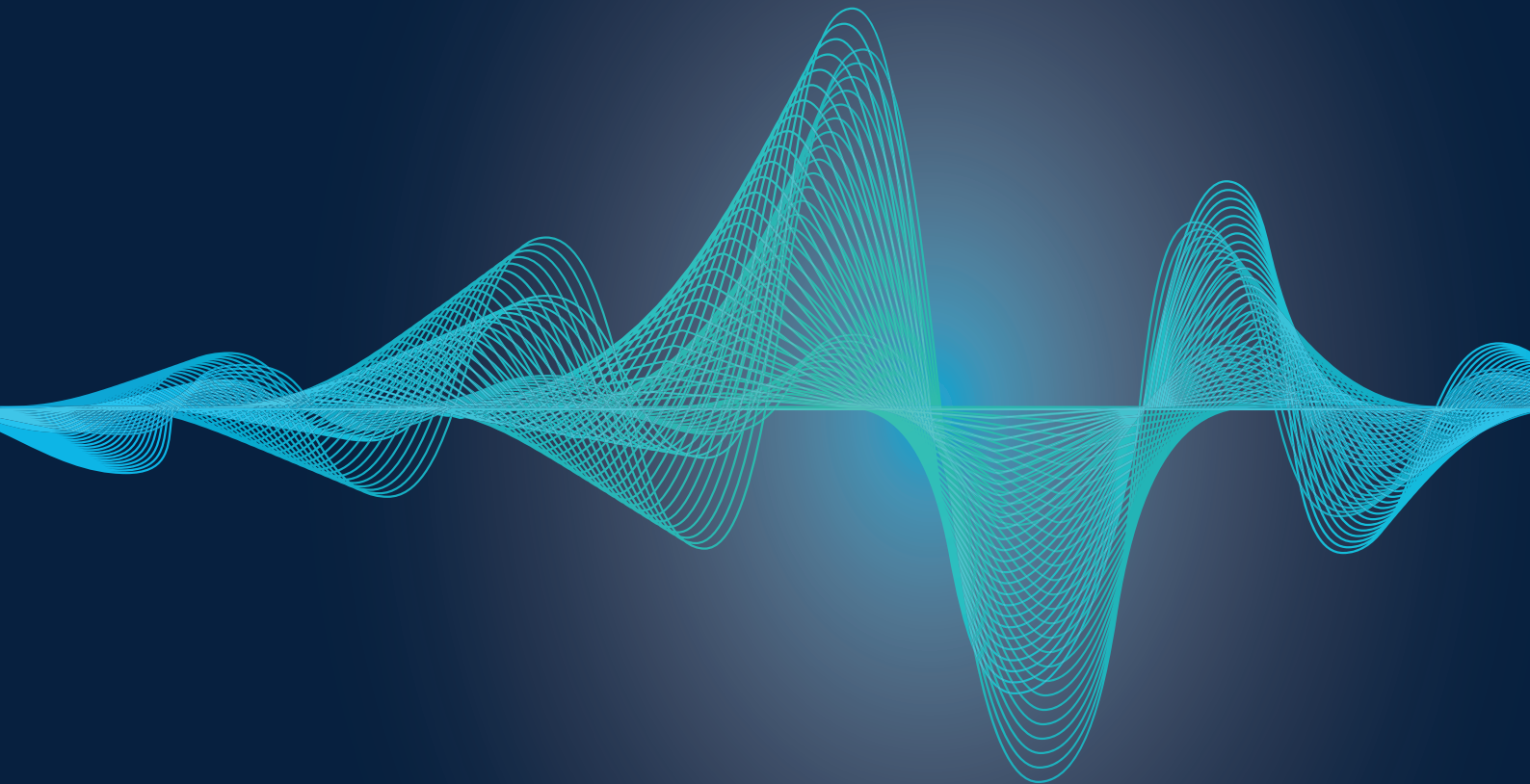




Digital Adoption Pulse Report 2020

Assessing the readiness, challenges and priorities of enterprise software investments.



