but is based on culture, bias, past experience, advice and several other factors. It is, in other words, very individualized.

> "The combination of the broad availability of different data types, the ease of finding and consuming that data, and the consumer attitudes have come together at the same time and have greatly contributed to the shift in buyer behavior."

Vendors, specifically their marketing teams, provide content and expertise that is publicly available to buyers, but it is only one voice of many. What makes it through the trust filter and why? Offline trust—that is, "relationship" trust—is based on proximity, frequency of interaction and the outcomes of those interactions over time. Online, while it's not completely different, proximity is removed from the equation. The rest though, still holds: Frequency of interaction and the outcomes of interaction are the main drivers. Without the benefit of face-to-face interaction, though, a few things happen.

People are conditioned to expect non-verbal communication along with the verbal, so when it's missing it is much more difficult to connect with someone and to grow trust. The lack of nonverbal visual cues may slow down the process of building trust, and in general makes that trust more fragile. When it comes to information sources, trust is highly variable based on past experience, transparency, personal and source bias, "trustworthiness" and probably a bunch of other individualized factors.

The rapid movement of information online creates a level of transparency that was not possible without both a massive amount of data and the means to move it around freely. Combine that with a perception that information provided by sellers is somehow biased, and the situation is quite different from pre-internet or even early internet research. Early internet company websites were little more than billboards with a lot of static components. They also were often one of the few resources for details about a product since other sources were limited and/or still offline.

Now though, the company sites are content rich, but information resides everywhere. Over time people have gained the impression that independent content is superior to sponsored, which is probably at least partially true. Independent content has the appearance of being unbiased and not filled with some marketing "spin". Maybe that part isn't really a new attitude, but it is now actionable in a way it never was before technology enabled the current information revolution. The combination of the broad availability of different data types, the ease of finding and consuming that data, and the consumer attitudes have come together at the same time and have greatly contributed to the shift in buyer behavior.

Customer experience (CX) or customer engagement is a common part of the discussion of digital transformation. It is important for companies to understand that CX is a comprehensive strategy that is

underpinned by technology, not just technology by itself. For many companies CX strategy is forming around what has been called "customer facing," or sales, marketing and customer service. While each of those functional areas is part of the problem and the solution, those alone are not sufficient to address the underlying issues of CX.

Taking a holistic or cross-organizational approach to CX means that the entire company is "customer facing" in the new strategy. It also means that to get to a wholistic approach, underlying systems that supported different parts of the business, and may or my not be integrated, need to operate as a single CX system. A customer sees a business as a single entity, no matter whether or not the business is organizationally siloed. They also do not see what you define as discrete channels of interaction such as online, in store, or via social network, phone, chat, texting, etc. To a customer those are not multiple channels, they are simply the company the customer is trying to engage with to buy from, get help, get service, have a question answered, etc. Finding solutions to the CX challenge, especially in the context of a new marketing and sales approach, requires changes in people, culture, process and systems.

Business Operations

Business operations is a critical component to the changes necessary to transform a business. Business operations transformation is linked to CX and to strategic agility, and it encompasses a broad set of functions across a business depending on the specific industry vertical. These "back office" functions form the backbone for all of the business and often operated on older enterprise resource planning (ERP), supply chain management (SCM), IT management and project management systems.

Many of these core systems were the focus of system implementations in the mid-to-late 1990s, fueled by the scare over the year 2000 (Y2K) "bug" and by a desire to operationalize rigid business processes through an exercise called business process reengineering. The systems were pre-SaaS—so implemented on premises using client-server technology, sold in suites of modules from a limited number of vendors, and built on a monolithic system design philosophy through waterfall development models. Often the systems were highly customized during implementations to try and take horizontal functionality and make it fit the needs of specific industries and businesses. While some were upgraded on a regular cycle in the years since, many were so customized that upgrades required a massive effort and took years, so they often skipped upgrade
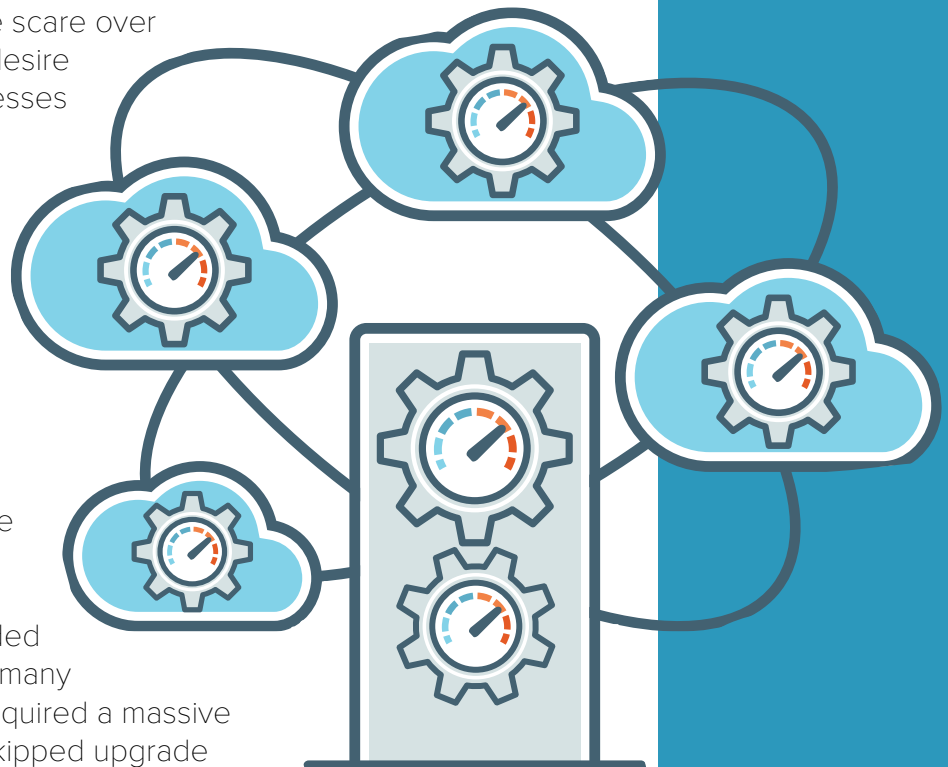
cycles. Post-Y2K, after it became clear that the predicted system disasters did not occur, many businesses found that they had purchased a great deal of software, and that to varying degrees it was partially to completely unused.

In the early 2000s many companies started fracturing integrated systems by adding specific "best of breed" systems to support new or different operational and competitive needs. A period of business consolidation also occurred with a lot of acquisitions and merging of businesses. From a system perspective this created many companies with multiple overlapping systems that were very difficult to integrate but expensive to replace.

With the increased acceptance of SaaS/cloud-based systems, many enterprise businesses became "hybrid" IT environments with some suites and some best of breed, and mixed between cloud-based and on-premises deployments. For mid-market companies the trend was slightly different in the core systems. Many did have integrated, older core systems, although some had fewer integrated systems as well. For replacements or allocation modernization projects, they most often began choosing to implement full suites of products, often from a single or small number of vendors.

For many years the focus in businesses has been around customer-related systems, particularly around customer service and digital marketing. Only in the last 10 years have the core systems started to be replaced with some frequency. For many companies though, this replacement is ongoing and module by module when it becomes necessary.

As modern systems improved dramatically—with new and highly desirable capabilities like embedded analysts and collaboration—the pace of change has accelerated for those core systems as well. Hybrid is still the most common IT reality, but more and more businesses are looking to modernize the operational backbone of their companies. Newer, cloud-based and more adaptable and flexible, core systems are critical to the concept of a strategically agile business.

Businesses that are accelerating the transformation of operations using these modern systems are getting a lot more attention, although still lagging with CX and workforce initiatives.

