AVASANT

Building the Digital Enterprise

Taking Strategy to Action

Business models and traditional value chains are being disrupted by technology. A good digital strategy is one that is implementable and generates value for the organization. The ability to seamlessly integrate the strategy and transform the organization with calculated disruption will enable organizations to thrive and compete in this new world order.

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88 %

Executives undergoing formal digital transformation efforts in 2018-2019

78 %

Enterprise Digital Transformation includes executives other than the CIO

59 %

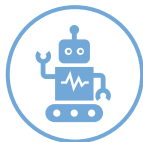Business Process Automated by Transformation focused organizations in 2018

Most organizations today have embarked on a digital path and are frantically putting together a strategy to thrive in the new digital economy. Journeys have been expedited due to increased pressure from customers, disruptive competition in the market, and evolving vendors and supply chains. The multitude of emerging technology pillars ranging from IoT, AI, cloud computing, blockchain, AR/VR etc., are making great business cases and strategies for adoption. However, creating a seamlessly implementable strategy with minimal disruption to the current state of business is proving to be a challenge.

Challenges stem from the multifaceted approach and considerations for transformation, such as realigning of business strategy, widespread use and adoption of technology, reorientation of human resources and redesigning of business processes. This transformation to a digital enterprise requires a holistic convergence of all the components - strategy, people, process, and technology - across the value chain

In order to facilitate the pervasive adoption of digital strategy as part of their overall business framework, enterprises are focusing on the business cases and unique proposition of creating an exceptional digital experience for their customers. Businesses are increasingly using digital technologies to create greater customer interaction and collaboration across all possible channels.

Avasant believes in enabling organizations to tread the digital ecosystem with a realistic and implementable strategy to ensure business value, transformation and innovation through structured disruption.

The Digital Ideal

Organizations and operating models evolve constantly over time. Innovation and technology has led to transformational changes in operating models and value chains. Innovations such as the conveyer belt transformed the manufacturing industry by introducing the concept of the assembly line, and

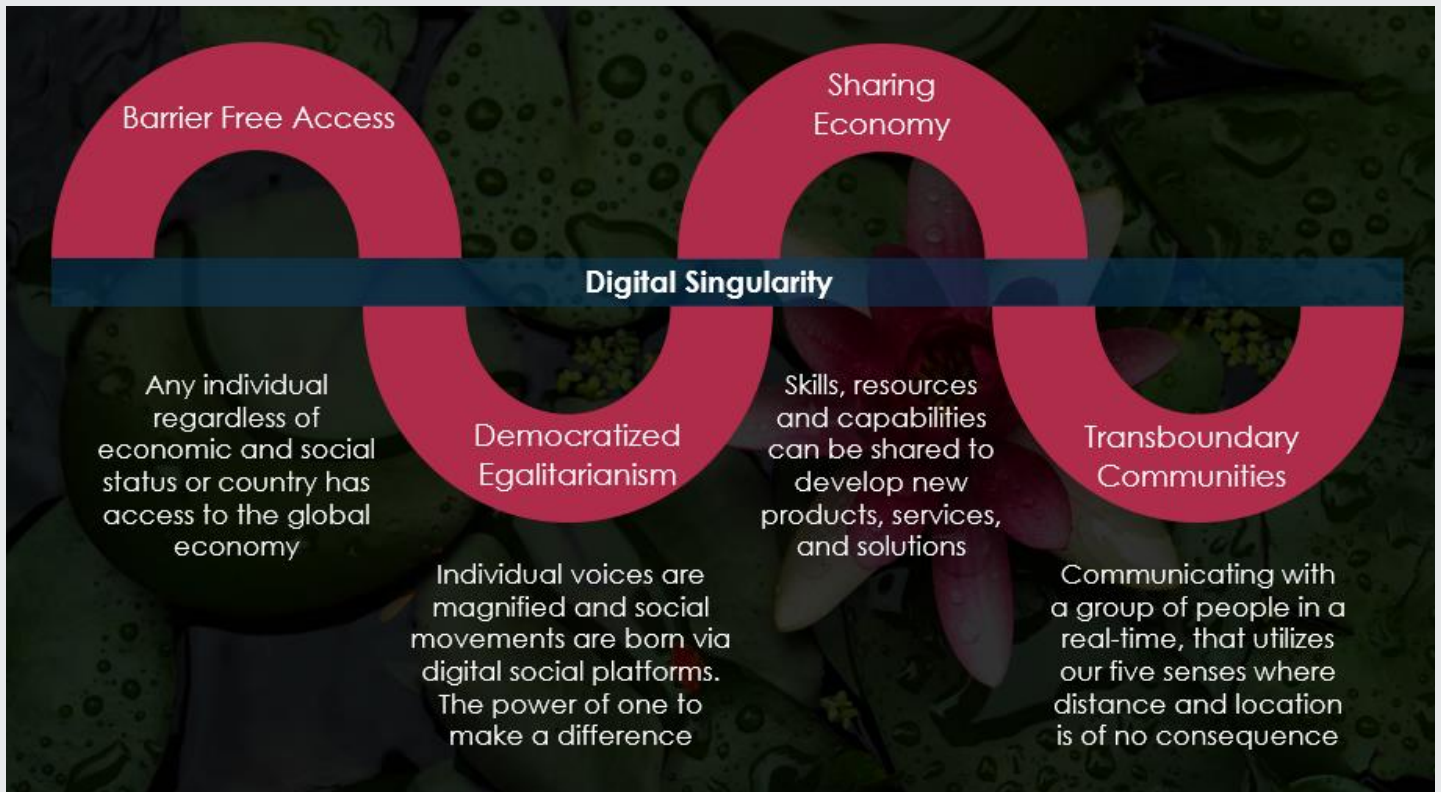similarly customer preference for online purchases is transforming the retail industry. It is both technology transformation and customer behavior that will change the way businesses operate in the future.