Message from the CEO

Welcome to our 2020 Digital Adoption Pulse Report. In it, we explore the results of asking over 500 C-level professionals about their readiness, challenges and priorities when it comes to the successful rollout and optimization of enterprise software. But before we get into the results, I wanted to take a moment to address the context that all businesses find ourselves in—both the familiar and unfamiliar.

By now, most of us are familiar with the McKinsey statistic that 70% of digital transformation projects fail. Yet, with worldwide IT spending around \$4tn and enterprise software the fastest-growing area of tech investment, the wastage would be in the billions even if this failure rate was halved. This is mismanagement on a colossal scale.

Unfortunately, we also face a gigantic challenge not of our own making. As we all seek economic recovery following the coronavirus pandemic, digital transformation is perhaps the biggest accelerator at our disposal. However, with increased pressure on investments and their returns, we all need to work harder to make a success of our software—and to prove it with real metrics and outcomes

This report aims to dig deeper into the beliefs of business leaders, identify why this percentage of failed projects remains so high, and recommend some decisive actions.

The results both reaffirm and surprise. For example, while true that the appetite for investment and engagement in technology appears to be in place, a widespread claim to understand what digital adoption means jars against what we'd define as an Adoption-Ready business. It also isn't reflected in the penetration of the emerging Digital Adoption Solutions market, which Gartner places between just 1% and 5%.

However, what is clear is we must do more. As we imagine the future of software adoption, our vision has to include ways to remove known barriers and reduce friction across all applications. We need to aim for long-term consistency rather than short-term boosts. We must intelligently automate the most tasking aspects of measurement. We must predict and proactively resolve user issues before they arise, by taking an intelligent approach to support in the flow of work.

Doesn't that sound like a more successful way to manage software?

Mark Barlow



AppLearn Founder & CEO

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Sources:

Gartner Says Global IT Spending to Reach \$3.9 Trillion in 2020, Gartner
The How of Transformation, McKinsey
Increase Sales Productivity With Digital Adoption Solutions, Gartner

Readiness for True Digital Adoption

Method

The Digital Adoption Pulse Report is based on a Survation research survey of 511 executive-level decision-makers at UK and US businesses with 1,000+ employees conducted in May 2020.

On the surface, the results suggest the conditions for software project success and true digital adoption are close to perfect.

Audience Sentiment:

84%

agreed that their employees understand the importance of software rollouts

76%

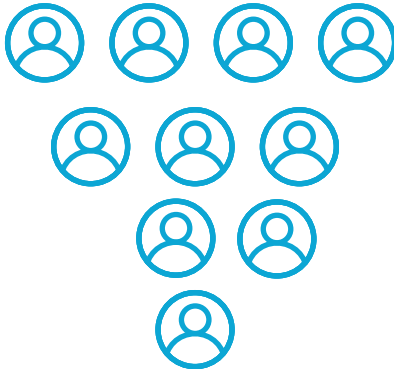
of businesses said they know what digital adoption means

83%

agree that the successful adoption of cloud-based technology is a priority



US organizations trail behind the UK at 69% vs 84% respectively.



Readiness for True Digital Adoption

On the surface, the results suggest the conditions for software project success and true digital adoption are close to perfect. **76% of businesses said they know what digital adoption means**, while 84% agreed that their employees also understand the importance of software rollouts. Combined with the 83% who agree that the successful adoption of cloud-based technology is a priority at their organizations, the general readiness appears to be strong.

And despite the current climate, this sentiment is matched with investment. 73% of respondents have rolled out new enterprise SaaS software within the last 12 months and **53% said their budget for software initiatives would increase in the next 12 months**.

If the importance of digital adoption is accepted and understood business-wide, plus engagement is perceived to be high, why are the failure rates of software projects so high? Is there a misconception of what digital adoption is? Could it be simply that knowledge of digital adoption's definition is just not translating to effectively enabling it? Whether it is a misunderstanding or a case of perception versus reality between boardrooms and wider workforces, there are clearly improvements to make and barriers to break down.

In short, we determined that Adoption-Ready businesses have:

- ✓ A clear understanding of what digital adoption is
- ✓ Entirely agree that the successful adoption of cloud-based technology is a priority
- ✓ Have digital KPIs in place and the ability to measure success across ALL business applications.