To address these broad, general categories of business issues, companies are implementing solutions that fall into these five groupings:

WORKFORCE
TRANSFORMATION

COMMERCE

OPERATIONAL
AGILITY

CUSTOMER EXPERIENCE
SALES & SERVICES

CUSTOMER EXPERIENCE
DIGITAL MARKETING

Satisfaction

Satisfaction is an important metric in looking at business progress with digital transformation. It is not the only indicator, of course, but it can be used to help understand which solutions are hitting the mark and which ones are not. Across all the solution categories, though, there are products that are modernized and there are still solutions that are in transition and do not offer all of the capabilities and advantages of modern solutions.

In this report, looking at satisfaction at a higher level than is done with a normal software category provides several opportunities over the more detailed category comparisons. Both approaches are useful, and the regular G2 Crowd reports are focused at a much lower level and generally by category.

We track satisfaction for six solution groups over time to attempt to capture satisfaction trends in a way that helps gauge the progress of modernizing the underlying solutions and the impact those more modern solutions are having in businesses. The concept then is to look quarterly at businesses as they progress in their own transformation, and to provide some insight as to the solutions that should be helping those businesses become modernized, flexible, nimble and more competitive.

At G2 Crowd, satisfaction data is collected on products for usability, quality of support, ease of setup, meeting business requirements, maintenance and ease of doing business with the vendor. This initial report looks at the aggregated satisfaction data at the highest solution level for five of the six solutions listed above.

Only platforms is omitted in this report, but it will be added in a future report. The cloud platforms that are an essential part of digital transformation are themselves evolving quickly, and require some more preparation and effort to provide an accurate assessment for the report. In future reports the plan is to drill down on the satisfaction data and provide a more detailed look at each data point across the solutions.

Figure 1. Satisfaction Index Scores for Combined Segments

SEGMENTS COMBINED

WORKFORCE
TRANSFORMATION

OPERATIONAL
AGILITY

CUSTOMER EXPERIENCE
DIGITAL MARKETING

CUSTOMER EXPERIENCE
SALES & SERVICES

COMMERCE

5.86

5.89

5.98

6.00

6.08
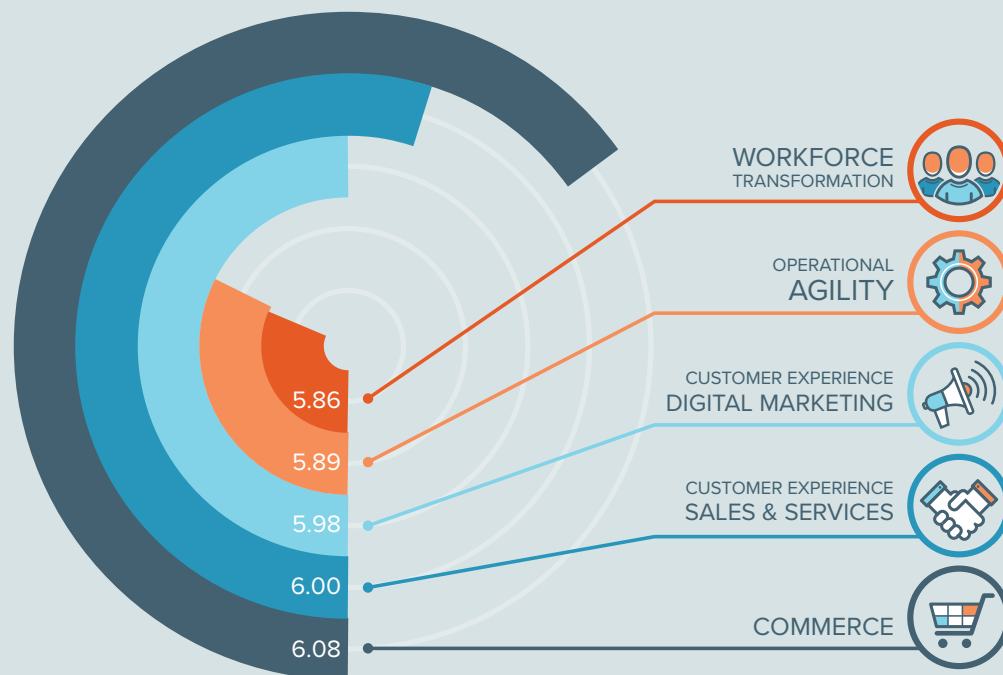
Note: rankings are based on a scale of 1-7

Figure 1 shows the combined index scores of five of the six solution areas. As was pointed out earlier the sixth solution area, platforms, is the most volatile at this point in time, and requires some additional categorization and research prior to producing its initial index. The intent is to add platforms in a subsequent report, once the issues are resolved.

Figure 2. Satisfaction Index Scores for All Segments

ALL SEGMENTS ■ Total ■ Small ■ Mid-Market ■ Enterprise

WORKFORCE TRANSFORMATION
- Total: 5.86
- Small: 6.04
- Mid-Market: 5.63
- Enterprise: 5.82

CUSTOMER EXPERIENCE SALES & SERVICES
- Total: 6.00
- Small: 5.94
- Mid-Market: 5.77
- Enterprise: 5.92

CUSTOMER EXPERIENCE DIGITAL MARKETING
- Total: 5.98
- Small: 6.08
- Mid-Market: 5.52
- Enterprise: 5.65

COMMERCE
- Total: 6.08
- Small: 6.06
- Mid-Market: 5.23
- Enterprise: 4.57

OPERATIONAL AGILITY
- Total: 5.89
- Small: 5.86
- Mid-Market: 5.93
- Enterprise: 5.57

Note: rankings are based on a scale of 1-7

Figure 2 presents the total satisfaction score for each solution along with segmented views of small, mid-market and enterprise businesses. The differences in the satisfaction levels across the three segments are wide and tell a fairly consistent story. Small businesses have the highest satisfaction index scores across all five solutions areas. Midsize and enterprise businesses trend much closer but one is not consistently higher than the other.
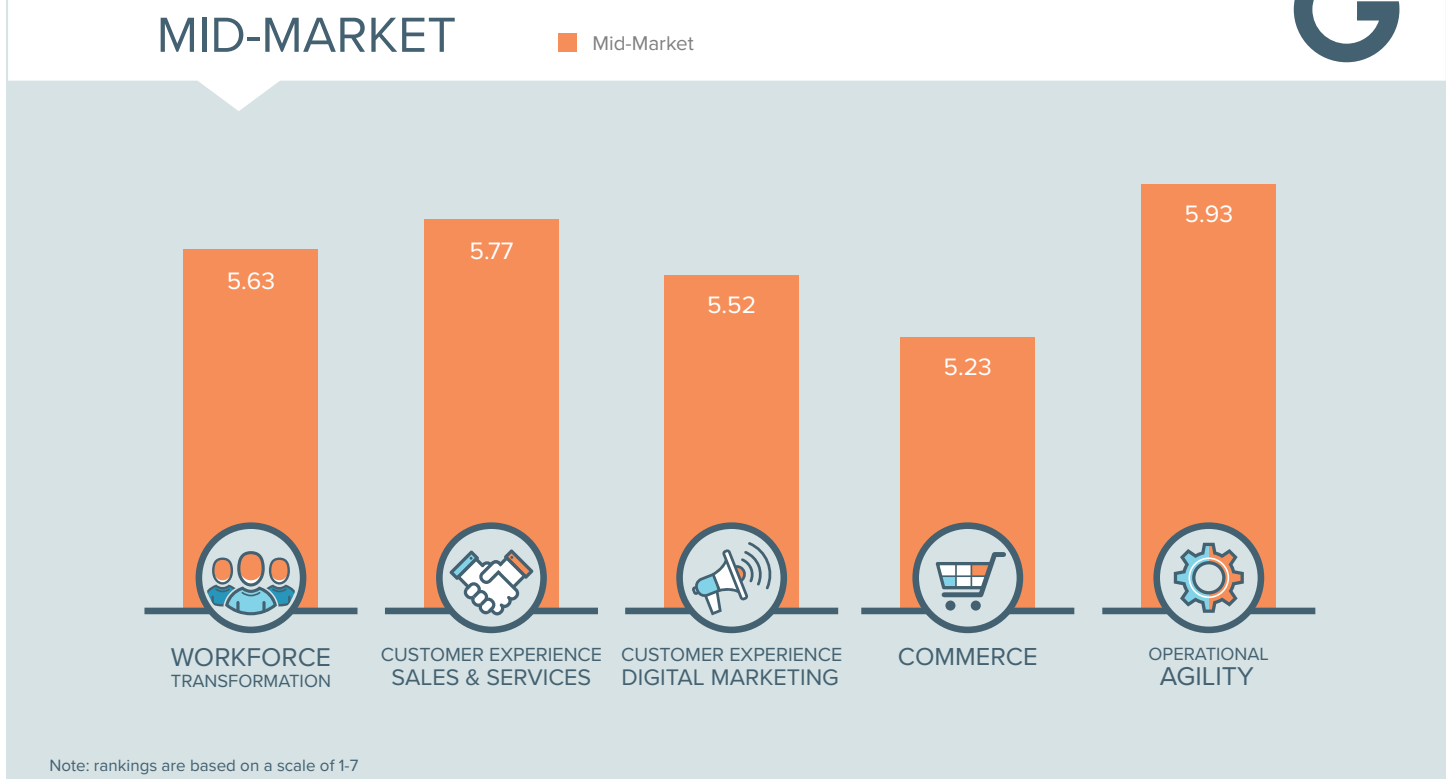
Figure 3. Satisfaction Index Scores for Small-Business Users

