

Embracing the Digital Revolution

*It is no longer a question of **whether** your organization should be part of the digital revolution, but a question of **what** Digital Transformation specifically means for your organization and **how** to undertake that journey.*

To be at the forefront of the DX revolution it is essential to define what it specifically means for your organisation

Part 1 of the Digital Transformation (DX) series provided an insight about why DX has become a priority for most organizations today and what the drivers of this revolution are. Embracing new digital technologies has become impossible to ignore, and businesses will have to adapt to stay afloat. However, Digital Transformation is not an easy journey.

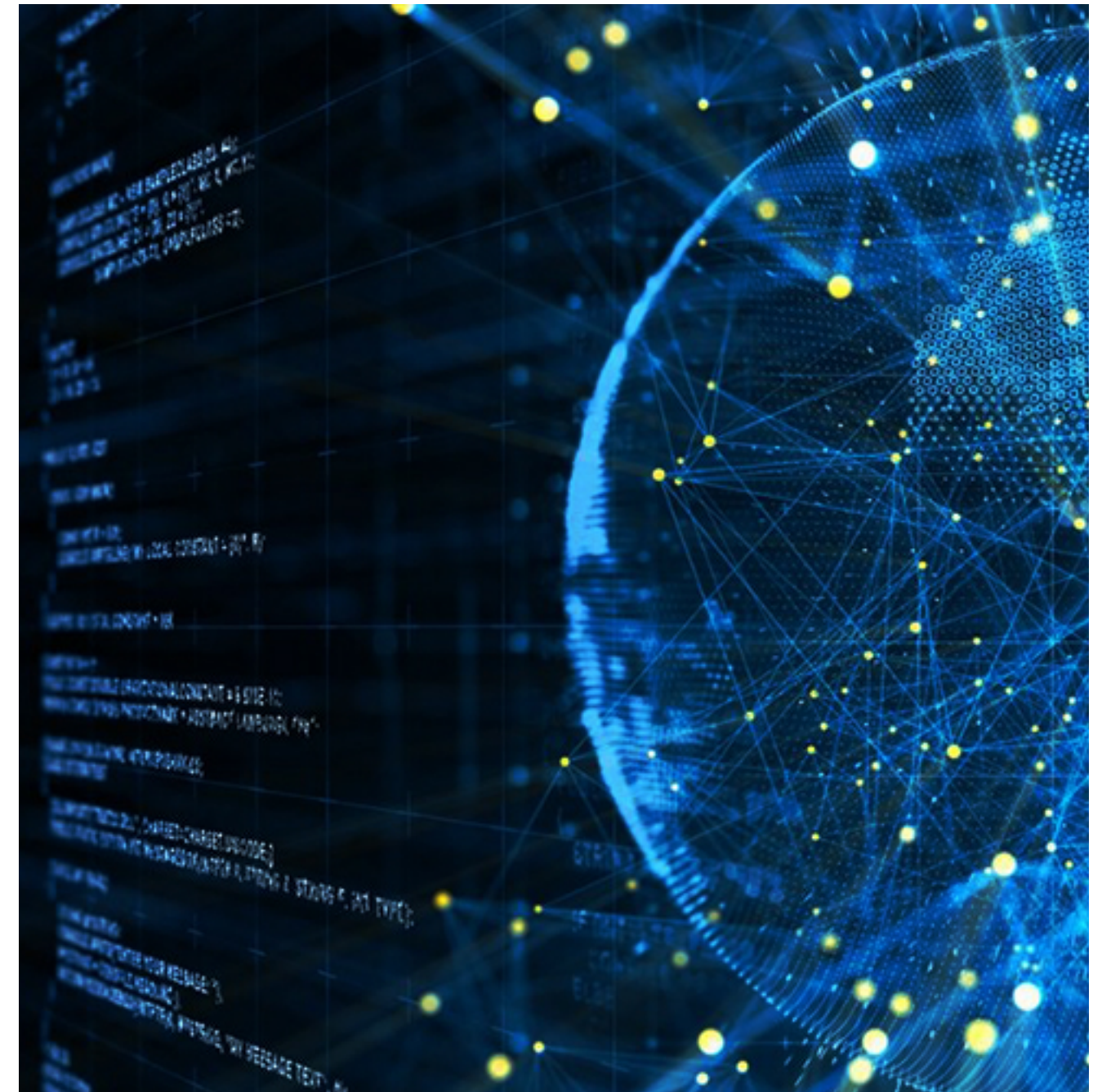
The reliance on legacy systems and technology that can be seen in every industry cannot be undone in a short time frame. To keep the ship afloat while trying to also re-design and rebuild a parallel business model is a daunting challenge – funding becomes an issue, there's a threat of cannibalizing your current business, and this could cause some internal conflicts within the organization.