To help bridge this gap, we analyzed the responses to identify the common characteristics shared by what we're labelling Adoption-Ready businesses.

Despite the simple 3-step approach outlined below, **only 26% of respondents fit this Adoption-Ready standard**. While focused primarily on attitude and intentions, these Adoption-Ready businesses are certainly better set for success. The results show they are more likely to evaluate the success of their applications and see a +25% increase in software budgets within the next year. Meanwhile, the organizations who do not meet this Adoption-Ready standard are more likely not to measure their software investments or even know how many applications they have.

Interestingly, the businesses who told us that the employees throughout their organization are aware of software rollouts and their importance were 6.3 times more likely to be Adoption Ready than those with unengaged workforces. This aligns with a common theme: the importance of people in digital transformation success.

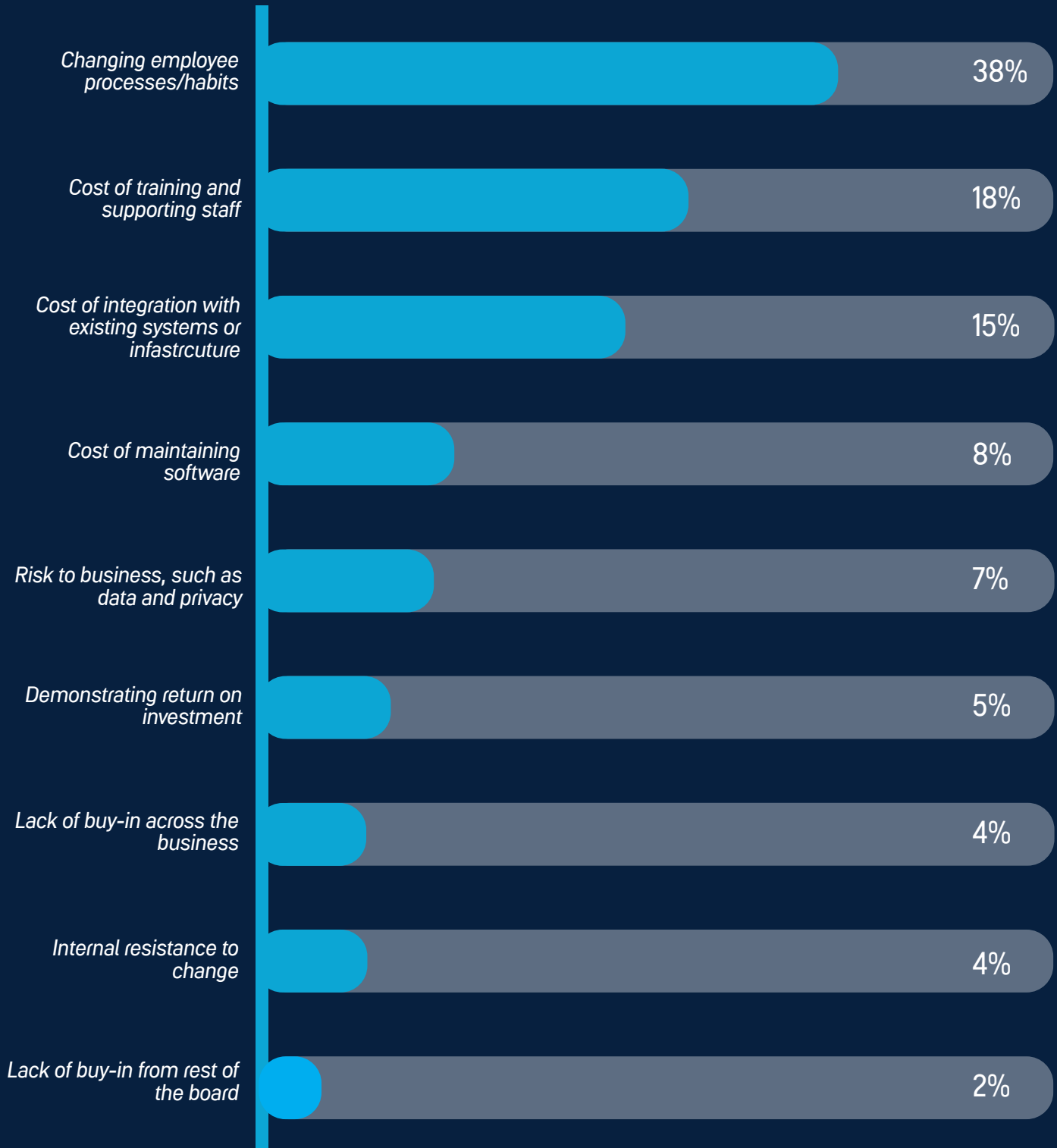
"Digital literacy at the leadership levels is a huge issue, starting at the board level. Less than 20% of board members have the digital literacy required for today's world."