SMALL BUSINESS ■ Small

WORKFORCE TRANSFORMATION	CUSTOMER EXPERIENCE SALES & SERVICES	CUSTOMER EXPERIENCE DIGITAL MARKETING	COMMERCE	OPERATIONAL AGILITY
6.04	5.94	6.08	6.06	5.86

Note: rankings are based on a scale of 1-7
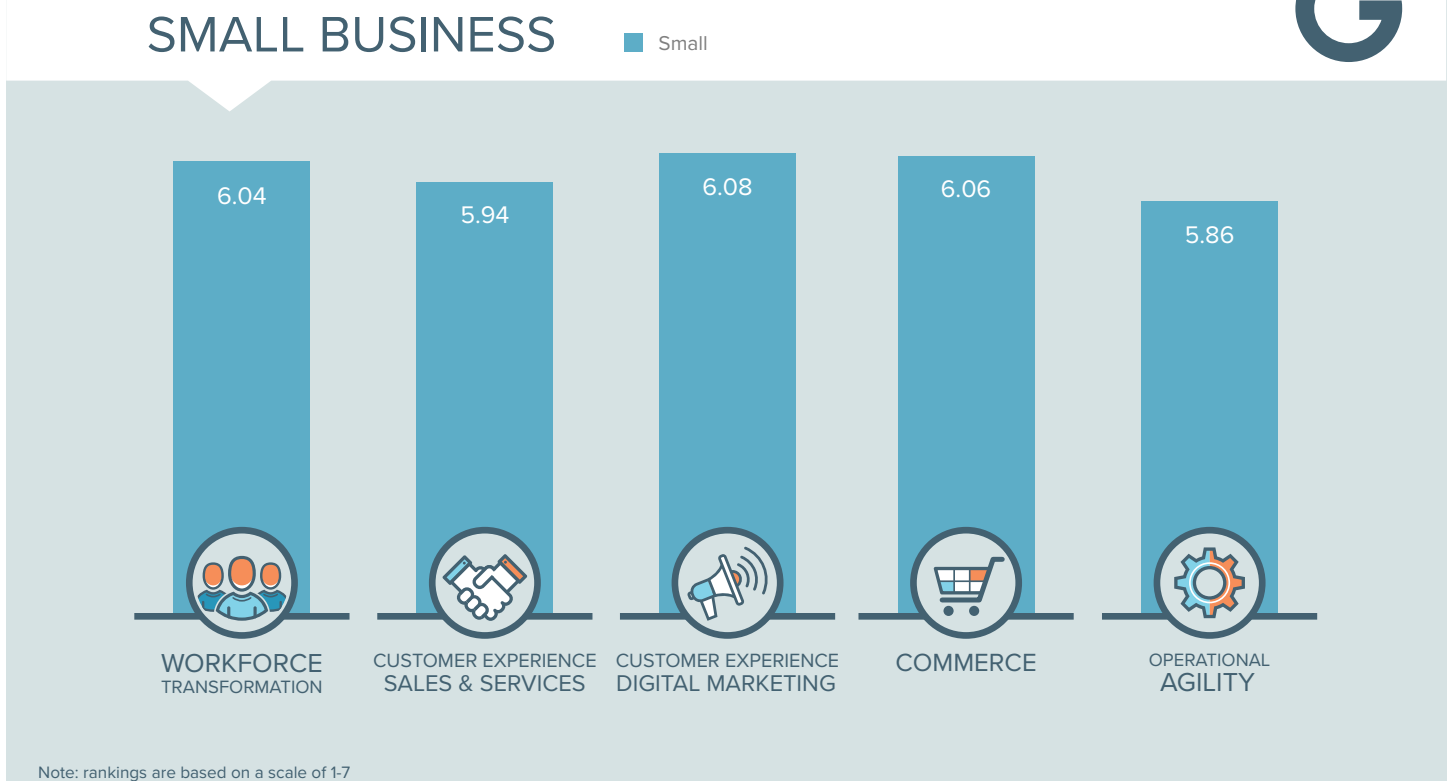
The small-business index, shown in Figure 3, shows consistently higher satisfaction levels than the other two segments. If, as we are suggesting, you take satisfaction level as a proxy for digital solution maturity, or at least progress in the transformation process, then the index indicates that small businesses are ahead in the transformation efforts. There are some other ways that the higher scores might be interpreted though, that seem more likely. The scores relate the satisfaction with a set of technology solutions related to each larger solution area. Small businesses tend to be somewhat less complex, and to implement tools that have a more limited set of functionality. Not limited in a negative way though, the tools are simply "sized" for the problems of the small business. It also seems likely that these software solutions are more modern than the legacy systems that mid-market and enterprise businesses are struggling to use, or just starting to replace. Integration may also be less of a driver in implementing the small-business solution.

The most notable deviation in the scores for small businesses is in the CX sales and service area. That also isn't surprising: All businesses are challenged by the changed behaviors of the modern customer. Finding ways to resolve the CX issues, particularly from a sales perspective, require changing sales behaviors as much as finding technology solutions. Those new behaviors are slow to change and many businesses do not understand the real driver for the changes.

Figure 4. Satisfaction Index Scores for Mid-Market Users

MID-MARKET

Mid-Market

5.63	5.77	5.52	5.23	5.93
WORKFORCE TRANSFORMATION	CUSTOMER EXPERIENCE SALES & SERVICES	CUSTOMER EXPERIENCE DIGITAL MARKETING	COMMERCE	OPERATIONAL AGILITY

Note: rankings are based on a scale of 1-7

The mid-market satisfaction scores, as you can see in Figure 4, are lower than the average in all areas. Mid-market businesses have some unique challenges that are contributing to the lower scores, and to the overall progress in transforming business. Most mid-sized companies are nearly, or as, complex as an enterprise company and yet they must deal with issues with fewer resources. The constraints are not just employee resources either, they can be capital, cash flow, competitive or any number of other operational constraints. The workforce transitional elements aren't being addressed as quickly as the customer issues, although there is progress. The most complex and lowest element is commerce, which probably reflects the difficulty of combining online and off-line commerce into a seamless experience.

