

Digital Enterprises – An Approach
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Abstract

Four letters-- SMAC, which stand for Social, Mobile, Analytics, and Cloud are behind one of most significant trends affecting businesses today - digital transformation. This article explains the overall approach to building digital capabilities through transformation.

Overview

Digital strategy is intrinsic to business strategy today. The best digital strategies don't rely on past analyses, but instead start afresh and flesh out a vision based on where the value will be in the next three to five years. Efficient digital strategies prioritize a handful of interventions where businesses can exploit significant opportunities, then craft a digitally enabled business model around them. That could mean creating a new way for customers to purchase a product, moving into new businesses, or exploiting competitive advantages such as proprietary data in new ways. A digital strategy also increasingly blurs the boundaries between strategy and execution. Automation and BPM play a vital part in enabling digital capabilities.

Challenges in digital transformation journey

Leadership & management vision

Enterprises must envision digital transformation for the company so the company can embody the best practices. As the digital ecosystem is growing and moving so quickly, the leadership vision must be updated as frequently as possible. Attending innovative meetings such as CES, MWC or NRF can be an inspiration for the board of directors.

Organization and culture

Digital culture is related to the Internet culture which is characterized by openness, communication, creativity and horizontality. Then, digital transformation is motivated by a laissez-faire attitude within companies. Let people from different departments work together, develop ideas, test things, learn from it, and dare. A new culture leads to a new organization that enables the breakdown of silos and enables work in a more flexible and reactive way.

Technology Stack

This is not the easiest part, as software and hardware are getting obsolete quickly, and the tech landscape is extremely complex. It is hard to make the best choice once your company needs to be equipped. Software as a Service - SAAS leverage cloud

model and helps flatten cost. But hardware adoption remains a big challenge: many companies continue to use old devices which have not been to the digital reality.

Data

Data is the new oil of the Internet. As older companies are increasingly becoming “software” companies, it is time to do a review of the kind of data they own in order to understand, target and more accurately measure the core business. Many companies have already built their DMP and others rely on business solutions from IBM, Adobe, SAP. Managing your data and opening them inside your company is the key to success.

Customer experience

Customer experience remains the key for marketing, and it can be done through digital technology. Companies must direct customer expectations rather than simply following them.

Performance Measures

The good news in the digital world is that everything is measurable, but not everything is worth measuring. The role of a good digital leader is his/her ability to identify the most relevant indicators and adopt the best of them. Measuring assures that the strategy is relevant and enables better communication on the right touch points.

The above six challenges are bounded by technology. The success will depend on whether every employee and manager is ready to anticipate, innovate and participate in each step of digital transformation.

Strategic paths to transformation

The strategic routes to transformation can be summarized by three basic approaches. One focuses on customer value propositions and another on transforming the operating model and the third on transforming operational processes. In the digital world, even companies in the primarily physical industries will not start their digital transformation journey from “zero.” Instead, most organizations are already finding ways to use digital information by providing interactive web sites, improved customer service or enhanced customer experiences. Similarly, they are creating basic operating capabilities such as online channels or digital supply chain tracking. From this starting point, a company’s strategic approach to transformation typically follows one of the three paths shown in Figure 4.

Path to Transformation	Description
Path 1	Create and integrate digital operations first. Then address the customer value proposition to achieve full transformation.
Path 2	Enhance, extend or reshape the customer value proposition with digital content, insight and engagement. Then focus on integrating digital operations.
Path 3	Build a new set of capabilities around the transformed customer value proposition and operating model in lock-step.

The best path for a particular company depends on its objectives, industry context, competitive forces and customer expectations. In industries where the product is mostly physical and customer requirements for information are not yet advanced, such as minerals and mining, companies may want to begin digital transformation with operations (Path 1). In others, such as financial services, where new revenue-based services can be offered online and through mobile devices, an initial focus on the customer value proposition will provide immediate benefits (Path 2). However, many companies, indeed entire industries, need to redefine customer value propositions and operating models simultaneously, or in near tandem (Path 3), to succeed in digital transformation. Organizations that are eager and able to do so are in a unique position to seize industry leadership.

Digital Transformation - Key Domains

Customer Experience

One key area is to transform the whole customer experience. Businesses have started to take advantage of previous investment in systems to understand market segments and specific demographics. Some ways in which businesses are transforming customer experiences include:

- Exploration of social media to understand customer de-satisfaction and satisfaction.
- Promotion of brands through digital media
- Building of new online communities to build loyalty with clients.
- Building products that improve branding in lifestyle communities.
- Building analytic capabilities to get to know customers more in detail.
- Usage of technology to improve in-person sales communication.
- Integration of customer purchase data to offer better and personalized sales and customers services.
- Service companies now offer self-service through digital tools
- Usage of mobile apps

Business Processes

The transformation of the internal process or operational processes of a business is also very important.

- **Process Digitization:** Businesses now are going beyond the method of automation to enable themselves to refocus on more strategic tasks. Many new types of technologies are continuing this trend of getting benefits beyond efficiency because going digital often reduces the need for shipping physical prototypes in both directions, thus reducing the lifestyle of product development.
- **Worker enablement:** With the increasing use of collaboration tools, email and video conferencing etc., employees can now contact clients and customers they've never met or in areas they never visit. Digital transformation replaces one-way communication mediums to broad communication methods since it has many tools that can virtualize individual work.
- **Performance management:** Digital transactional systems offer business executives more knowledge of regions, customers and products thus making it possible to make decisions on real data and not just assumptions. Managers can now compare status across several sites and adjust product manufacturing capacity.