Tony Saldanha,
Author of *Why Digital Transformations Fail*

Barriers to Realizing Digital Ambitions

In your opinion, what are the biggest barriers to successfully implementing a new cloud-based solution across your business? Please rank the top three barriers, with the first being the biggest barrier.

Top Rank Summary



Barriers to Realizing Digital Ambitions

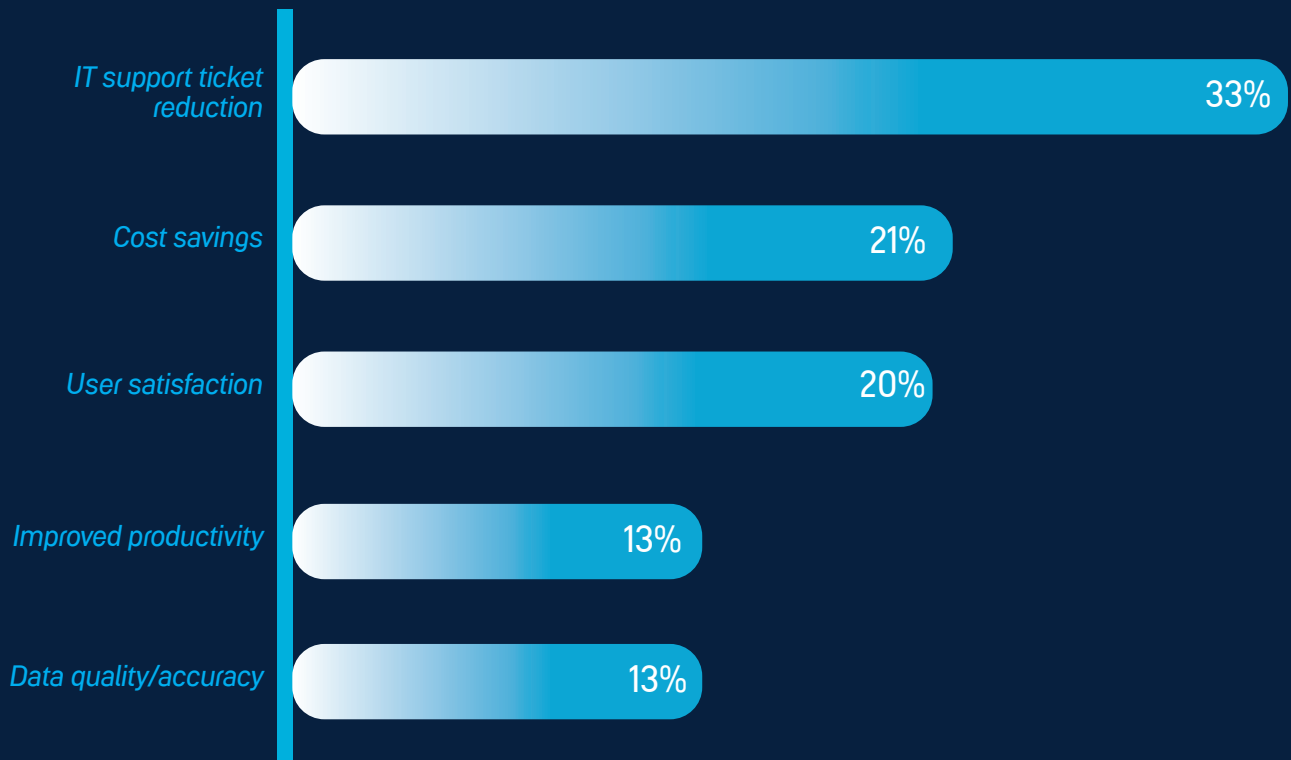
The most common obstacle for our respondents has little to do with technology and everything to do with people. When asked about challenges, 46% selected options connected to people and change rather than cost and technology, with **38% seeing changing employee processes/habits as the biggest barrier** to successfully implementing new cloud-based solutions. This was followed by the cost of training and supporting staff (18%) and the cost of integration with existing infrastructure (15%).