The world, from evident trends, is moving towards *Digital Singularity* - the point where technological omnipresence and human experience converge.
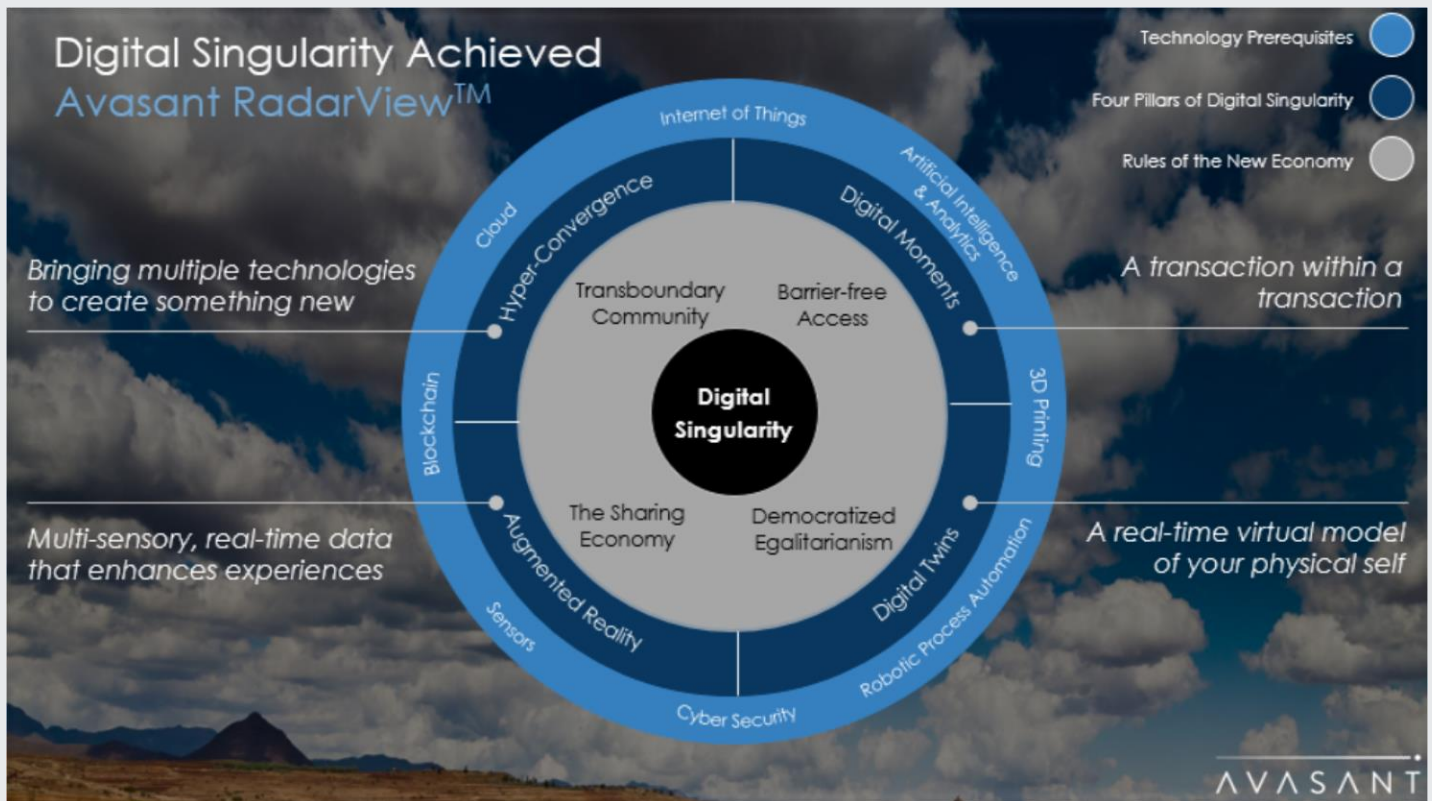
Digital Singularity is leading us to new innovations which define the new economy. These principles drive new value streams which no longer begin with the supplier and ends with the customer, but rather begins with the individual or customer and ends with the delivery of the product or service.

