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The Digital Transformation Journey
Lessons from a CIO's Perspective

Part 2 – Approach to your Digital Transformation Journey

Unprecedented changes in the market place are driving organizations to look at end-to-end digital transformation for their initiatives. A digital strategy must address key technologies and awareness of the digital partner ecosystem to define and capture potential opportunities for achieving business objectives and risk mitigation and to reach across all aspects of the organization's digital value chain. CIOs are in a unique position to shepherd and support their organizations digital transformation journey. It is imperative for CIOs to step up into the realm of business strategy and work to become the key facilitator that brings business objectives to actual execution.

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Digital transformation (DX) is being driven by tectonic shifts in technology integration in business. Technology prerequisites (Artificial Intelligence and Analytics, Cloud, Internet of Things, Robotic Process Automation, Blockchain, Sensors, Cyber Security and 3D Printing) are redefining the way investment in technology is leveraged to create new business models for effectively engaging consumers at every stage of the customer experience lifecycle.

Most organizations are just beginning their digital journeys and do not realize the importance and impact of digital transformation on enterprise growth. Business leaders and C-level executives must understand that DX affects core businesses, can open new frontiers, and hence requires a foundational change. While DX does not come without challenges, organizations must approach these challenges head-on to create seamless experiences that meet their business goals along with customer expectations.

To stay relevant in this fast-paced business environment, companies have to reimagine themselves, and pursue transformation in an agile manner. Enterprises must leverage the digital pre-requisites to rethink every aspect of their business and align their operating model with an objective to deliver compelling and seamless customer experiences.

Lessons for your Digital Transformation Journey

Some of the key characteristics of a firm, which can embark on a successful implementation of digital strategy are identified below:

1. Know your organization's strategic objectives

An organization, to begin its digital transformation journey must firstly identify its strategic objectives. CIOs should be working with businesses to identify what are the firm's strategic objectives which DX initiatives should be focused on. For organizations which do not have clearly defined strategic

objectives, the following outlines three key areas that should be incorporated into any firm's objectives.

Operational Efficiency

1. **Any organization needs to be operationally efficient** – Companies are working to create more efficient and effective operational processes that act as the foundation of evolving business models. To keep up with the pace of change and the shortened life span of technology, it is essential for organizations in this digital era to ensure faster implementation of new processes which can drive cost savings and enhanced productivity. A four step approach to achieve operational efficiency includes:
   a. Model future state processes
      – Quantify goals and add performance indicators
      – Leverage information across channels and organization
   b. Automate
      – Create digital capabilities to improve operations
      – Automate business processes
      – Maintain flexibility and scalability
   c. Optimize
      – Optimize all elements to deliver efficiency and effectiveness
      – Remodel as needed
   d. Monitor
      – Maintain business continuity
      – Monitor bottlenecks

Customer Service Improvement

2. **Customer Service Improvement** – As expectations from consumers continue to rise, technology will be the cornerstone in providing desired customer experiences and increased customer engagement. Cheaper technology and multiple rich interaction channels have dramatically transformed the way in which customers engage with brands. They are increasingly leveraging digital technologies like social media, and mobile telephones to make buying decisions. Sellers are being pushed to transform overnight and engage with the digital customers through the channels of their choice. Digital leaders have preempted this change and realized that technologies are both the primary driver and the key enabler of this changing engagement dynamic.

Disruptive Capability

3. **Organizations need to be a disruptor –** Established businesses are being threatened by a new wave of digital upstarts that capitalize on technology changes, customer behavior and data availability to create more customer-friendly and innovative solutions. Almost all major industry verticals have seen digital technologies disrupting the established competitive dynamics. With many large, traditional organizations being disrupted by smaller, tech-savvy start-ups, it is essential for businesses to adopt a 'disruptor mentality' to avoid falling behind, cementing and enhancing its competitive differentiation. Digital leaders are institutionalizing innovation by constantly challenging the status quo, personalizing & simplifying the delivery of their products and services; staying ahead of the innovation curve.