Largely consistent across the UK and US, the percentage choosing employee habits as the biggest barrier increases to 44% among the 190 businesses with over 5000 employees included in the survey. With larger workforces clearly highlighting this as even more of an issue, it's clear that regardless of intuitive technology and budgets, it is influencing people that's perceived to be the chief challenge.

However, to better appreciate this fact and its place among the other barriers, it's importance to understand the desired outcomes of software projects. As shown in the following two graphs, IT support ticket reduction was chosen as both the most important outcome (33%) and most difficult to measure (42%) by the most respondents. The context of the situation we currently find ourselves in may inform these responses. Coronavirus has changed the way we work and created a new normal, increasing user support requests and IT costs as a result. For reference, when asked about the most valuable measure of success for their existing cloud applications, the 21% of respondents who selected increased user efficiency were the largest number.

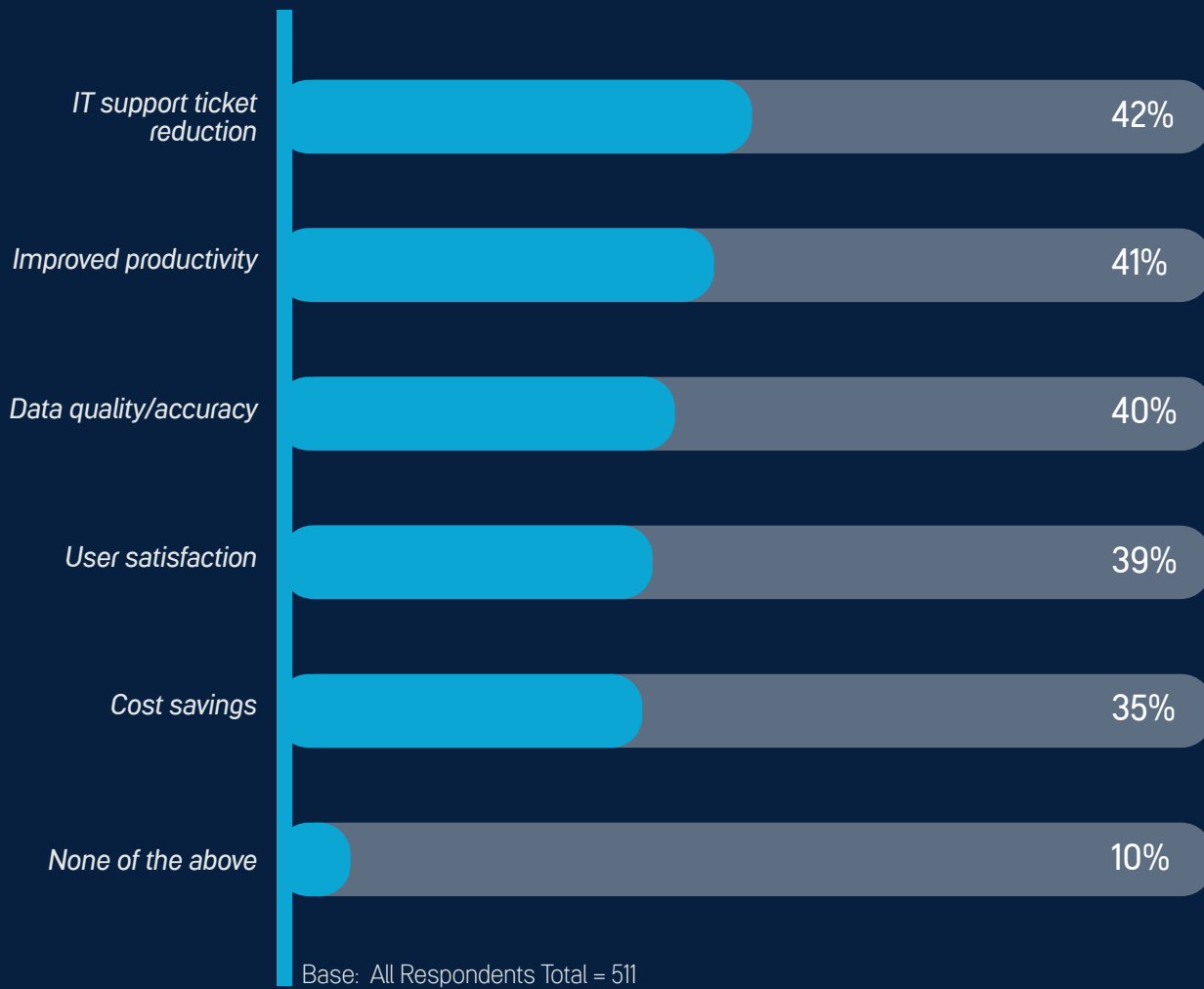
Between the difficulties across these key KPIs and a tendency for short-term tracking outlined in the next section of this report, measurement is perhaps the biggest barrier that many businesses don't even know they're facing. Measurement issues are consistent across all desired outcomes. After all, only 10% say they don't have difficulty measuring outcomes.