From a solution perspective mid-market companies usually have some systems in place, but those systems, if they have not been recently modernized, are aging and usually highly customized on premises or hosted software. Companies struggle to make the systems stretch to meet business requirements, particularly around industry specific functionality. Those systems barely meet minimum business needs and are difficult to maintain. Over the past few years, more and more mid-market companies are modernizing by implementing full cloud suites to replace entire systems. They are also adding other more focused solutions to address point needs. This process, though, will take some time to have widespread impact on the satisfaction scores and on the progress of business-process digitalization.

Figure 5. Satisfaction Index Scores for Enterprise Users

ENTERPRISE ■ Enterprise

5.82	5.92	5.65	4.57	5.57
WORKFORCE TRANSFORMATION	CUSTOMER EXPERIENCE SALES & SERVICES	CUSTOMER EXPERIENCE DIGITAL MARKETING	COMMERCE	OPERATIONAL AGILITY

Note: rankings are based on a scale of 1-7

Enterprise businesses are in the midst of changes but are seeing diverse results. They are prioritizing projects, as would be expected, to deal with CX and with workforce issues. Workforce issues are significant to enterprise companies, and many have reported difficulty finding and retaining high-performing employees. CX, particularly services operations, were under the spotlight in the mid 2000s and the change in customer behavior drove many system improvements over the last few years, which is probably the reason for the higher scores. Sales is a challenge for many businesses related to the changing buyer/customer behavior. Digital marketing lags in satisfaction, which could be related to the multitude of available highly specialized digital marketing tools. Marketing departments have implemented their own technology, often going around corporate governance, and this proliferation of systems has some negative consequences.

By far the lowest level of satisfaction is seen in the enterprise commerce solution area. Multichannel, or omnichannel commerce is not easy. The solutions to address the processes involved are complex and must stretch to meet a long list of needs and requirements. Many of these companies have older legacy systems in place for some of the processes and have attempted to "bolt-on" additional functionality to stretch the old systems and meet more requirements. Customer behavior can be demanding around the commerce experience, and meeting the customer's expectations in a consistent manner across online and offline experiences is difficult.

Section Two: Enterprise Imperatives

Section one outlines many challenges that a business can be facing today in the context of an overall shift or transformation. Addressing such a broad set of issues, though, isn't usually a single, massive effort to change, but more likely a set of smaller initiatives scattered across an organization. How those issues are prioritized and addressed is very individualized to each business and its specific situation.

Each business defines its own journey and its subsequent focus and prioritization. There are general market trends; industry trends; product, service and business model innovation leading to disruption; and a long list of other internal and external factors to take into account.

To gain some insight into the current state of enterprise organizations—those with 1,000 or more employees—G2 Crowd conducted a survey in June 2016 across departments, personas and industries. Figure 6 shows the indusry-breakout of the 341 respondents from the G2 Crowd community.

Survey Demographics

Figure 6. Respondents by Industry
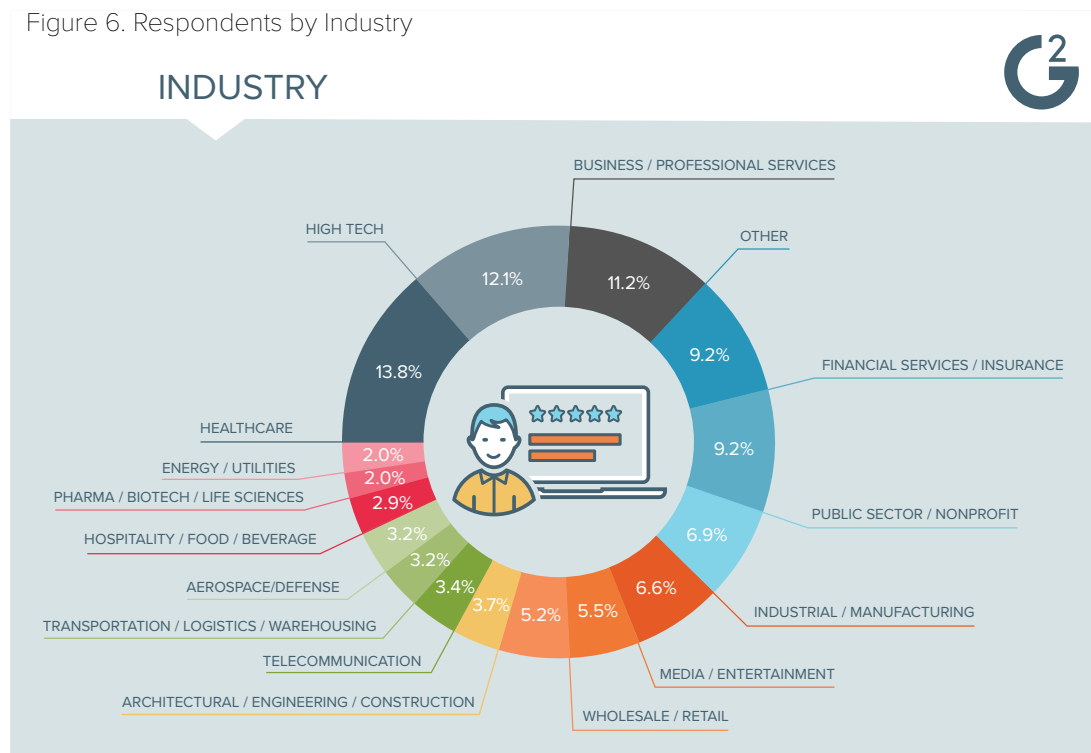
Strategic Impact

The survey first examines the impact of the various issues on the current business strategy of the companies surveyed. To better understand the issues, it is useful to use the same structure that was outlined in section one: business models; workforce; sales, marketing and customer interactions; and business operations.

The survey focused mainly on tactical issues, so the responses centered around workforce and employee challenges; sales, marketing and customer challenges;

and operational agility challenges. You will notice that the direct question on digital transformation scored relatively high in both high impact and impact on business strategy.

In the high impact survey response, it was tied for third, and combined impact + high impact was 56.8%, or fourth overall. You might expect it to score first or second overall, but due to the relative general lack of agreement on the definition of the term, and the severity of some of the other specific issues, it's not surprising to see that issues like CX, finding and retaining the right employees, and data integration were seen as higher impact. Figure 7 shows the complete set of responses.

Figure 7. Strategic Impact on Current Business Strategy

IMPACT ON CURRENT BUSINESS STRATEGY

Legend: No Impact, Little Impact, Moderate Impact, Impact, High Impact

	No Impact	Little Impact	Moderate Impact	Impact	High Impact
IMPROVING CUSTOMER EXPERIENCE	6%	4.8%	16.7%	28.9%	43.8%
FINDING AND RETAINING THE RIGHT EMPLOYEES	4.8%	8.6%	24.7%	28.9%	33%
DIGITAL TRANSFORMATION	3.8%	9.5%	29.9%	30.8%	26%
INCREASING REVENUE BY INCREASING THE PRODUCTIVITY OF THE SALES TEAM	9.6%	11.7%	28.4%	29.6%	20.7%
INCREASING IT SECURITY TO PREVENT SECURITY BREACHES	4.5%	14.7%	32.3%	24%	24.6%
INCREASING INTERDEPARTMENTAL COLLABORATION	4.2%	10.8%	29.8%	37.3%	17.8%
GETTING HIGHER QUALITY LEADS	9.3%	12%	27.5%	32.3%	18.9%
INTEGRATING DATA ACROSS MULTIPLE SYSTEMS	3.9%	6.9%	26.9%	36.2%	26%

Impact on Current Business Strategy

Improving CX was a full 10 points higher than the next closest issue in the combined impact + high impact score. Looking at the implication of CX and its holistic solution needs, it isn't that difficult to see why it is a critical issue for many businesses today. It has the most direct effect on revenue and profit margin, and thus the health of an entire business.

