



RESEARCH REPORT

Three Ways
Leaders Impede
Their Company's
Digital Transformation

Introduction

Digital transformation is impacting everything, from footwear to photos and from social interactions to ski resorts. Even mom-and-pop businesses use social media marketing, digital bookkeeping and data analysis to grow their customer base and inform strategy. But even though every company today is a technology company, realizing true digital transformation is an ongoing struggle.

Despite the name, digital transformation isn't only about adopting and modernizing technologies, leveraging data and the cloud, or automating processes. Certainly, those things are critically important enablers. But even the best technology, the richest data and the most efficient processes can't change the fundamentals of an organization. Only people can drive true digital transformation, and therein lies the real challenge — people are complex.

People challenges — for instance, poor planning, inadequate leadership and cultural resistance — are identified as a top barrier to achieving digital transformation objectives by many analysts. Inadequate leadership is possibly the most concerning of all people-related digital transformation barriers.

The Leader's Role in Driving Digital Transformation

Executives and senior leaders are the bedrock of digital transformation. Without leaders, who will envision new business models and customer services through the lens of technology, digital, data, product and innovation? Who will create a clear, actionable strategy to achieve the envisioned business state? And who, besides leaders, can structurally realign every aspect of the company to a new way of working — including budgeting, foundational processes, incentive structures and talent — to ensure continuous business evolution?

The uncomfortable truth is that it is virtually impossible for companies to achieve their digital transformation goals until executives and senior leaders commit themselves wholeheartedly to this challenging task ahead. And it is challenging. Digital transformation requires leaders to undertake the truly incredible and unnerving task of reimagining the business model that makes the company successful today but won't work tomorrow. Instead of tinkering around the edges, leaders need to work together in entirely new ways and invest heavily in developing new capabilities across the entire company.

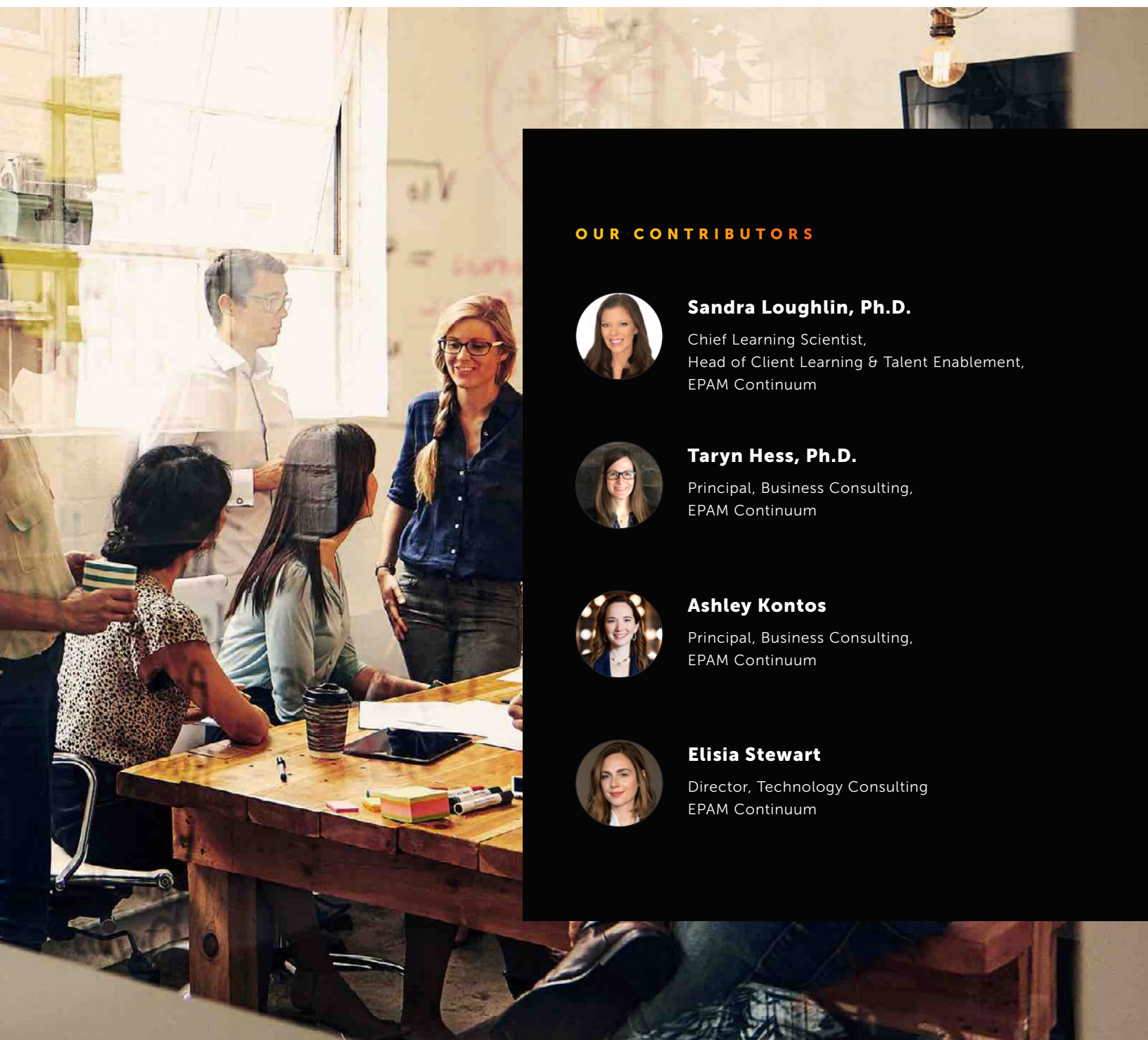
Where are Leaders Right Now with Respect to Digital Transformation?