When considering the implementation of new cloud-based solutions, what do you see as the most important outcome for your business? Top Rank Summary



Barriers to Realizing Digital Ambitions

Which (if any) of your software's business outcomes do you find difficult to measure?



"We've seen two years' worth of digital transformation in two months. From remote teamwork and learning, to sales and customer service, to critical cloud infrastructure and security—we are working alongside customers every day to help them adapt and stay open for business in a world of remote everything."

Satya Nadella, CEO at Microsoft

Source: <https://www.microsoft.com/en-us/microsoft-365/blog/2020/04/30/2-years-digital-transformation-2-months/>

Measuring Success Against Outcomes

86%

of organizations have KPIs for all or some of their applications.

90%

still have difficulties measuring important business outcomes

Despite difficulties around tracking specific outcomes, the majority of respondents are attempting to measure the success of their software. **45% told us they have digital KPIs in place to measure the performance of all their applications** against expected business outcomes, with a further 41% having them in place for some but not all.

However, regardless of the vast majority believing they have KPIs in place, many are finding it difficult to measure the success of cloud-based projects against various key business outcomes, such as productivity and ticket reductions. And this isn't the only issue, as many of our respondents also tend to only track performance in the short term.

Of the organizations who have KPIs and the ability to measure against them, **only 12% continue to measure the success and outcomes 1-2 years after implementation**, falling to 5% after 3 years. The numbers are even lower in the US, with only 8% measuring 1-2 years after implementation compared to 15% in the UK.

And meaningful measurement is just as much of a challenge. When asked, **only 10% of organizations say they do not find it difficult to measure business outcomes**. For both the number of respondents with KPIs and those having trouble measuring outcomes to come out at 90% suggests that while the value of measurement is clear, it is not an easy task.

Measuring Success Against Outcomes

The juxtaposition around KPIs, combined with the drop off in measurement beyond the initial 12 months, is a frightening prospect. Whether a signal of the amount of effort that goes into tracking these key indicators, or that many of the indicators in place are not based on truly valuable information, it is clear that measurement remains a critical area for improvement.

With 54% of the organizations surveyed using between 100 and 200 cloud-based applications, and 19% over 200, could it be that tracking measurements such as data accuracy and cost savings is proving to be too costly and time-consuming? If not, it's possible that due to the crossover of applications, judging their individual impact on KPIs could be too complex.