Barrier Free Access · Sharing Economy · Digital Singularity · Any individual regardless of economic and social status or country has access to the global economy · Democratized Egalitarianism · Skills, resources and capabilities can be shared to develop new products, services, and solutions · Transboundary Communities · Individual voices are magnified and social movements are born via digital social platforms. The power of one to make a difference · Communicating with a group of people in a real-time, that utilizes our five senses where distance and location is of no consequence

Barrier Free Access is the availability of information at our fingertips regardless of social status and level of wealth, leading to direct access to the global economy. Access to information across levels and geographies will lead to a gig economy.

Democratized Egalitarianism is the ability of technology to further drive the equality of all voices, enabling us to be heard regardless of where or who we are. This extends the concept of barrier-free access to the role people play in government and society. Whereas, in the twentieth century, amassing objects, cars, homes, and possessions of every size and shape was an indicator of success, we are now owning less and sharing more, including rides residences and even work.

The Sharing Economy puts an economic spin on this idea and is a model of providing and acquiring goods and services aided by a collaborative community-based technology platform.

Transboundary Communities occur when digital communication platforms become avenues for people of like minds and interests to interact. They occur when people collaborate to accomplish new things all while competing for business with other individuals, or even with companies on the same level.

Digital Value Streams

Technology will become both the driver and enabler in this new value stream. Some of the technology prerequisites to achieve digital singularity are already becoming mainstream, such as the adoption of cloud computing, IoT supported by sensors, blockchain technology, 3D printing, AI, Analytics and RPA, etc., enabling this transformation. Organizations will use a combination of these technologies to realize their strategy in the new digital ecosystem.

Traditional value chains will evolve from a supplier to customer value stream, to an individualized value stream where, an individual will generate the demand which is fulfilled by businesses and delivered at the individual's location.

B2B models will start becoming more B2C where the customer drives the product or service. When the first cars came out of the assembly lines, standardization was the key to success. It enabled efficiency and the ability to reduce prices. Now, not only are the engine options customizable, but individuals are able to customize the interior materials, colors, upholstery etc. of the car which is then delivered to their house.

Traditional vs Digital Value Chains

Supplier **Manufacturing** **Warehouse** **Distribution** **Retail** **Customer**

Traditional Value Chain

Individual **Personalize** **Advisors &supplier** **Profile** **Build** **Deliver**
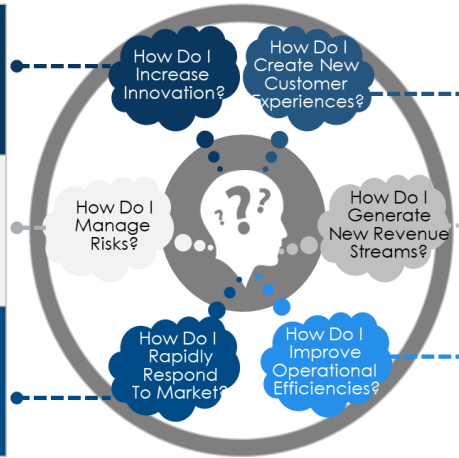
Digital Value Chain

Innovation:
- Do I have a framework to foster and sustain digital innovation?
- How is digital innovation aligned to customer needs?

Risk Management:
- Is there a framework to mitigate existing and new enterprise risks due to digital adoption?
- Are all the people, process and technology risks addressed?

Speed to Market:
- Do I understand the new customer engagement models?
- Are internal processes sufficient for digital enablement?
- Do I know the competition well?

How Do I Increase Innovation?

How Do I Create New Customer Experiences?

How Do I Manage Risks?

How Do I Generate New Revenue Streams?

How Do I Rapidly Respond To Market?

How Do I Improve Operational Efficiencies?

New Customer Experiences:
- Have customer preferences changed?
- Are customers engaging differently on digital channels?
- What are the customer touch points?

New Revenue Streams:
- Are there new consumer empowerment channels?
- Has the customer base shifted?
- How are customers making purchasing decisions?