At the end of 2022, EPAM Continuum surveyed more than 900 senior leaders from technology, digital, data, product and people (learning, HR and talent acquisition) departments all over the world — a group that spans 20 industries and nine countries in North America, Europe and Asia — to explore what they think about driving digital transformation and experience in their day-to-day work. Specifically, the questions we sought to answer were:

- How is IT perceived across the company — as a general support function or a critical business driver?
- Do IT and business leaders receive proper training to support digital transformation?
- Do business and IT speak the same language and understand each other?
- How do IT and people departments partner and split roles in hiring, developing and retaining tech talent?
- How do IT and people departments evaluate their technical and people management knowledge to optimize hiring, developing and retaining tech talent?
- What are the reasons that technologists leave a company?

Introduction

This is Part One of our research report, where we'll talk about leadership roles in driving digital transformation and share our findings about the ways leaders are inadvertently hindering their company's digital transformation strategy, why it matters and what you can do about it.



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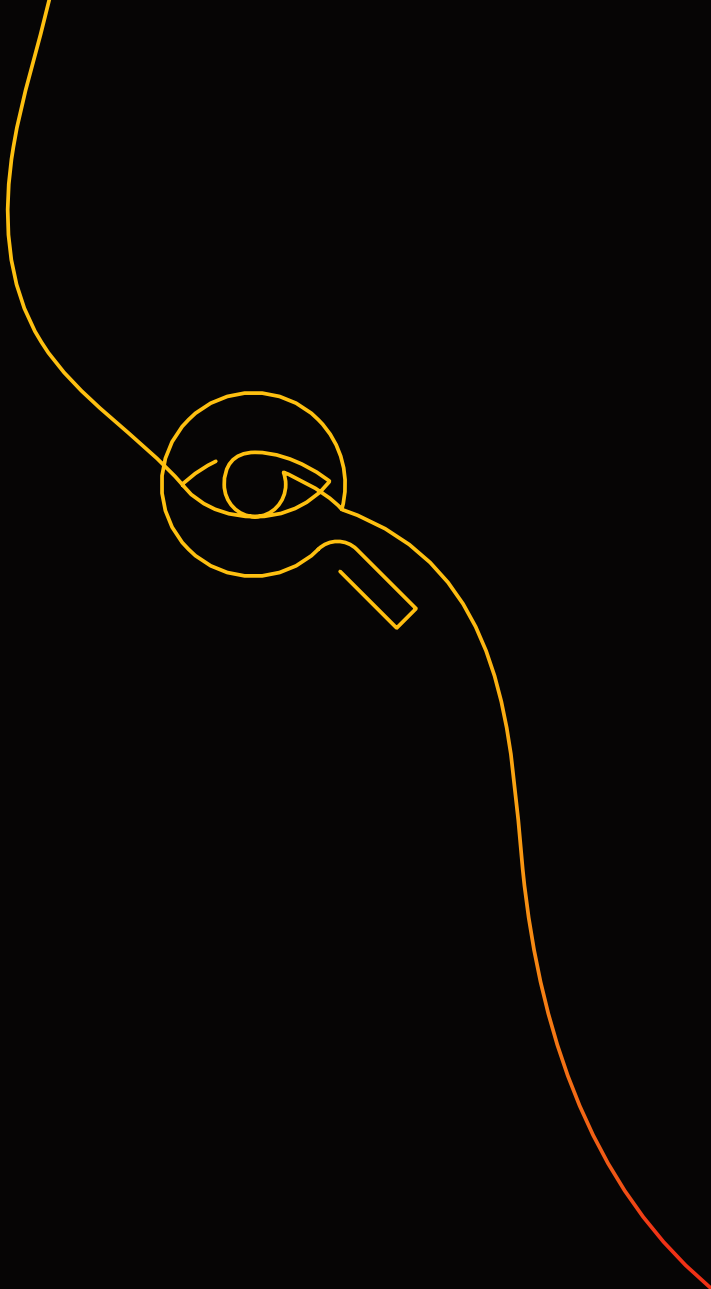


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Contents

- 01 Introduction 2
- 02 Findings At A Glance 5
- 03 Finding 1: Some Leaders Still Don't View
the Technology Organization as a Business Driver 7
- 04 Finding 2: The Business Doesn't Speak Technology
and Technology Doesn't Speak Business..... 11
- 05 Finding 3: Leaders are Not Prepared
to Support Digital Transformation16
- 06 Conclusion..... 20
- 07 Methodology..... 22
- 08 About EPAM 24



02

Findings at a Glance

Findings at a Glance

Some leaders still don't view the technology organization as a business driver.

50-51%

At the top, more than half of **business owners** and **C-suite executives** still perceive IT as no more than a *general support function*.

50-55%

Between 50-55% of **directors, senior directors** and **vice presidents** consider IT a *business driver*.



LEARN MORE

Learn more about why this matters and what you can do about it on [page 7](#).

52%

Similarly, only slightly more than half of **technology leaders** believe they are viewed primarily as *business drivers*.

The business doesn't speak technology – and technology doesn't speak business.

79%

Of surveyed leaders, 79% agreed or strongly agreed with the statement, *"In my company, the technology organization struggles to speak business, and the business struggles to speak technology."*

4 in 10

Only four in 10 companies had mandatory trainings for business and IT organizations on most or all critical topics underlying digital transformation and business success.