2. Identify which business processes align to your digital strategy and their technology applications
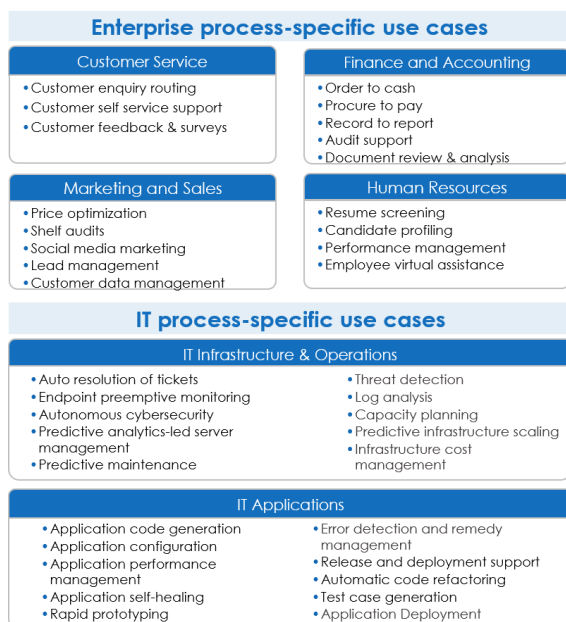
CIOs often struggle with the barrage of technology options and how to assimilate them into their business strategy. Enterprises need to identify the digital transformation opportunities by prioritizing business processes that require immediate attention. This helps to turnaround traditional processes to obtain actionable insights. Business leaders require leading the transformation initiative and setting priorities for areas of direct business impact.

An effective mechanism for CIOs to identify which processes to be included in a DX strategy, or rather the processes in which business executives and stakeholders can agree on quickly, will be to develop an organizational process map. Developing a process map which clearly identifies the key layers of any organization, and the functions/ processes for each layer would enable CIOs to select which processes can undergo digital transformation.

For each process map the digital transformation priority will be determined by the process' alignment or ability for the organization to meet its strategic objectives. Processes which provide the greatest economic benefits at the soonest, should be prioritized, with process owners working in collaboration with the technology to design suitable and optimal method of transformation (for example, robotic process automation, bots, virtual assistants, etc.)

For example, a high priority process for digital transformation may have characteristics of higher than benchmarked costs, or too many full time employees, and through transformation (say, by automation) of this process, the organization will achieve greater operational efficiency, through cost reductions and increased employee productivity.

Determining which processes should be selected for DX

Enterprise process-specific use cases

Customer Service
- Customer enquiry routing
- Customer self service support
- Customer feedback & surveys

Finance and Accounting
- Order to cash
- Procure to pay
- Record to report
- Audit support
- Document review & analysis

Marketing and Sales
- Price optimization
- Shelf audits
- Social media marketing
- Lead management
- Customer data management

Human Resources
- Resume screening
- Candidate profiling
- Performance management
- Employee virtual assistance

IT process-specific use cases

IT Infrastructure & Operations
- Auto resolution of tickets
- Endpoint preemptive monitoring
- Autonomous cybersecurity
- Predictive analytics-led server management
- Predictive maintenance
- Threat detection
- Log analysis
- Capacity planning
- Predictive infrastructure scaling
- Infrastructure cost management

IT Applications
- Application code generation
- Application configuration
- Application performance management
- Application self-healing
- Rapid prototyping
- Error detection and remedy management
- Release and deployment support
- Automatic code refactoring
- Test case generation
- Application Deployment

Determining which processes should be selected for Digital Transformation

1 **Develop a process map** which identifies the functions/ processes for each organizational layer

2 **Prioritize digital transformation** of a specific process based on:
- the process 'alignment to the organization's strategic objectives
- processes which provide the greatest economic benefits at the soonest,

3 Process owners/ CIOs to collaborate and **design suitable and optimal method for digital transformation**

3. Establish a Center of Excellence

Establish a Center of Excellence

Transformation is not for Christmas, it's for life. Many digital transformation programmes have been unsustainable with initiatives ongoing for a specific period, then stopping, then being reinvented. Such inconsistent, intermittent transformation programmes can dampen an organization's digital strategy with minimal impact or returns from large digital transformation investments. What's needed is a cohesive approach to drive an organization's digital

transformation, ensuring strategic objectives are met, processes identified and that the business and technology is working in collaboration.