Operational Efficiencies:
- Are the internal processes optimally designed?
- Is supply chain disrupted?
- Is technology footprint optimal?

What does this mean for organizations of the future?

Organizations of the future, irrespective of industry verticals, need to create an operating model driven by strategic partnerships that can enable a true digital ecosystem. Organizations need to evolve in order to break the traditional value streams that generate value for the end customer and themselves. Customers have started consuming products and services differently, and these changes are evolving at a rapid pace. This requires organizations to become more agile. Organizations develop agility through a federated digital ecosystem where capabilities of participants need to be managed. They key tenets for this change will be:

1. Business models driven by technology

Digital transformation calls for a change in the business model as well. The traditional linear business model (from supplier to consumer) will no longer work. Currently, platforms dominate the business scenario, where technology is the main driver, rather than resources and cost. If you are still functioning in the linear model, it is time to rethink your business design.

2. Digitally aligned business processes

Enterprises need to identify the digital transformation opportunities by prioritizing the business processes which require immediate attention. Leveraging emerging technologies to create an engaging and consistent digital experience is the key to business process redesign.

3. Innovation and technology as core business drivers

Evolution of organizational structure that supports innovation and disruption will be a key characteristic of the digital organization. Decision making will be based on robust, real time analytics, with intelligent automation driving most transactional tasks.

4. A federated digital ecosystem driven by partnerships

The ecosystem of organizations in the digital age will include:

- A shared vision and purpose
- Institutional structure that enables working in a collaborative environment – both internal and external
- Governance model that simultaneously promotes innovation and operational excellence

5. Supply chains driven by individuals

Individuals driving demand will need a new supply chain with the customer at the heart of the supply chain. These supply chains and their repercussions on partners and suppliers will drive the new digital organization

6. People Alignment

Digital transformation is not the responsibility of a specific department but rather an organization wide initiative. As such, it demands equal involvement of cross-functional teams to collaborate. The ability to collaborate, exchange ideas between teams and leverage these future technologies will increase efficiency and productivity of the organization. People with different skill sets need to be involved to address and facilitate every aspect of the transformation journey.

Pillars of a Digital Enterprise

To fully deliver as a world class digital enterprise, these 4 key layers are quintessential in ensuring adequate robustness and agility to meet future goals.
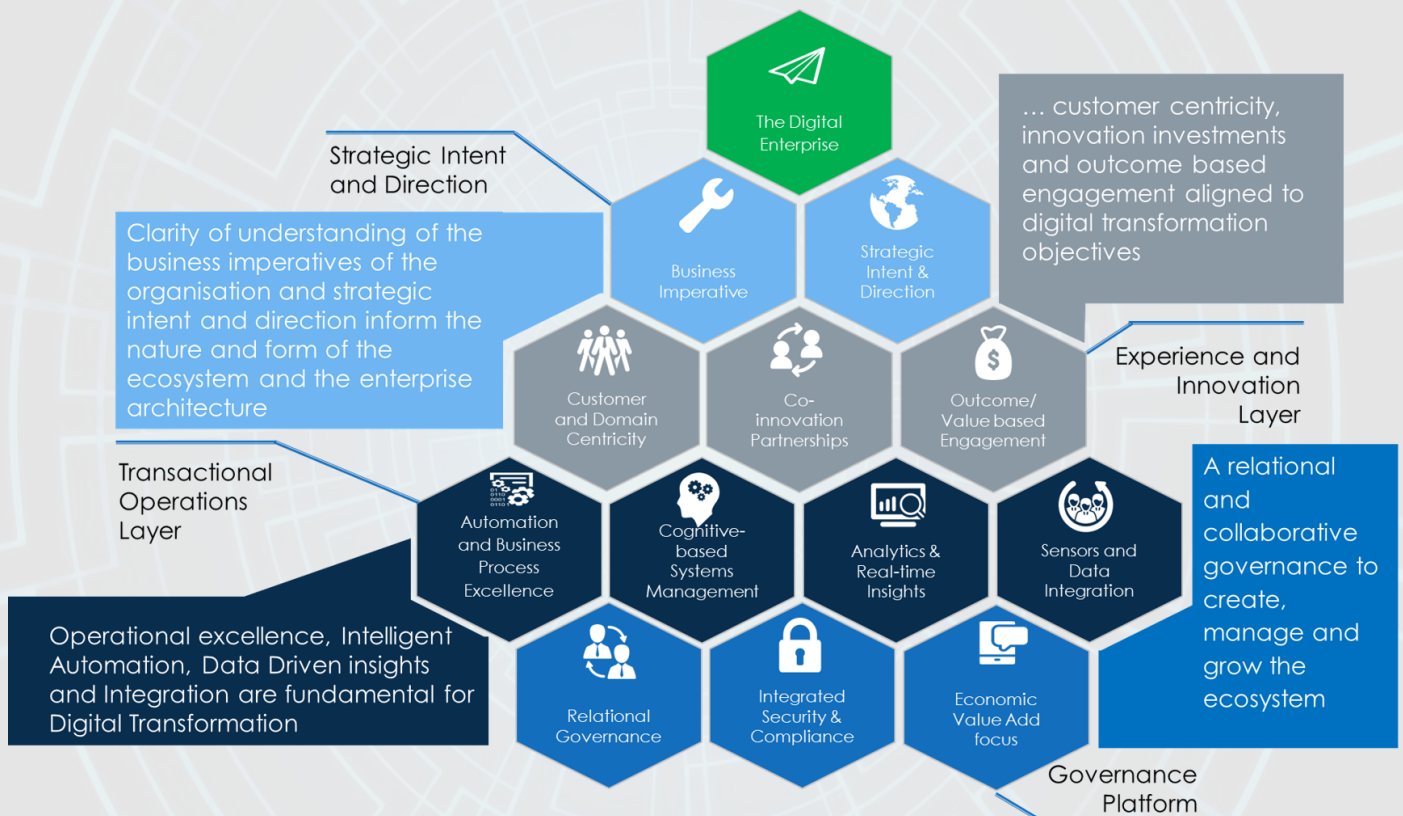
1. **Strategic Intent and Direction** – A digital strategy should drive off both business imperatives and a strategic direction. The strategic direction will have a direct correlation with the Experience and the Innovation layer. It will also be based on market forces and disruption in both customer preference and competition. The critical component here is to understand