Operating Models

Besides transformation of operational processes and customer experiences, Digital Transformation is also about the transformation of business models. Companies are finding ways to club physical and digital offerings and using digital methods to share information across company silos. They are now building service wrappers on traditional products to bring about major changes in their business model. Global shared services make way for better flexibility and reduce risk.

Business Architecture – Digital Enterprise

Digital initiative requires each building block to be developed and used to the same degree. Some blocks will also serve as more natural starting points, depending on a company's circumstances, for example, a company whose IT constraints make it hard to deliver a cutting-edge customer experience will naturally want to focus on the technology and process elements first. But we've found that this framework provides executives with a coherent structure for thinking through and managing large-scale digital programs. While each of these building blocks is important, the real value is in being able to integrate them and manage the cross-business contingencies and dependencies of a large-scale digital initiative. The digital revolution has given birth to an interconnected world that binds customers, employees, managers, and systems together in a network of unprecedented complexity and opportunity. Making sense of those connections and building value requires a new interdisciplinary model of work that is redefining companies.



Target Operating Model

The challenge is to move toward a structure that is agile, flexible, and increasingly collaborative while keeping the rest of the business running smoothly. Successful incumbents become agile by simplifying. They let structure follow strategy and align the organization around their customer objectives with a focus on fast, project-based structures owned by working groups comprising different sets of expertise, from research to marketing to finance. While companies often obsess about the “boxes and lines” of organizational structure, it’s more important—and significantly more difficult—to focus on processes and capabilities. Having a clear view of what we call a company’s Digital Quotient is a critical first step to pinpoint digital strengths and weaknesses and highlight those management practices that can bolster financial performance.¹¹ To be successful, however, these capabilities need to be integrated into the main business. The most successful digital companies are zealous about metrics that focus on the customer journey, such as customer lifetime value, Omni channel behavior, and share of influence across stages of the decision journey.

Technology Stack

Most enterprises have been through waves of IT transformation in the past and understand that overhauling legacy architecture is a multiyear process. Today’s fluid marketplace requires technology that can drive innovation, automation, and personalization much more quickly. So, the best are moving to a two-speed IT model that enables rapid development of customer-facing programs while evolving core systems designed for stability and high-quality data management. This typically means that high-speed IT teams are charged with rapidly iterating software, releasing updates in beta, fixing kinks and bugs in near-real time, then rereleasing. Their goal is to continually fuel an accelerated development infrastructure that can support near-instant cross-channel deployment and real-time decision making. New developments in DevOps (the integration of technical development and operations)

and continuous delivery (the automation of testing, deployment, and infrastructure processes) have introduced capabilities that radically increase speed to market and lower costs.

Process Automation - BPM

Business-process automation or BPM results in a massive competitive advantage because initial investments, when well implemented, can scale quickly without substantial additional costs. Over time, cost performance can improve as the automation effort scales across formerly siloed functions, reducing redundant processes. New business models, in fact, are emerging as companies that create revenue from sales of physical assets evolve into service businesses that focus on data as an asset. Digitizing processes has less to do with technology and more with how companies approach development. While there is often the assumption that process automation is a large project focused on a major platform, digital leaders in fact drive value quickly by focusing on a series of small but important solutions that target high-value customer journeys and expectations (for example, real-time availability and personalized treatment). This is more than just automating an existing process. Becoming digital often requires reinventing the entire business process to cut out steps altogether or reduce the number of documents required. Automating processes at speed requires small teams employing agile development techniques to continuously build out elements of the product as prototypes, then testing and adapting them based on feedback, often within days or weeks. When well executed, digitizing processes can unlock significant value by compressing timelines and eliminating duplication or inefficiencies. Digitizing is as much about customer satisfaction as efficiency.

Benefits of Digital Transformation

Improved customer experience

One of the most important benefits of Digital Transformation is that it leads to a great improvement in the customer experience. Through online channels, any business can get closer to what the customers think, want and how their decisions are influenced.

Improved customer satisfaction

With the world majorly leveraging the technology, it is only natural that a business that is more digitally inclined will be better appreciated. By transforming business activities through digital channels, a business can attain customer satisfaction. Only with customer satisfaction can a business retain important consumers and move towards greater profitability.

Higher traffic

As your business and its activities move toward digital channels, you will observe that many of your clients and customers would also start responding to you in these

channels. Most consumers look online for products and services, and digital transformation holds the key to attracting and retaining new and existing customers.

Increased Lead Generation

Another significant benefit of Digital transformation is an increase in Lead Generation. As the digital mediums are introduced, a larger percentage of the target audience would be able to access the channels, and a greater degree of interest would be generated.

Greater conversions

By adopting Digital transformation, the conversion rate goes up, thereby leading to more sales and hence more profit. Digital transformation enables you to market your products to a greater audience and retain their interest through several methods.

Conclusion

Companies are increasingly transforming from multinational to truly global operations. Digital technology coupled with integrated information is allowing businesses to gain global synergies while remaining locally responsive. These companies benefit from global shared services for finance, HR and even core capabilities like manufacturing and design. Global shared services promote efficiency and reduce risk. They even promote global flexibility. Digital transformation requires strong leadership to drive change. But it also requires a vision for what parts of the company you want to transform. Companies in all industries and regions are experimenting with — and benefiting from — digital transformation. Whether it is in the way individuals work and collaborate, the way business processes are executed within and across organizational boundaries, or in the way a company understands and serves customers, digital technology provides a wealth of opportunity.

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