LEARN MORE

Learn more about why this matters and what you can do about it on [page 11](#).

Leaders are not prepared to support digital transformation.

37% vs. 10%

Only 37% of technology executives and 10% of business executives were educated on critical digital transformation topics.

51%

Among companies surveyed, the most educated group on digital transformation was IT senior management, which still only just passed the majority threshold at 50.75%.



LEARN MORE

Learn more about why this matters and what you can do about it on [page 16](#).



03

Finding 1

Some Leaders Still Don't View the Technology Organization as a Business Driver

Finding 1

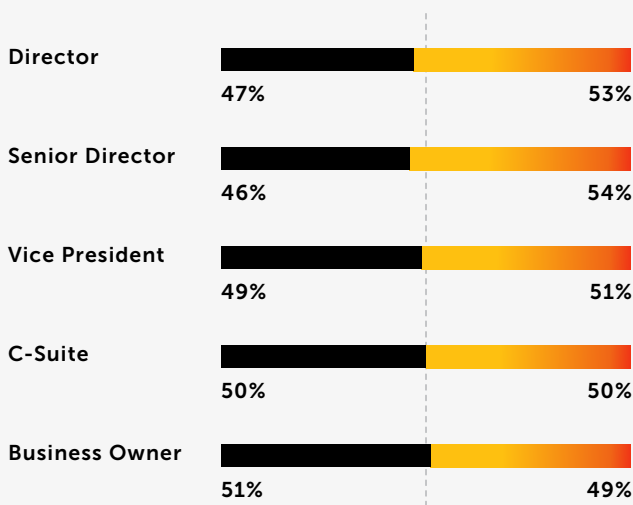
Some Leaders Still Don't View the Technology Organization as a Business Driver

Digital technologies are at the center of all 21st-century markets, so the technology organization should be a critical driver of business strategy. But a surprising number of surveyed leaders do not yet recognize that. One consistent pattern we found was ambivalence about the technology organization's role in modern companies.

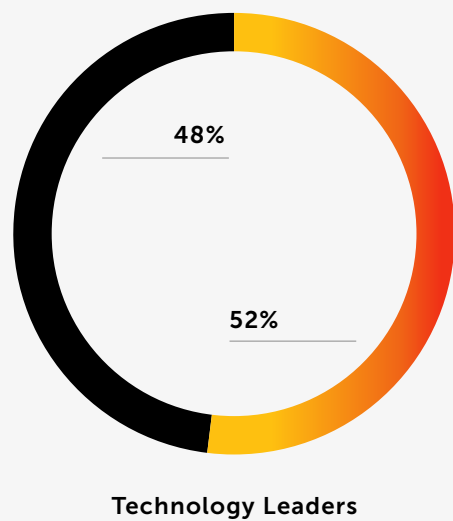
At the top, less than half of business owners and the C-suite perceive IT primarily as a business driver. Among directors, senior directors and vice presidents, that number was only slightly above 50%.

When we slice the data by department, a more significant pattern arises: only slightly more than half of technology leaders believe they are viewed primarily as business drivers.

IN YOUR ORGANIZATION, WHAT IS THE PERCEIVED ROLE OF IT/EQUIVALENT?



IN YOUR ORGANIZATION, WHAT IS THE PERCEIVED ROLE OF IT/EQUIVALENT?



General support function or equivalent (Mean, %) ●
 Critical business driver with specialized skillsets (Mean, %) ●

These patterns could reflect 20th-century stereotypes about IT's role as only fielding tickets and standing up infrastructure. More likely, though, our respondents in IT departments observe that they are not yet empowered to influence organizational direction and strategy.

Why It Matters

Regardless of the reason, it is concerning that many leaders don't view IT as a business driver because it can have several negative impacts on the whole company, including:

01

Lack of alignment with business objectives.

If the technology organization is not viewed as a business driver, it is not running in tandem with the company's strategic goals and business objectives. This results in technology projects that do not deliver the desired business outcomes, increased spend on non-strategic technology projects, unnecessary churn and wasted resources.

02

Missed opportunities for innovation and business growth.

Technology is a critical enabler of innovation, growth and competitive advantage in almost every industry. When the technology organization is not viewed as a business driver, it cannot function in partnership, helping the company effectively harness the efficiencies, adaptability and scalabilities afforded by technology. In addition, the technology organization won't have the resources it needs to innovate and develop solutions that create new opportunities for business growth. This can lead to the company lagging competitors and losing critical market share.

03

Inability to attract and retain technology talent.

Technology organizations that are not viewed as business drivers are treated as they were decades ago: as back-office cost centers, taking tickets and putting out fires. For top technologists, this "keeping the lights on" culture is highly undesirable because it often entails performing repetitive tasks without clear business value and dealing with extensive technical debt and an outdated tech stack. The lack of perceived value has real consequences. When company leaders fail to connect technologists' work to meaningful business impact, they send the message that technologists' work isn't valuable. The combination of uninteresting work and feeling undervalued is a huge barrier for highly-skilled employees in high demand.

What You Can Do About It

Clarify the role of technology in business, and cascade the message throughout the entire company.

Create a vision and strategic plan that clearly explain how technology is powering the business strategy. Those plans should include business goals and how they will be realized through technology, success metrics, key performance indicators (KPIs), the investment approach, the implementation plan and organizational alignment activities.