Establishing a Center of Excellence (COE) to drive – implement, support and monitor an organization's digital transformation and innovation initiatives will facilitate such an approach warranting that an organization executes successful digital transformation. A COE will enable the business and decision makers to understand which transformation models work with the culture of the organization with business and technology working in collaboration. Through the COE, the business and technology teams can identify which business processes align to the digital strategy.

COE Functions

– Develop an enterprise-wide strategy and roadmap
– Set DX standards for the firm and ensure that those standards are adhered to
– Create a prioritization method by establishing a process suitability criterion for digital transformation requests/pipeline
– Support identification of technology tools and implementation providers
– Establish governance process-including Steering Committee
– Educate through training and by loaning technology resources to other units
– Monitor digital transformation initiatives
– Develop methods to measure benefits and return on investment
– Establish process for deployment into production, management of production, and exception processing

4. Prepare your future digital strategy

Prepare future digital strategy

Technology is in a constant state of change. To avoid the risk of being disrupted, organizations must continuously evolve and align their product and service offerings with the everchanging demands by society, which is driven by technology advancements. At the core, enterprises must identify key trends across business operations that are highly vulnerable and susceptible to future technology advancements and which will require intermittent change. Executives should form a future digital strategy to

prepare for the inevitable technology disruptions across key areas of operations including:

- Transformation of human resources by increasing technological capabilities of organizational talent as new technologies emerge
- Identify all the potential evolving technology applications (for example, AI and RPA) which can improve business operations
- Consistently modernize 'legacy' applications – As time progresses, technology advances more and more. The disruptive technology systems of today will be tomorrow's legacy. It is imperative for organizations to be flexible, adaptable ensuring that their technology applications are always relevant and modern to effectively compete in the digital economy,
- Build new, strategic partnerships
- Embed new ways of working into teams and business

Approach to forming a Digital Transformation Strategy

Adopting a digital strategy is no longer an option - it is a "survive or die" requirement.

Unprecedented changes in the market place are driving organizations to look at end-to-end digital transformation for their initiatives. A digital strategy must address key technologies and awareness of the digital partner ecosystem to define and capture potential opportunities for achieving business objectives and risk mitigation and to reach across all aspects of the organization's digital value chain.

As disruptive digital technologies continue to play a prominent role in an organization's transformation journey, it is essential to incorporate digital impacts across key facets of the organization. Understanding the elements of digital transformation is key for an organization for creating a strategic roadmap for transformation.

Key Elements of your Digital Transformation Strategy

Enable
- Understand what the business needs
- Create persona groups of different users
- Build plans to meet users' needs

Optimise
- Consolidate, optimise and modernise the wealth of legacy applications through building a detailed roadmap

Modernise
- Transition to an integrated data architecture, all systems interconnected and a single source of data
- Create a new data framework

Resource
- Place the right people, in the right place, doing the right work
- Create distinct Plan, Build and Run areas
- Agree the right in-house/ outsource resource blend
- Reduce contractor numbers

Source
- Consider multiple sourcing options, e.g. single or multi-sourcing
- Issue Requests for Proposals to suppliers to understand what activity is best placed with third parties
- Manage a seamless transition to prevent disruption to service

Conclusion

Digital transformation of an enterprise is a complex program with multiple stakeholders and myriad challenges. While it is daunting, enterprises no longer have the option of not transforming – if they do not, they will get redundant as digital-led disruption sweeps across their industries.

CIOs, with their oversight of technology and insight into the business, are in a unique position to shepherd and support their organizations digital transformation journey. It is imperative for CIOs to step up into the realm of business strategy and work to become the key facilitator that brings business objectives to actual execution.

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Louise McCarthy is an Avasant Fellow, with twenty years' experience in executing successful transformation roles, covering IT commercial sourcing, organization design SMART store digital, IT innovation, major cost reduction, sourcing strategy, strategic objectives and performance management, IT cost transparency recharges, PMO, global portfolio and investment management.

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.

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