what creates overall value for the customer as this will drive the business strategy, which in turn decides the business model based on interactions with the environment. For example, in the past decade, the media and telecommunications industries witnessed dramatic shifts in their structures and business models. It has been driven by the growth of content ownership, on-demand streaming (e.g., music/video streaming services) and/or the entry of new players with innovative value propositions. These revolutionary changes resulted from a combination of technologies such as high-speed mobile internet and broadband technology, as well as customer's ability to access as much content as they desire. This has led to a shift in how industry players are internally organized, breaking down conventional organizational structures and operating models, and evolving into digital and digitally enabled organizations

30 %

of business revenues will be generated from through new business models by 2021

32 %

of firms say that digital transformation has helped them improve efficiency and operations

2. **Experience and Innovation** – The Experience and Innovation layer helps deliver business strategy through models that are flexible and agile. Understanding and driving customer experience is a key component of this layer. Most organizations are in the process of setting up innovation groups, however initiating them has been a challenge due to a lack of alignment with overall business strategy. This layer focusses on developing customer experiences, a partner ecosystem to drive innovation, and internal change management. *ATT Foundry, Adobe Kickstart, Linkedin [in]cubator, and Erricsson Ideabox* are examples of large organizations which established innovation centers and have been successful in shortening innovation lifecycles. Native digital organizations such as Google and Apple have innovation at their core.

29 %

of firms say that they were able to generate more clients and business through their digital initiatives

3. **Transactional Operations** – This layer of the organization is where technology interventions drive enormous value from an internal perspective. Technology shapes nearly every aspect of operations and transactions, ranging from blockchain transforming the financial services industry, to IoT and sensors optimizing value chains. AI and Analytics are used to make informed decisions by automating tasks and enabling fact-based decision making. A few investment firms, including Aidyia Limited of Hong Kong, have launched funds managed entirely by AI. San Francisco based AI software developer, Sentient, created its own hedge fund based on deep learning technologies. Swiss AI startup NNSAISENSE and Acatis Investments, a German fund manager, recently launched "Quantenstein," a deep learning software platform that helps investors with stock selection and portfolio development. Marketers can now personalize marketing appeals based on AI and pattern recognition as opposed to the traditional models