Building a comprehensive CX strategy touches an entire company, and from a technology perspective creates the need to address a multitude of past system "sins." CX continues to be one of the top initiatives for most companies, and many companies are struggling to execute a complete strategy. There is a lot of budget being spent, the results are mixed and many companies are not seeing their expected results.

Looking at it from a customer perspective, behaviors and expectations are very different and many tactics just aren't working. That's not a universal failure of course: Some companies are winning big by "getting it right." Companies are learning that providing a good CX across all channels is difficult, and many issues still need to be resolved for most companies.

The worst of these issues include:

- Data silos, which are increasing in many companies. Getting a complete view of the customer, including transactions, social data and consensual data from communities is a critical first step towards any solution.

- System silos, which are getting worse as well. Departments add disconnected solutions to try and address pieces of a CX strategy, rather than taking a holistic system approach.

- Organizational silos and workforce management issues caused by inaccurate understanding of "customer facing" and its more holistic requirements.

- Lack of executive support for initiatives.

- Outdated business processes.

As responses to the CX question shows, building and executing a flexible, adaptable and comprehensive CX strategy is top of mind for many companies.

Several other highly impactful responses are related to CX. Sales and marketing issues are clearly a part of CX, but several other of the issues also relate to CX, including workforce. The No. 2 issue, data integration, scored 62.2% and is CX related. The data integration problem affects many of the other digital transformation solutions. In CX in particular, providing an integrated data platform is one of the first steps in building a strategy. Silos are problems in CX whether they are system/data, process or people/communication. Increasing interdepartmental collaboration, which scored 51.2% combined impact + high impact score, is another issue that hinders CX strategies in most companies.

Workforce challenges, both finding and retaining the best employees, is an ongoing problem and scored 61.9% in this survey. The problem isn't limited to one department or functional area either; nearly every part of businesses are having challenges. There's a more detailed discussion of the current workforce issues in section one of this report.

It may seem surprising that the lowest-ranking issue overall in impact + high impact score is "increasing IT security to prevent security breaches." Security is a topic that gets a lot of attention, particularly with the number of high-profile breaches, hacks and even governmental privacy concerns. If the question was simply, "Is security important to business," then no doubt the answer would be yes. This specific question, though, is impact on current business strategy, so for non-IT respondents, it's likely that security isn't as high on the priority list in relation to the other items when looking at strategy. IT, while a large group in the survey, is the most likely to be concerned with security and made up only 32% of the total respondents, with the remainder from across the business functions.

"Building and executing a **flexible**, **adaptable** and **comprehensive** CX strategy is top of mind for many companies."
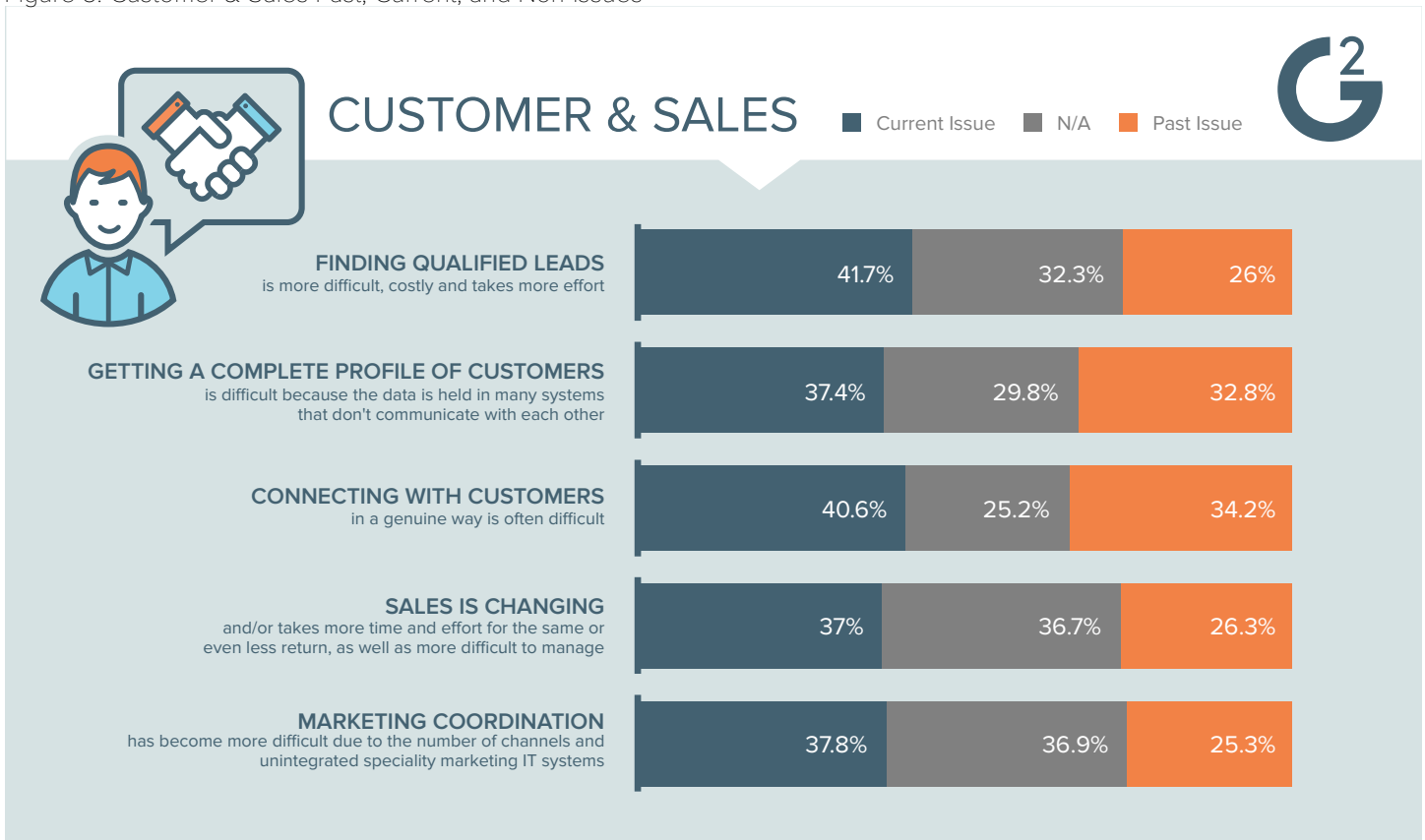
Current Issues

In the next section of the survey, the questions were targeted to gain understanding of which issues were current challenges, which had been dealt with previously and which issues were not a priority. The first set of issues related to the customer and sales challenges. Figure 8 shows the percentage of respondents that reported the issue as current, past or not an issue.

Customer and Sales

The challenges in this set of questions tend to the tactical, which gives a good indication of the focus in supporting larger-picture strategy.

Figure 8. Customer & Sales Past, Current, and Non-Issues

The No. 1 current issue is, "Finding qualified leads is more difficult, costly and takes more effort," selected by nearly 42% of the respondents. The number of respondents that saw this issue previously (and by inference had successfully implemented a solution) was the second smallest in this set of questions at only 26%, and the number that reported no issue at all was 32.3%. The respondents who were not seeing sales or marketing issues, while not the largest in this set of questions, was still relatively large.