Whatever the cause, establishing an easier to manage way to measure software success for the long-term appears to be a critical challenge for most organizations. Without intelligent, ongoing analysis, it's impossible to determine and optimize a return of a single SaaS investment, never mind hundreds.

So, while **76% of businesses told us they know what digital adoption means**, this measurement mix-up, paired with the fact that **only 5% selected demonstrating a return on investment as their biggest barrier to successfully implementing new technology**, suggests there's still a disconnect. Not just between the boardroom and the workforce, but between perceived value and the bottom line.

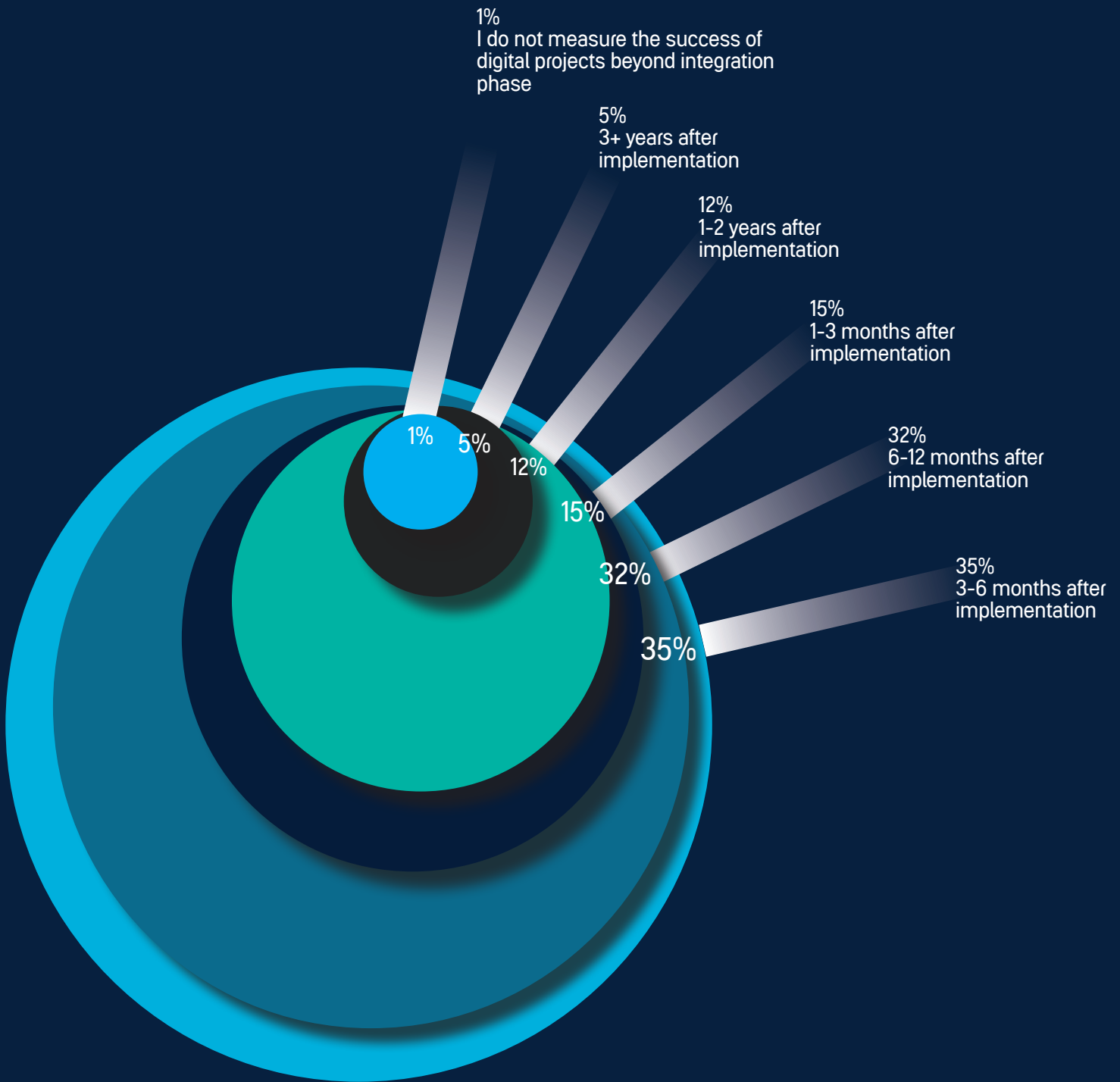
"Simply delivering a software project on time and to budget, and then moving onto the next, is not a true measure of success.