According to research from digital McKinsey, Wipro Digital and other digital consultancies, the following reasons are primarily why digital transformations are failing in organisations¹.

- Lack of agreement on what digital transformation means
- Little to no senior executive buy-in; diffused focus, with too much emphasis on back-end execution
- Lack of budget; talent deficit; and, of course, unwillingness to change

In many cases, there is also lack of clarity about which technology to bet on, and where to start from. These are big bets that could cause unsettling organizational upheavals.

¹ "What is digital transformation? A necessary disruption", CIO.com from IDG, July 2018



1. The DX Journey

There are two key questions that must be addressed as organizations start to think about the DX journey: Firstly, **what** does being digital mean for the organization? And secondly, **how** should the organization embark upon the DX journey?

Let's tackle the first question– **What does being digital mean for your organization?**

Assessing the drivers of the DX revolution - new technological advancements, the digital customer and the evolving ecosystem – within the context of the firm's business model may be a good place to start thinking about the DX journey. As is usually done during business strategy or planning exercises, firms can think through some of these basic questions as they try to define their own unique DX journey:



Who are my future customers? What are their expectations?

Customers are expecting personalized and customized experiences irrespective of the product / service, channel, device or even industry. It becomes important to ask - **How effectively am I engaging with my customers when compared to their daily engagement with other organizations? How can we customize and provide the easiest and cheapest access to our products / services?**

In many cases, customers may not be able to even recognize or articulate a latent need. Airbnb has enabled a whole new market and uncovered a customer need that was probably never recognized previously with their new technology-powered business model.



What technologies are available that can be utilized in the current and future industry context? Note, however, that DX cannot start with simply a technology idea – it must be seen within the context of the customer and the firm's ecosystem.

What is my organization's digital maturity? Assessment of the firm's current technological or digital maturity will provide some indication of how to define and prioritize elements within the DX journey. This will help, for example, with build or buy decisions, as many firms today are preferring to go out to the market to acquire technological competence rather than build it from scratch. Speed is of essence in the DX journey and the current technological maturity of the organization has a large bearing on how quickly the organization can move.



What data will be necessary to drive decisions? Where does that data lie?

Consumers are leaving digital footprints all over the internet – location information, purchases and preferences, lifestyle, diet and health information, networks and social groups – it's a matter of utilizing all this data to gain behavioural insights that will drive decisions. Firms need to assess **how well is data currently being used within the firm? How much data is being fed back, analysed, utilized to drive decisions?**



**What is the ecosystem in which the firm is currently running? (competition, supply chain, regulatory environment, cultural environment)?
How might this ecosystem evolve?**

Traditional definitions of industries are blurring. The competitive landscape is evolving. In this new world, size is not a barrier – agility is. Today, competition could come from a firm that has invested in some of these technologies, and cleverly combined them to re-imagine the product or service, or even simply to re-design a key pain point in your customer service offering. For example, advances in automation, mobility, and cloud have ushered in a wave of digital mortgage and insurance start-ups like Rocket Mortgage, LoanDepot and Better Mortgage that have forced traditional mortgage giants to rethink or augment their go-to-market strategy.

Building upon the above dimensions, firms can think about their current revenue drivers, and opportunities that new technology brings in various parts of the organization.

A McKinsey survey across industries² shows that the companies that led the digital revolution looked for digital transformational opportunities across all elements of their business model, not limited to just one or two. These firms made bets on critical processes within their value chain, on innovative products and services, and on new business models.