of segmenting populations and analyzing them as large groups. Advertisers can now craft, and time messages tailored to each person's behavior, and actions, and at specific times drastically enhancing the probability of sale.
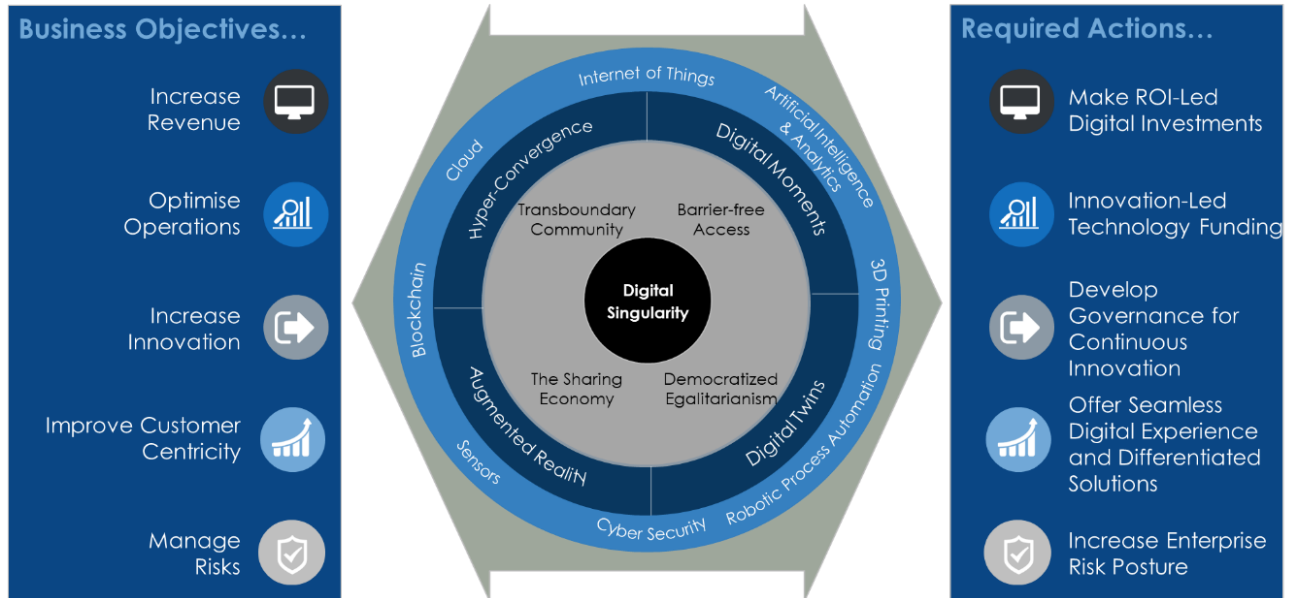
4. **Governance Platform** – This layer binds the previous layers to ensure a digital enterprise is sustainable and its value, realized. The federated organization requires governing and managing the ecosystem through partnerships and relationships instead of traditional client-vendor management mindset. Technology partners will become more involved in business support, as opposed to traditionally supporting the IT organization. Both technology and domain expertise will be sought from these partners, and managing them will be based on outcomes and value against SLAs and costs. Security and compliance take centerstage due to data and information becoming the most valuable commodity in the environment. To meet these new demands, security must undergo the same degree of transformation impacting the network and business itself. This requires several elements, such as: appropriate protections and inspections deployed automatically at every data interaction point across all digital technologies; dynamic adaptability to secure networked environments constantly in a state of flux; the ability to see, share, and correlate threat intelligence in order to detect and respond to threats in real time; and the ability to impose constant threat assessments across the entire organization.

The need for Digital Transformation

Businesses face new competition from traditional competitors as well as disruptors, and customers present new channels of engagement. The prevalence of connected devices, from smartphones to cars to wearables, is growing. Organizations that quickly deliver value through digitally-instrumented products or services gain a competitive advantage through optimized value chains derived from market interactions and data.

Digital enterprises can easily connect with customers, speeding up the pace of innovation while being able to claim a larger market share. It might just be a competitive advantage today, but in the future, it will be a question of existence.

Business Objectives and Actions Required for Digital Transformation

Business Objectives...

Increase Revenue

Optimise Operations

Increase Innovation

Improve Customer Centricity

Manage Risks

Internet of Things

Artificial Intelligence & Analytics

Cloud

Hyper-Convergence

Digital Moments

Blockchain

3D Printing

Transboundary Community

Barrier-free Access

Digital Singularity

The Sharing Economy

Democratized Egalitarianism

Augmented Reality

Digital Twins

Robotic Process Automation

Sensors

Cyber Security

Required Actions...

Make ROI-Led Digital Investments

Innovation-Led Technology Funding

Develop Governance for Continuous Innovation

Offer Seamless Digital Experience and Differentiated Solutions

Increase Enterprise Risk Posture

The need for digital transformation is highlighted under three key areas –

- Improve Customer Understanding with Intelligence driven Analytics
- Enhance Top-Line Growth by enabling sales and service through digital products and device outreach
- Digitized Customer Touch Points – Use social media to answer complaints, self service via Apps, increased multi-channel usage