In section one, under "Sales, Marketing and Customer Interactions" an earlier G2 Crowd buyer behavior survey is referenced. That survey of B2B buyer behavior, conducted earlier this year (G2 Crowd, March 2016, N=651), pointed to this response: 62% of the respondents agreed or strongly agreed with the statement, "We usually engage a sales professional only when we have made a purchase decision." There is an underlying issue with this response. If 62% of prospects only contact a vendor after already making a purchasing decision, then by inference any potential but unchosen vendor is likely unaware of not only the decision but the opportunity at all. The 32.3% of respondents in the enterprise imperatives survey who are not having issues finding qualified leads could then be in two different camps: one that indeed never experienced a sales (or buyer) issue, or a second that simply does not know there is a problem.

The No. 2 current issue at 40.6%, "connecting with customers in a genuine way is often difficult," is a good indicator of the overall concern around CX and building a CX strategy. This reponse also has the largest number of companies with it as a past issue (34.2%) and the smallest in the group that did not see the issue (25.2%). The combined percentage of respondents that acknowledged the issue then was 74.8%, making this issue the most common in the list.
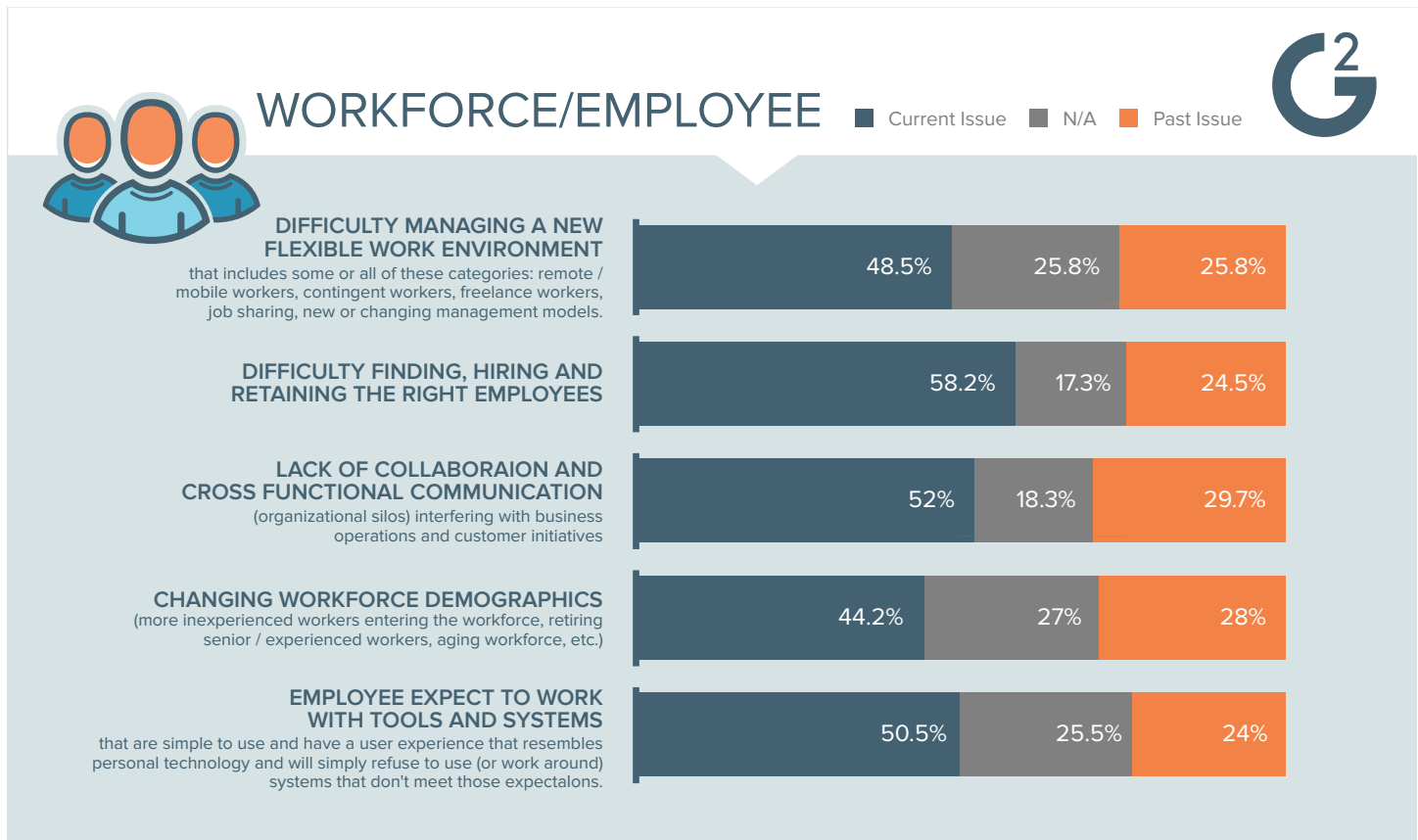
The number of online communication tools is large, and customers have adopted a variety of communication tools that they expect to use when interacting with companies. Complicating the issue is the somewhat transient nature of some of these tools, as popular attention changes to the "next big thing." Companies that treat each new method as a discrete channel and invest in that connection can be left with technology that is no longer used or necessary rather quickly. It is important then to select technology to enable the management of multiple channels of customer communication in a way that is flexible and can easily be adapted to emerging tools.

The other part of this answer, though, relates to the use of the word "genuine" in the question. Genuine connection can be interpreted in a few ways, but generally it infers a trust-based relationship with the customer. Many companies have found that trust-based relationships can be nurtured more effectively in a company-sponsored customer community, and there are a number of community solutions that are available to provide the platform for that interaction model.

The remaining three responses as current issues are all clustered around 37%, which is still a large and concerning number. The number of respondents who had previously solved those issues is also clustered at approximately 26%, with one exception of customer data, which is 32.8%. The combined current and past issue score for the customer data challenges is the No. 2 overall in the set of responses. This is reinforcement for the earlier response of 62.2% of the respondents dealing with business strategy impacts from lack of data integration. Siloed data is a particularly painful issue in dealing with CX problems and a very important issue to address in the early stages of a CX improvement project. Less than one-third of respondents did not report a customer data integration problem.

Figure 9 looks at a set of issues for workforce/employee challenges, in the same format as Figure 8.

Workforce/Employee

Figure 9. Workforce/Employee Current, Past and Non-Issues

WORKFORCE/EMPLOYEE

■ Current Issue　■ N/A　■ Past Issue

DIFFICULTY MANAGING A NEW FLEXIBLE WORK ENVIRONMENT that includes some or all of these categories: remote / mobile workers, contingent workers, freelance workers, job sharing, new or changing management models.
48.5% | 25.8% | 25.8%

DIFFICULTY FINDING, HIRING AND RETAINING THE RIGHT EMPLOYEES
58.2% | 17.3% | 24.5%

LACK OF COLLABORAION AND CROSS FUNCTIONAL COMMUNICATION (organizational silos) interfering with business operations and customer initiatives
52% | 18.3% | 29.7%

CHANGING WORKFORCE DEMOGRAPHICS (more inexperienced workers entering the workforce, retiring senior / experienced workers, aging workforce, etc.)
44.2% | 27% | 28%

EMPLOYEE EXPECT TO WORK WITH TOOLS AND SYSTEMS that are simple to use and have a user experience that resembles personal technology and will simply refuse to use (or work around) systems that don't meet those expectalons.
50.5% | 25.5% | 24%

The No. 1 answer for current issue (58.2%) and overall combined current and past issue (82.7%) is "difficulty finding, hiring and retaining the 'right' employee." The "talent crisis" is a common problem among many functional areas in business, and across company size and industry. Only 17.3% of the respondents did not report the challenge, by far the lowest response rate among all questions of this type. There are many reasons for the talent issues that businesses are facing, some of them are discussed in section one under workforce so will not be repeated in this section, but in referring back use this data to support that information as well.