Once developed, utilize organizational change management practices to communicate the strategy early and often — don't let it get lost in daily operations. The most successful companies create tailored versions of the plan for specific functional areas, so the message is even more impactful. Finally, be sure to review and update the plan periodically to keep up with changes in the business strategy, customer expectations and technological evolution.

Establish common goals and joint accountability.

Create objectives that require collaboration among business and technology leaders. Working together, leaders can create a shared vision and learn from one another, which will likely reduce conflict and misunderstanding down the line. Further incentivize collaboration by creating joint accountability, including joint KPIs and success metrics.

Modernize the technology organization to make it a valuable business driver.

Modernizing a technology organization is a complex and challenging journey, but it is essential to reap the benefits of digitalization. Set the foundation by adopting modern architecture, thoughtfully breaking down monolith platforms with microservices and refactoring legacy code. Minimize risk and increase business value by investing in automation and **DevOps**, evolving and prioritizing security practices, and embracing **agile ways of working**.



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It's the Ecosystem: Why Learning is the Driver of Business Transformation

Read this interview about the interconnections between learning, talent ecosystem and organizational transformation.
www.epam.com/its-the-ecosystem



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04

Finding 2

Business Doesn't Speak Technology & Technology Doesn't Speak Business

Finding 2

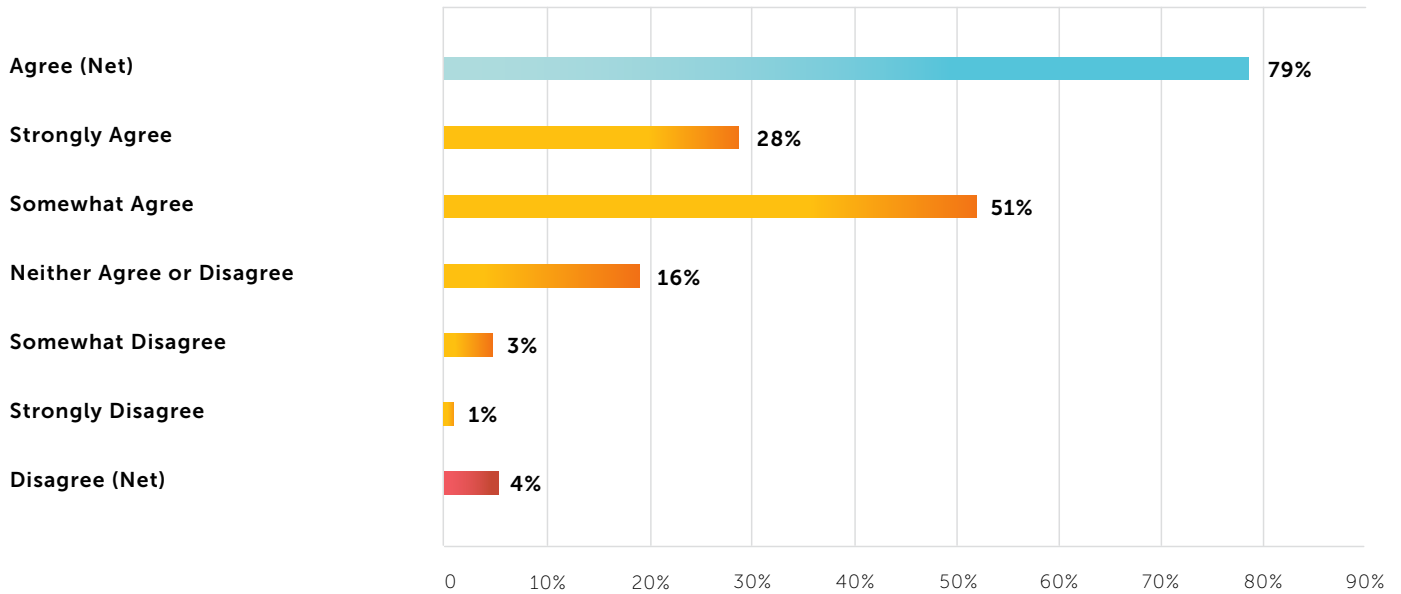
Business Doesn't Speak Technology & Technology Doesn't Speak Business

Finding 1 makes a lot of sense when combined with the second major finding of our survey: business and technology don't have a shared vocabulary or common understanding of each other's world.

In our research, 79% of leaders agreed or strongly agreed with the statement, "In my company, the technology organization struggles to speak business, and the business struggles to speak technology."

TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENT?

"In my organization, IT/equivalent struggles to speak business and the business struggles to speak technology."