Customer Experience

Operational Process
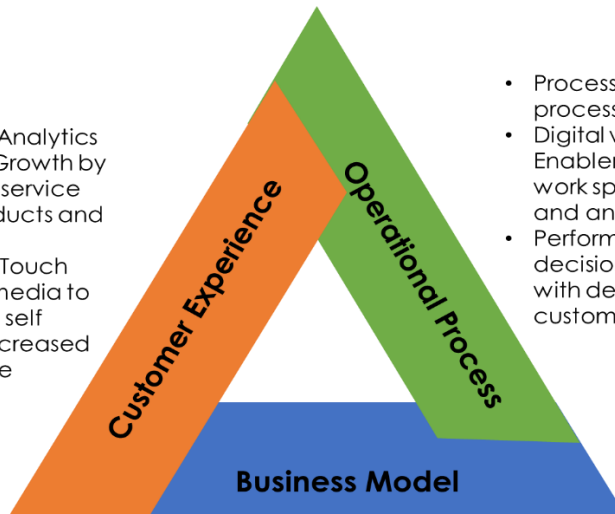
- Process Digitization with Robotic process automation
- Digital workplace - Staff Enablement with virtualization of work space, working anytime and anywhere
- Performance Management decision making based on data, with deeper insights into customers, products and regions

Business Model

- Digitally Modified Businesses – augment physical with digital offerings, share content across an organization and use AR and VR
- Introduce New Digital Businesses – Products and services delivered both physically and digitally
- Digital Globalization – use of globally shared services to promote efficiency, from multi-national to global presence

How can Avasant help organizations create their digital vision and implement their digital strategy?

Avasant has a robust framework supporting digital transformation which has been used to support the digital transformation of major multi-national corporations, allowing them to transition and modernize their digital infrastructure to achieve their business imperatives.

Avasant's Digital Compass helps enterprises chart their end-to-end digital journeys to address their business problems and better serve customers. Avasant tailors its structured approach to the client's needs and challenges, aligning the approach with key expectations and outcomes which clients ideate.

The Digital Compass helps clients at various stages of their digital maturity to identify, assess, deliver and sustain their digital initiatives. A critical component of the compass is the Digital Readiness Assessment (DRA) which assesses the current state of the organization and its readiness to undertake both small and large-scale transformation initiatives.
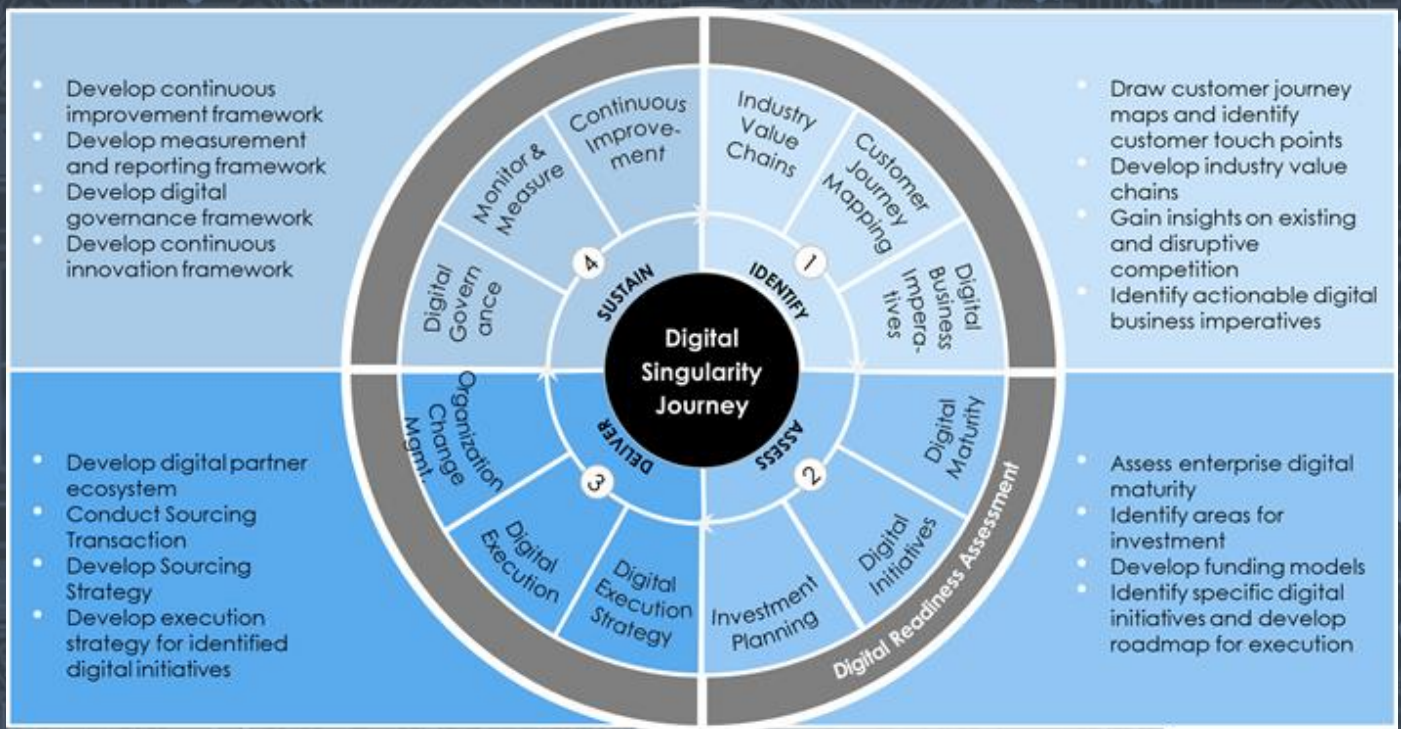
1 - Digital Business Imperatives Identification