The No. 2 response, which is essentially the impact of organizational silos, is also quite high at 52% currently, and 81.7% total current and past issue. The impact of organizational silos is a part of the CX issue and creates issues around operations as well. It also raises questions as to the effectiveness of the many collaboration and team collaboration tools that are available and are deployed in a large number of enterprise businesses. Collaboration technology is only effective if adopted and used, and there is good evidence that adoption is a challenge, particularly if the collaboration tools are disconnected from the other business systems where their use would be most impactful.
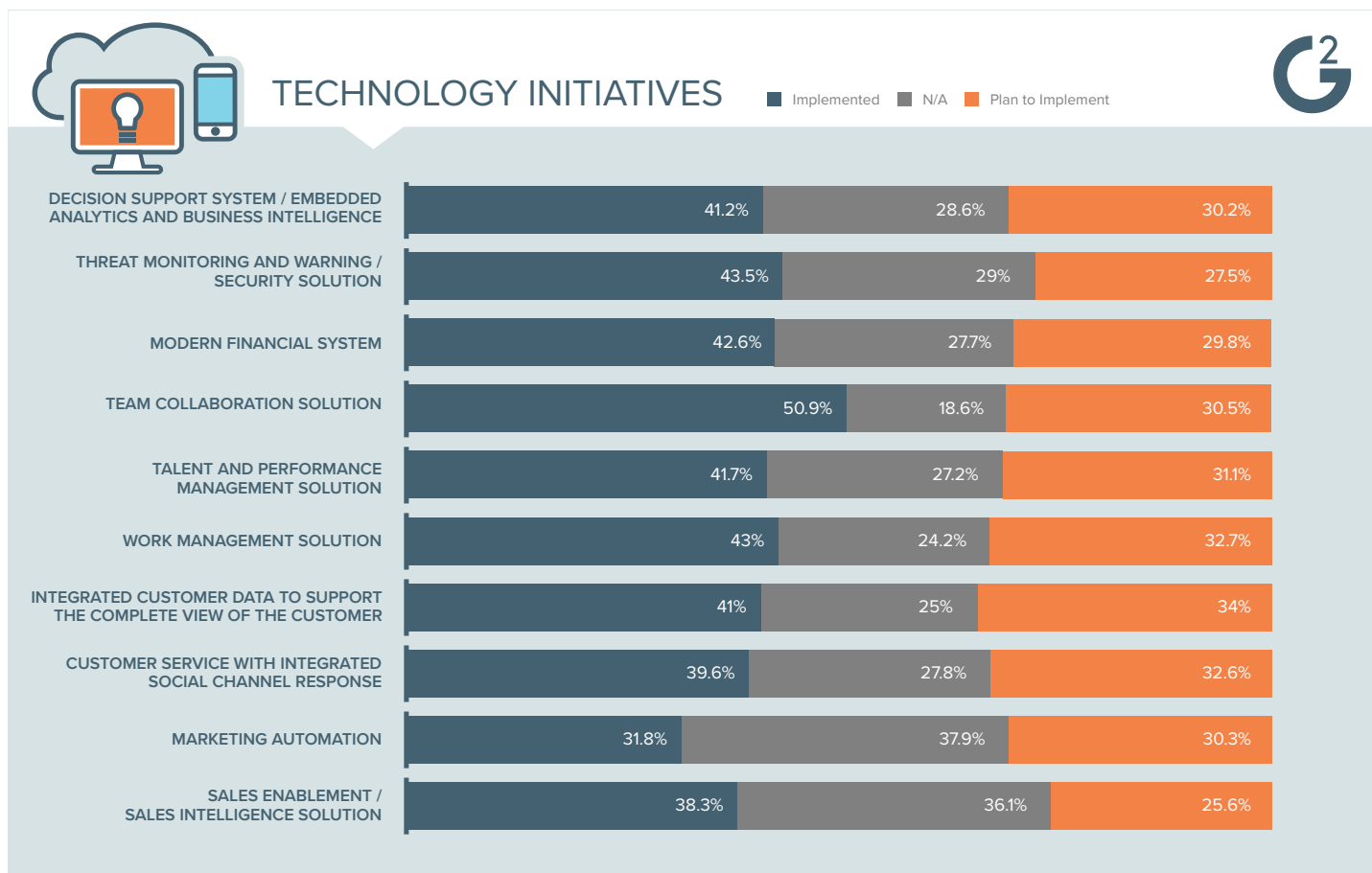
The other two issues, which are basically changing employee expectations and shifting employment and management models, are also high: again nearly 50% as a current issue, compared to roughly one third for customer and sales issues. The point is that workforce issues are very widespread, and only about 25% of the respondents' companies have resolved them. The survey points to the critical nature of workforce transformation challenges, the difficulty in solving many of those challenges and the widespread nature of the problem.

Technology Solutions

Technology is only a part of any digital transformation solution, as process and culture remain necessary components of any project. Technology, though, underpins most of the solutions and is a relatively good indicator of transformation efforts and plans. In Figure 10 there is a list of common solutions used in digital transformation efforts, along with responses indicating when or if the respondents have implemented the solution in the past two years, or if they plan to implement it in the next two years.

Technology Initiatives

Figure 10. Technology Initiatives Implemented, Plan to Implement or No Plan

TECHNOLOGY INITIATIVES — Implemented / N/A / Plan to Implement

Technology Initiative	Implemented	N/A	Plan to Implement
DECISION SUPPORT SYSTEM / EMBEDDED ANALYTICS AND BUSINESS INTELLIGENCE	41.2%	28.6%	30.2%
THREAT MONITORING AND WARNING / SECURITY SOLUTION	43.5%	29%	27.5%
MODERN FINANCIAL SYSTEM	42.6%	27.7%	29.8%
TEAM COLLABORATION SOLUTION	50.9%	18.6%	30.5%
TALENT AND PERFORMANCE MANAGEMENT SOLUTION	41.7%	27.2%	31.1%
WORK MANAGEMENT SOLUTION	43%	24.2%	32.7%
INTEGRATED CUSTOMER DATA TO SUPPORT THE COMPLETE VIEW OF THE CUSTOMER	41%	25%	34%
CUSTOMER SERVICE WITH INTEGRATED SOCIAL CHANNEL RESPONSE	39.6%	27.8%	32.6%
MARKETING AUTOMATION	31.8%	37.9%	30.3%
SALES ENABLEMENT / SALES INTELLIGENCE SOLUTION	38.3%	36.1%	25.6%

The No. 1 system implemented over the past two years may be a surprise, especially in light of the earlier discussion of collaboration tools. But yes, team collaboration solutions are the most implemented over the past two years (50.9%), though they drop to fifth in the plan to implement response (30.5%). While fifth is a bit of a drop, nearly one-third of respondents plan to implement team collaboration solutions in the next two years, which is still a significant number. What is missing—and wasn't intended to be a part of this survey—is the actual outcome of the implementation of the products to address, or at least reduce, the transformation issues that drove the purchase.

In the satisfaction indices in section one, collaboration tools are included in several of the solution categories, so that will have to do at this point. One detailed data point, though, would help with this discussion: the actual "meets requirement" score from the index calculation, which is a respectable 6.19 (on a scale of 1-7 with 7 as the highest satisfaction level), or .1 above the average workforce index calculation for "meets requirements."