When it comes to adoption, the litmus test for me is simple; do you have a budget for it, and do you have people who are accountable for it?"

Mark Barlow, CEO, AppLearn

Measuring Success Against Outcomes

How long do you typically measure and review the ongoing success of cloud-based technology and any associated processes against business outcomes?



Summary of Results

Readiness

76% claim to have a clear understanding of what digital adoption means

84% agreed that their employees also understand the importance of software rollouts

83% agreed that the successful adoption of cloud-based technology is a priority

73% have rolled out new enterprise SaaS software within the last 12 months

53% said their budget for software initiatives would increase in the next 12 months

Barriers

38% see changing employee processes/habits as the biggest barrier to making a success of new technology

18% chose the cost of training and supporting staff as their biggest barrier

5% selected demonstrating a return on investment as their biggest barrier, despite measurement challenges

33% of people chose IT support ticket reduction as the most important outcome **however...**

42% also described this as the most difficult to measure

Measurement

86% of organizations have KPIs for all or some of their applications, **but...**

90% still have difficulties measuring important business outcomes

12% continue to measure success and outcomes 1-2 years after implementation, falling to 5% after 3 years

54% use between 100 and 200 cloud-based applications, and 19% over 200

Recommended Actions

1

Look beyond the new and avoid short-termism

With the results telling us that organizations are continuing to bring in new applications but not measuring them beyond 12 months, a simple attitude change could clearly improve the chance of success.

Between high-frequency change, workforce turnover and process adjustments, an application can only reliably succeed if it is measured and optimized for the long term.

2

Align KPIs with outcomes and a consistent approach

Despite the vast majority of respondents claiming to have KPIs and measures of success in place, many had issues with tracking crucial outcomes. By revisiting established indicators and treating software performance as a centralized task instead of on an app-by-app basis, it's not only easier to manage entire suites but to also link usage to usefulness.

3

Bridge the gap between the C-level and the wider world

Despite responses on everything from the understanding of digital adoption to business engagement painting a positive picture of adoption readiness, few met the minimum attitude threshold of what we'd define as Adoption-Ready and employee habits remain to be seen as major barrier. Business leaders need to ensure their beliefs are backed by fact and are grounded in results.

"AppLearn is playing in a space that is critically important. The only digital transformations that matter are the ones that are successful. Everything else is a waste of time and energy."

Tony Saldanha,
Author of *Why Digital Transformations Fail*

About AppLearn

We've made it our mission to bring certainty to enterprise software investments.

The enterprise software market is booming, with global spend over \$1tn and digital transformation projects starting every day. Yet, despite the Unprecedented possibilities, businesses throughout the world are not making the most of software's potential because they don't have the alignment or measurement they need.

Alignment is often assumed. Organizations are quick to deploy SaaS, but while business software can be rolled out rapidly, business change isn't plug and play. People, processes and objectives need to be integral, not ignored.

On top of this, measurement is often missing. If tracked at all, the success of software is often judged

on usage, but real value comes from outcomes, not inputs. After all, just because an application is used, it doesn't mean it's useful.

To realize and keep up with the potential presented by SaaS, we believe businesses need sustainable surety on the outcomes of their software investments, and this can only come from adoption excellence.

At AppLearn, we have made it our mission to create this standard and bring certainty to the success of enterprise software.

With our AppLearn **Adopt** platform, unrivalled analytics and an approach that prioritizes people, partnerships and outcomes, we remove the doubt from digital adoption and help organizations to continually make the most of their software.

Discover the power of true digital adoption only available from **AppLearn.com**

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