While several of the above questions have been driving business strategy decisions all along, ***what has changed today is the pace at which each of the driving factors is evolving. The potential that combinatorial technological advancements and easy access to toolsets and large sets of data holds for your business is of unprecedented scale.***

2. How should the organisation embark upon the DX journey?

The DX journey is very context-specific by its very nature, and it may be limiting to define an overarching framework or roadmap that is industry-agnostic. However, there are key elements that must all come together to make the DX journey successful.

(a) Clarity and buy-in from senior management on the digital goals

The first and most important step is to have the leadership, Board and senior management agree upon what being digital means to the firm. The tone needs to be set from the top, the passion for the DX journey actively communicated and need for this transformation emphasized at every opportunity.

What has worked well for some organizations is to start with a pilot – one that has very visible rewards and low, manageable risk. Yet, the pilot program needs to be one that can be scaled and can be applied (in part or in whole) to other parts of the organization. The pilot must be a very visible one, an opportunity for the leadership to communicate their digital vision, an opportunity to emphasize benefits and win over the sceptics.

(b) Organizational Agility – A clear roadmap to reach digital transformation goals

Any digital transformation should also be incrementally planned. While the longer-term objectives are agreed-upon, the roadmap to get there must have interim milestones that are achievable in short timeframes, designed such that they allow for periodic re-evaluation, feedback and course correction.

This setup then requires a whole new mindset and way of working. Budgeting processes may need to be revisited to ensure they don't hamper the speed of progress. Measurement of the return on investment will need to be done creatively as benefits may accrue in non-traditional ways. Most importantly, the organization will need to have teams with a trial-and-error mindset, teams that are agile, can manage ambiguity, and aren't reluctant to start afresh every week with a new concept or a new idea while the old one gets scrapped.

Having the entire organization embrace this new agile way of working is the key challenge in the digital journey. McKinsey research³ has shown that 46 percent of financial services executives feel cultural or behavioural change is the biggest challenge they face in pursuing their digital strategies.

(c) New models for talent management

Embracing an agile way of working will have talent management implications affecting recruitment, performance management, and employee growth and retention.

DX teams tend to be multi-disciplinary, with the composition of the team evolving as the program evolves. Apart from technology experts, these teams typically involve a few design UI/UX experts, storytellers, data scientists, and business experts.

DX teams could be formed and disbanded quickly as new ideas emerge and need to be tested. A key challenge for firms then becomes about getting access to the right talent at the right point in time. The new wave of on-demand talent models fits in perfectly. Platforms such as [Flexing It](#) connect organizations with professionals for projects, flexible work arrangements as well as for subject matter expertise (Flexpert). Firms can engage with industry experts over a call for

3 steps to note before starting a DX journey :

Start with a pilot that clearly communicates the vision and emphasises benefits to win over sceptics

Organisations must embrace an agile working attitude to keep up with non-traditional ROI, ambiguity and new ideas

An agile workforce for an agile business; acquire expertise on demand instead of recruiting

² "A strategy for a digital age", McKinsey & Company, March 2017

³ "A roadmap for a digital transformation", McKinsey & Company, March 2017

⁴ "Disruption in Consulting", FlexingIt, 2017

advice on a certain problem or contract with individuals for short-term work. Firms like [Eden McCallum](#) and [Business Talent Group](#) (BTG) have another model – the network model - to deploy talent. These firms create on-demand project teams for their clients, by finding the appropriate mix of expertise from their registered network of experienced consultants ⁴. Digital conferences, hackathons or start up meets are also a good place to meet and recruit new talent.

Because recruitment for 'digital' roles is proving to be such a challenge, several large firms have preferred to acquire talent rather than recruit. Running a separate unit that runs digital programs could have certain initial management benefits but could also have pitfalls when it comes to organization-wide adoption of the same principles. Gearing up for a digital transformation therefore requires firms to focus on organizational readiness to prepare well for the journey. 'Being digital' is not just the next step in the growth strategy, but a leap to a new model or a new way of doing business.

Summary

In Summary, as the technology landscape continues to evolve, the definition of 'being digital' will follow suit. As organizations define roadmaps for digital transformation, they must be prepared to react to the changing implications for their businesses. A keen understanding of the digital consumer will be a key driver as would be the ability to harness newly available solutions. However, organizational readiness and agility would be the decisive factor that will enable firms to deliver business objectives in the digital world.

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This is part 2 of a 2 part report