In the "plan to implement" category, "integrated customer data to support the complete view of the customer" scored the highest at 34%. The "implemented in the past two years" score, which was 10 points lower than the top solution, is still in the mid-point range at 41%. This response does seem to correlate to the response in the customer and sales section for the issue of having the data to build a complete profile of the customer (37.4% current issue and 32.8% past issue). For the respondents who don't seem to have the need for customer data integration solutions, there is some likelihood that at least a part of the 25% of responses came from individuals who didn't have visibility into the problem. All of the survey data seems to indicate that integrated customer data is still a large digital transformation issue, and that companies will continue to work to address the problem in the near term.

With the extremely high scores in the workforce/employee issues question, which was around 50% of the respondents reporting all of the challenges on the list as current problems, it is useful to look at the associated solutions in this question. Besides team collaboration, which we've covered, "talent and performance management" and "workforce management" solutions were also included in the solution list.

Talent and performance management solutions are considered an important part of the workforce transition solution set, and at 41.7% implemented in the past two years, hold in the middle of the responses for solutions. In the planned category, the score of 31.1% is perhaps a bit lower than expected considering the overall concern with finding, hiring and retaining the right employees. Those answers also leave over 27% of respondents with no current system nor plans to implement in the near term. Out of that though, there could be companies with systems in place longer than two years, and of course the possibility of respondents that did not have visibility into existing plans to implement, so the real number is probably lower. Maybe much lower.

Workforce management scored higher in both implemented (43%) and plan to implement (32.7%), although the difference of 1% or so is arguably not significant at all. Overall then, the workforce-focused solutions seem to be lower than expected considering the importance of the topic. There is one additional factor, though: This question looks at speciality solutions and does not include human resources (HR) suites which contain some comparable solutions.

In the CX area, the remaining solutions—customer service with social response, marketing automation and sales enablement/intelligence—all are at the bottom of the list for implemented and plan to implement. Again considering the focus on CX, this is somewhat lower than expected. In the case of marketing automation, though, it is very likely that many respondents do have a system in place, but longer than the two-year window; the category has, in general, seen consistently higher-than-market growth for the past five-to-six years. Customer service that includes some method of social channel response is an important part of a CX solution, as was discussed previously, so seeing it nearly at the bottom of implemented (39.6%) and plan to implement (32.6%) is perhaps an indication that many companies have much more to do and understand for successful CX initiatives.

50.9% of respondents have implemented a **team collaboration** solution.

Conclusion

The pressure on businesses to change and adapt is significant. Dealing with digital transformation-related issues—from business model innovation creating unexpected competition, workforce expectations shifts and new ways of work, customer behavioral changes, and inflexible business operations—can take a large amount of resources and yet, these issues cannot be ignored. The first step in any digital transformation project is, obviously, understanding that there are problems and prioritizing them in a way that best serves the specific business needs of each individual company. The solutions are diverse, and can involve technology at the core, but cannot succeed unless the culture and processes of the organization are also changed.

The issues in enterprise-size businesses that have the greatest impact on strategy, as seen in the business imperatives survey, are:

- Improving CX

- Integrating data across multiple platforms

- Finding and retaining the best employees

- Digital Transformation

Looking at a more tactical view in two areas—customer and sales, and workforce/employee, the most common current issues for respondents were:

- Finding qualified leads is more difficult, costly and takes more effort

- Connecting with customers in a genuine way is often difficult

- Difficulty finding, hiring and retaining the "right" employee

- Lack of collaboration and cross-functional communication (organizational silos) interfering with business operations and customer initiatives

Digital transformation touches all parts of the business, but from the survey, the two areas where businesses seem to have the greatest current pain are customer and employee, at least in a broad sense. Behind those issues there are additional issues tied to commerce and operations, but they are not divorced from the customer and employee challenges. From a planning perspective then, finding solutions focused on the customer and the employee could be the highest return on the digital transformation front.

Looking at digital transformation through the employee and customer lens, and going back to the satisfaction scores in section one, at a high level workforce seems to be lagging the other solutions. Broken out into segments, though, the story is less clear. It does seem clear that trending the data over time will fill in some of the gaps, and that assessing business' digital maturity will require much more data and time.

Methodology

Section 1 Satisfaction Index Methodology

To determine the satisfaction scores for each digital transformation solution, the G2 Crowd research department first defined the software categories that contribute to each solution. Satisfaction data was gathered from real-user reviews of products included in each category, and categories were weighted to reflect their overall contribution and relevance to each digital transformation solution. Satisfaction data included in Crowd View on Digital Transformation Fall 2016 was collected from products that have received a minimum of 10 reviews, and reviews included in the dataset were submitted between June 1, 2015, and September 15, 2016.

Trust

Keeping our ratings unbiased is our top priority. We require the use of a LinkedIn account to validate a G2 Crowd user's identity and employer, and we verify all reviews manually. We do not allow users to rate their employers' products or those of their employers' competitors. Though we share reviews from business partners (they often contain valuable content), we filter out business partner ratings in our aggregate ratings to avoid bias. Vendors cannot influence their ratings by spending time or money with us. Only the opinion of real users factors into the ratings.

Section 2 Enterprise Problems Survey Methodology

The survey on enterprise imperatives was conducted in June 2016 by the G2 Crowd research department. The sample was drawn from G2 Crowd's community and had 341 respondents. The target respondent represented companies with 1,000 or more employees and was not screened for industry nor restricted to any department. Target roles were employees in a manager or higher position, and included C-level executives. Results are based on actual responses and are expressed in percentages of the total respondent population for each question.

Other Resources

Business Intelligence Platforms Grid℠ Report
Business Intelligence Platforms Implementation Index
Embedded Business Intelligence Grid℠ Report
Embedded Business Intelligence Implementation Index
Digital Analytics Grid℠ Report
Digital Analytics Implementation Index
E-Commerce Platform Grid℠ Report
E-Commerce Platform Implementation Index
E-Signature Grid℠ Report
E-Signature Implementation Index
Marketing Automation Grid℠ Report
Marketing Automation Implementation Index
Digital Asset Management Grid℠ Report
Digital Asset Management Implementation Index
Web Content Management Grid℠ Report
Social Media Monitoring Grid℠ Report
Expense Management Grid℠ Report
Team Collaboration Grid℠ Report
Web Conferencing Grid℠ Report
Field Service Management Introduction Guide
Presentation Grid℠ Report
Survey Grid℠ Report
Document Creation Grid℠ Report
Business Content Management Introduction Guide
HR Management Suites Grid℠ Report
Workforce Management Grid℠ Report
Core HR Grid℠ Report
Recruiting Grid℠ Report
Corporate LMS Grid℠ Report
Course Authoring Grid℠ Report

Performance Management Grid℠ Report
Self-Service Business Intelligence Grid℠ Report
Social Analytics Grid℠ Report
Mobile App Analytics Grid℠ Report
Billing Grid℠ Report
POS Grid℠ Report
Payment Gateway Grid℠ Report
Subscription Management Grid℠ Report
CRM Grid℠ Report
Email Tracking Grid℠ Report
CPQ Grid℠ Report
Proposal Grid℠ Report
Sales Intelligence Grid℠ Report
Enterprise Feedback Management Grid℠ Report
Help Desk Grid℠ Report
Live Chat Grid℠ Report
Account-Based Marketing Introduction Guide
Content Marketing Grid℠ Report
Brand Advocacy Grid℠ Report
A/B Testing and Personalization Grid℠ Report
Email Marketing Grid℠ Report
Organic Search Marketing Grid℠ Report
Social Media Management Grid℠ Report
Social Media Suites Grid℠ Report
Self-Service Grid℠ Report
Accounting Grid℠ Report
Professional Service Automation Grid℠ Report
Project Management Grid℠ Report
Password Management Grid℠ Report
Service Desk Grid℠ Report

To learn more about these resources, please visit G2Crowd.com/Reports or contact Research@G2Crowd.com