Avasant uses its Digital Business Imperatives (DBI) Identification approach to identify/prioritize an organization's DBI and achieve its business objectives.

This phase is critical to understand the client's gaps and competitive positioning. To begin this process, we review the client's future business requirements and strategy for revenue growth. This gives a validated set of business requirements and a strategy that fits the client's transformation objectives. To get a comprehensive understanding of the client's DBI, it is necessary to identify the competitive positioning and conduct a gap analysis.

Based on these assessments and analysis, we define high level parameters to measure the digital business impact and identify and prioritize DBI. With this prioritized list, Avasant will gain an in depth understanding of the priority and criticality of the client's objectives. Moving forward, Avasant tailors a personalized approach to help the client achieve their DBI.

2 - Digital Readiness Assessment

One of the key contributing factors for ensuring success in achieving the Digital Business Imperatives is understanding the current position of the client along their transformation path for achieving their DBI. Avasant performs a Digital Readiness Assessment (DRA) to ascertain this.

Our approach to the Digital Readiness Assessment outlines activities and deliverables to assess maturity, identify digital initiatives and create an implementation roadmap. The DRA is imperative for Avasant to understand the maturity in the client's journey to achieving their objectives. Avasant's DRA score helps enterprises assess & analyze their organizational and functional digital maturity levels.

With the DRA framework, enterprises can identify a prioritized list of digital initiatives that map to the digital ROI, business benefits and digital objectives. This in turn helps them assess their digital maturity and readiness to achieve the stated DBI.

Avasant's Digital Readiness Assessment

Business and Operating Models
- New Opportunity Identification
- New Revenue Streams
- Test and Learn Opportunities
- Execution Plan
- Innovation Framework

Customer Centricity Focus
- Customer Experience
- Omni-Channel Experience
- Incentivization for Meeting Customer needs

Enterprise Risk Profile
- People Risk
- Process
- Compliance & Regulatory Risk

Digital Readiness Assessment

Enterprise Digital Strategy
- Leadership
- Transformation Goals
- ROI and Digital Metrics

Enterprise Technology Blueprint
- Cloud
- Data, BI and AI
- Cyber Security
- RPA
- Blockchain
- Application Strategy

Organization & Governance Model
- Organizational Structure
- Skills Matrix
- Operating Model
- Future Workplace Strategy
- Change Management

3 - Digital Ecosystem Enablement

This is a critical phase in the implementation lifecycle of the digital initiative. Digital transformation leads to the creation of an ecosystem of partners that support the business across the value chain. Selecting the right partner for the ecosystem is paramount in this phase. Avasant leverages its structure and comprehensive sourcing methodology to identify and align with the right partner that will generate value for the business. Implementing the new partnership-based ecosystem will require organizational change in managing the various initiatives in a structured fashion, through partners, with calculated disruption to people and business. Avasant provides strong project management support that helps plan and deliver initiatives in a phased manner, enabling value realization throughout the various phases of the initiatives.

4 - Digital Governance and Sustenance

We ensure post-implementation management of business objectives and expectations with continuous improvement and ongoing governance.

Our digital governance approach is built on the principles of value-based sustainable growth through transparency. Maintaining governance is critical in ensuring that business objectives are met, and a framework with a clearly defined plan is developed. This is to ensure the execution of contractual obligations that meet business objectives and monitor partner contractual compliance and performance. With this layer of optimized governance comes reduced value leakage and improved decision-enabling insights for the client.

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About Avasant

Avasant is a leading management consulting firm focused on translating the power of technology into realizable business strategies. Specializing in digital and IT transformation, sourcing advisory, global strategy, and governance services, Avasant prides itself on delivering high -value engagements through industry focused innovation and flexible client based solutions.