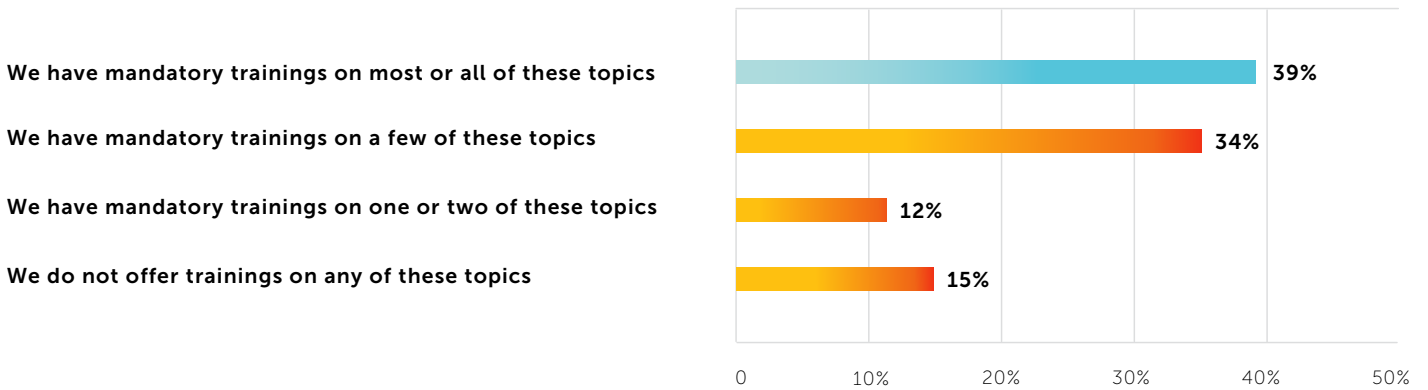


An obvious way to begin bridging this gap is educating the whole company – from front-line employees to executives – on critical topics underlying digital transformation and business success: customer focus, project to product, ways of working, technology, data, innovation and organizational change.

We found that only four in 10 companies had mandatory trainings for business and IT organizations on most or all these topics. Even among those companies with training programs, it more often falls disproportionately on the IT side of organizations (see **Finding 3**).

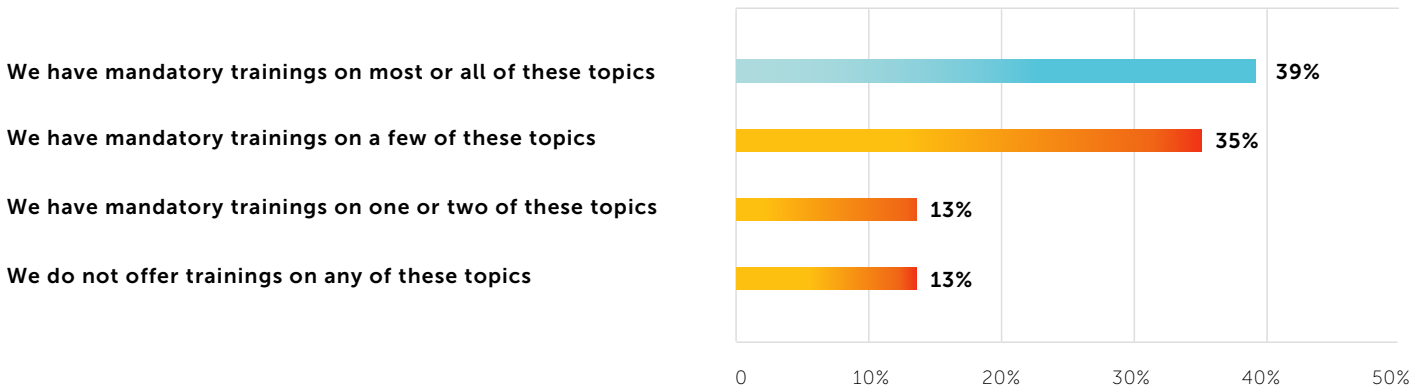
IN THE PAST TWO YEARS, WHAT, IF ANYTHING, HAVE YOU DONE TO TRAIN THE BUSINESS ON CRITICAL TOPICS RELATING TO DIGITAL TRANSFORMATION?

(i.e., customer focus, project to product, ways of working, technology, data, innovation, organizational change)



IN THE PAST TWO YEARS, WHAT, IF ANYTHING, HAVE YOU DONE TO TRAIN IT/EQUIVALENT ON CRITICAL TOPICS RELATING TO DIGITAL TRANSFORMATION?

(i.e., customer focus, project to product, ways of working, technology, data, innovation, organizational change)



Why It Matters

For companies trying to harness digitization, the breakdown in understanding and communication between business and technology can create problems in multiple dimensions, including:

01

Misaligned priorities and poor decision making.

Technology and business leaders are driven by different goals and objectives, leading to disagreements and mismanagement. Business leaders who do not understand the value, limitations and dependencies of technology may make poor decisions, demanding solutions that are impractical or unfeasible. Without an understanding of the business, technology leaders are unable to collaborate creatively with their peers in business to find ways to achieve the intended strategic outcomes. The result of misaligned priorities and poor decision-making comes down to dollars and cents — overspending, underinvestment and reduced profitability and competitiveness in the market.

02

Entrenched resistance to change.

As with any communication breakdown between groups, the disconnect between the business and technology organizations can create conflict. Lack of understanding between groups opens the door to inaccurate assumptions, like handing off work to a team that's not expecting it, and unclear messaging. Surprises, perceived lack of control, excess uncertainty and other negative emotions are common outcomes of communication breakdown. And when those negative feelings arise, people are prone to blame the other group and adopt an "us-versus-them" mentality. The result is a divided culture that is ill-prepared to function as a single team driving toward shared objectives.



What You Can Do About It

Create mandatory digital and business literacy programs.

Foster digital literacy for the business through education programs that illuminate the major components of digital transformation: customer-centricity, organizational adaptiveness, critical technologies for your industry, data and analytics, product management and innovation. Ensure the technology organization truly understands the way business works by educating them on topics like the company's business model(s), competitive landscape and target market, financial targets and management, business risks and regulatory environment and KPIs.

Tailor the programs to your specific teams — avoid off-the-shelf content — and combine training with reflection, social learning and implementation planning. Because digital transformation success depends on everyone having a common understanding, allocate time and make training mandatory. Everyone is busy and even the most well-intentioned employees often put off or rush through education. The best way to establish a common foundation for business success is to put employees in a position where learning isn't optional.

Shift from project to product.

Go beyond basic literacy by creating **cross-functional product teams**. In addition to educating one another and increasing collaboration, successful product teams generate business through increased customer centricity and satisfaction, more efficient use of resources and faster time to market. Start by identifying core business and consumer products and their relevant success metrics, then build cross-functional teams to bring them to life, including design, engineering, security and marketing. To ensure products maximize business value through technology, create dual product owners — one from business and one from technology — with joint accountability for success.

Celebrate wins.

Look for evidence of successful business-technology collaborations and highlight them. Consider using non-monetary approaches. Case studies in internal publications, praise at all-hands meetings and thank you notes from the executive team are all low-cost, high-value ways to celebrate wins and recognize those who are setting an example. Public recognition like case studies has the added benefit of educating the whole company on common challenges to collaboration and creative ways to overcome obstacles.



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05

Finding 3

Leaders are Not Prepared to Support Digital Transformation

Finding 3

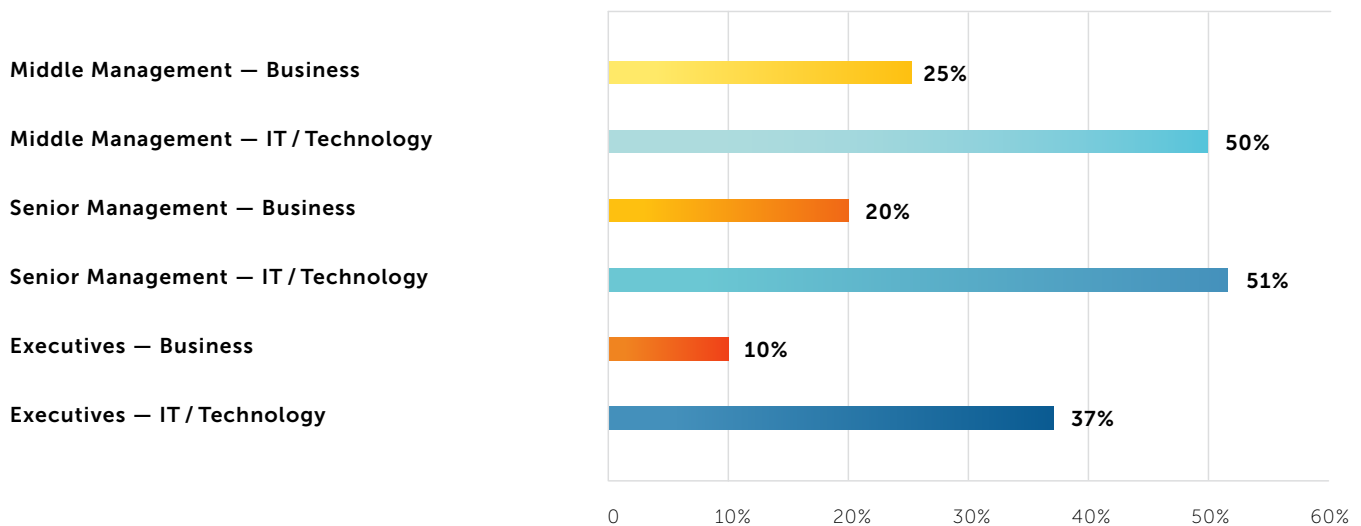
Leaders are Not Prepared to Support Digital Transformation

We also found in our study that only 37% of technology leaders and 10% of business leaders were educated or planned to be educated at their companies, with the overwhelming burden of transformation education falling on IT middle and senior management.

As you move up in the hierarchy, education on the business side stalls. Middle managers in technology are trained at nearly twice the rate (50%) of middle managers in business (25%). That gap increases at the senior and executive levels.

Even though the technology side seems more educated on digital transformation, it's important to point out that, among companies surveyed, the most educated group on digital transformation was senior IT management, which still only just passed the majority threshold at 51%.

WHICH GROUPS, IF ANY, HAVE YOU EDUCATED, OR DO YOU PLAN TO EDUCATE TO SUPPORT DIGITAL TRANSFORMATION?



Why It Matters

The challenges inherent in leading digital transformation cannot be overstated. Successful leadership requires learning complex new capabilities, charting a path forward in a rapidly evolving technology and customer landscape, balancing short- and long-term objectives and managing dramatic cultural change.

On top of that, leaders must navigate the anxiety and cognitive dissonance of keeping the status quo while also changing everything about it. Complicating things further, there is no one path to digital transformation — each company has a unique combination of strategic imperatives, goals and culture — but there are many ways to get it wrong.

To adapt and thrive, leaders — especially executives — need to develop technical, professional and individual capabilities in areas ranging from the cloud and machine learning to human-centered design and integrated talent ecosystems to a resilience and growth mindset. Failure to do so leads to a myriad of challenges, including the ones identified previously. In fact, not perceiving technology as a business driver and not understanding the totality of the business — inclusive of technology — are fundamentally the result of leaders being undereducated about digital transformation and under-supported in implementing it.

What You Can Do About It

Create tailored education for executives and senior leaders.

In addition to basic digital and business literacy training, **provide executives and senior leaders with high-impact courses** that address their specific needs. Relevant topics for senior leaders include identifying the best way for their company to simultaneously maintain and evolve their business, asking the right questions of their teams, selecting the right metrics to drive desired behaviors, engaging the right talent across the lifecycle, and seeing what innovations and technology breakthroughs are on the horizon. In addition, any course on leading digital transformation needs to deep-dive into the psychology of employees and the levers of change that will drive them to develop new mindsets, behaviors and ways of working.

Connect learning to implementation.

It's tempting to think that offering training is sufficient for leaders to gain the knowledge and skills they need to successfully envision and drive digital transformation. But that's simply not true. It's vital to combine content and expert insights with required action-planning and implementation. Consider creating six-month, one-year and two-year implementation plans that become less detailed for longer time horizons. Because the goal is a whole-company approach to digital transformation, start by creating plans that are global in nature, but then transition into planning for each area. Once plans are made, create joint accountability for executives to ensure they are working together to achieve objectives and dovetail operations.

Provide inside-out and outside-in perspectives.

For those sitting at the helm of a company, it is equally important to understand their current state and to learn what competitors and other industries are doing. Failure to marry organizational realities to the art of the possible significantly limits the likelihood of creating and implementing a successful strategy. For each major executive education topic, incorporate in-house experts to explain the current opportunities and challenges for your business today. Combine that with insights from experts outside the company who can explain the broader context and collaborate with leadership about how to navigate the journey.

What You Can Do About It (Cont.)

Loop in the board of directors.

Your board of directors may be removed from the day-to-day work that keeps you in business, but they need to be trained in what your business does and how it gets that done. Board members should understand the technologies you employ and how they sync with your business strategy and direction.

Keep learning and evolving together.

Learning, like digital transformation, isn't a once-and-done activity. As leaders pilot initiatives and begin implementing action plans, they will invariably identify new benefits and opportunities, as well as hidden challenges to implementation that must be addressed. Find time as leaders to continually learn from each other and from the entire company through dedicated retreats, a standing agenda meeting or both.



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Capability Building That Works: An Automotive Company Case Study

Watch our webinar about digital upskilling for IT executives.

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EPAM Continuum



06

Conclusion

Conclusion

Historically, IT departments have been perceived as order takers. However, for digital transformation to succeed, the technology organization must evolve into strategic partners and business catalysts. Executives and senior leaders are essential in propelling digital transformation, but they can unintentionally hinder progress by failing to acknowledge technology as a business driver, by permitting communication barriers between business and technology teams and by being ill-equipped to support transformation initiatives.

To overcome these challenges, leaders must adopt a mindset that places technology at the core of their business strategy and promotes seamless collaboration between teams. When business and technology struggle to understand each other, it can lead to disagreements, resistance to change, overspending, underinvestment, and reduced profitability and competitiveness in the market. Fundamentally, successful digital transformation requires effective education and communication on a continuous loop, ensuring business strategy is always informed by technology strategy and vice versa.

Bridging the divide between business and technology is crucial. Leaders should invest in education and training initiatives to develop a common language and understanding of each function's value. Encouraging cross-functional teams and creating opportunities for collaboration on projects can further strengthen connections between the domains.

Leaders must be well prepared to navigate digital transformation complexities by acquiring necessary skills, staying informed about industry trends and learning from successful companies. Preparation should include a comprehensive and adaptable strategy encompassing budgeting, processes, incentive structures and talent management. Aligning resources and capabilities with digital transformation objectives lays a solid foundation for success.

In a world where digital disruption is the new normal, leaders must seize the opportunity to shape their business and technology organizations' future success by wholeheartedly embracing digital transformation. By educating both business and technology leaders, any company can learn to thrive no matter what the future holds. Addressing potential roadblocks and fostering a culture of collaboration, innovation and adaptability can empower organizations to thrive in an increasingly digital world, creating lasting value for customers, employees and stakeholders.

CONTACT US

Need support applying these lessons to your company's digital **transformation** strategy?

Contact us at
LearningPractice@epam.com



07

Methodology

Methodology

The data published in this report is based on a survey of 938 senior leaders from technology and people departments across 20 industries and nine countries including the United States, Canada, United Kingdom, France, Germany, Netherlands, China, Singapore and Hong Kong.

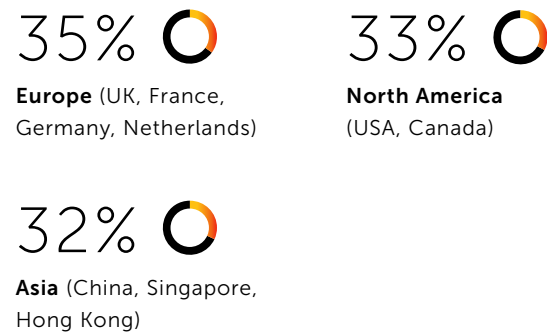
The group of **technology leaders** included directors, senior directors, vice presidents, C-level executives and business owners with data, digital and technology job functions. The group of **people leaders** included directors, senior directors, vice presidents, C-level executives and business owners with HR, people and learning, and talent acquisition job functions.

The survey was conducted between November and December 2022. Survey data was collected in partnership with Censuswide. Data analysis was conducted by EPAM Continuum consultants, using descriptive statistics and mean averages by group.

SAMPLE SPLIT BETWEEN TECHNOLOGY & PEOPLE ORGANIZATION LEADERS



DISTRIBUTION OF RESPONDENTS BY REGION



DISTRIBUTION OF RESPONDENTS BY INDUSTRY

Architecture, Engineering & Building	3%
Arts & Culture	5%
Business Information Services	4%
Catering & Leisure	4%
Energy	5%
Financial Services	8%
Healthcare & Life Sciences	4%
HR	10%
Insurance	7%
IT	4%

Legal	1%
Automotive & Manufacturing	11%
Media & Entertainment	7%
Publishing & Education	2%
Retail & Consumer	5%
Sales, Media & Marketing	3%
Software & High Tech	5%
Telecoms	6%
Travel, Transport & Hospitality	5%
Utilities	2%

About EPAM

EPAM is a leading digital transformation services company with expertise in technology, digital, data, product and innovation. For 30 years, we've witnessed the best and worst approaches to digital transformation, and we've continually honed our thinking even as the pace of change speeds up. We have a practical understanding of the business challenges connected to digital transformation and we know what it takes to reorient an organization through people.

In the past 30 years, we've grown organically into a global, 58,000+ employee company. Our strategy hinges on hiring, developing and retaining world-class technology talent. We have invested heavily in developing a continuous learning culture, skills-based hiring and talent management, and proprietary talent-related platforms and tools.

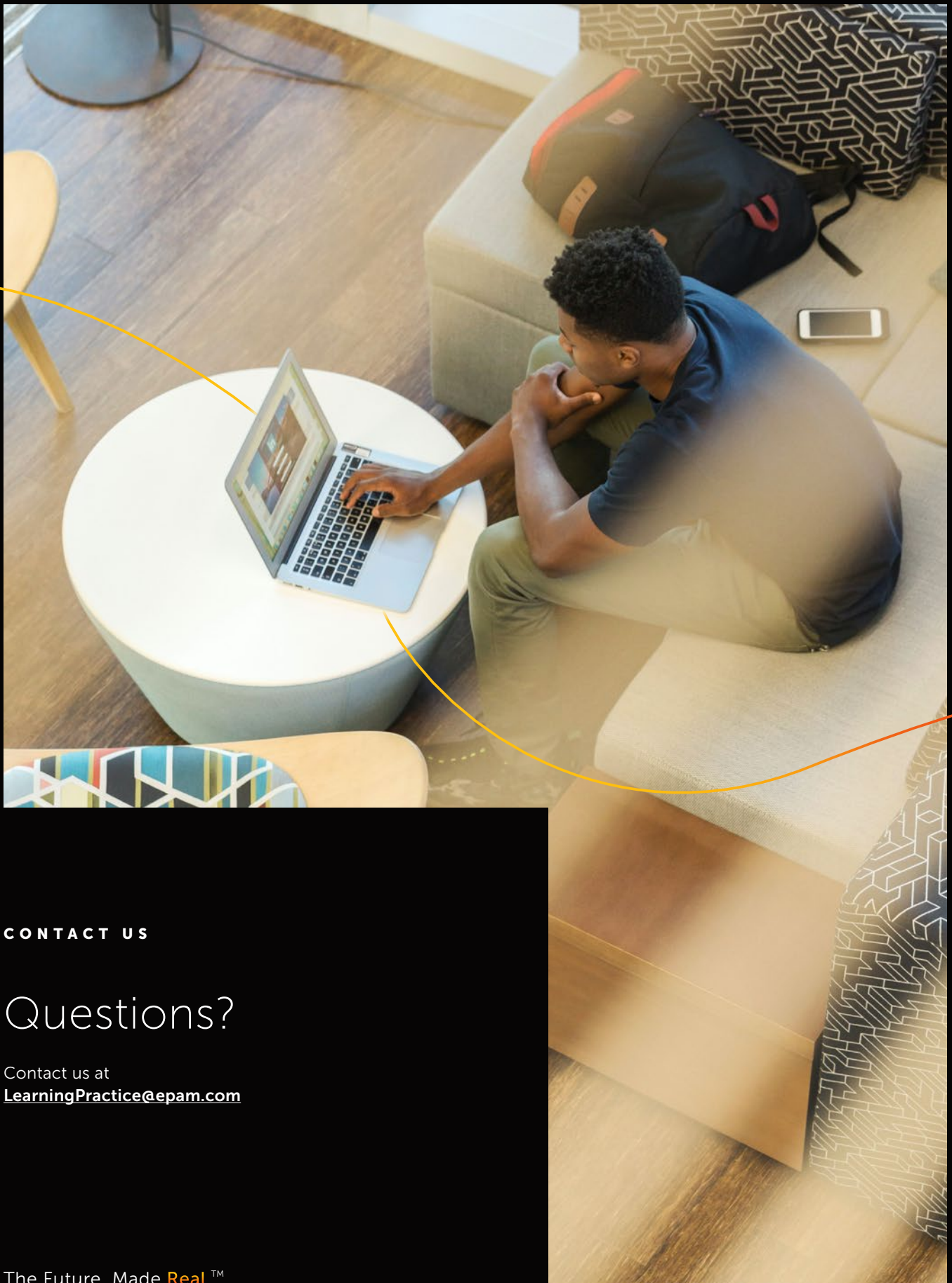
Clients increasingly asked us how they could create continuous learning and talent cultures like ours. Recently, EPAM Continuum, the consulting arm of EPAM, began sharing EPAM's approach and resources — content, practical exercises, mentorship model, competency matrices, skill assessments and proprietary people platforms — as customizable accelerators to help clients cultivate top technical talent and grow leaders at all levels. We also created a series of education programs

for technology practitioners, business and IT executives and employees across organizations, based on EPAM's technical expertise and practical, on-the-ground insights.

Our **Talent Enablement & Transformation Services** help companies digitally transform their businesses by developing employees' technical knowledge, skills, mindset and agile ways of working. Our specialty is education and professional growth to support clients' technical, digital, data and product enablement activities. Clients trust us to enable their organizations with new digital skills because of our engineering DNA, cutting-edge knowledge, passion for learning and industry-recognized, award-winning talent enablement resources.

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