
Digital Transformation in Crisis

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The Covid-19 pandemic has thrown the world into a period of severe uncertainty and economic disruption. Perhaps the frequent use of the term “unprecedented” is not actually an exaggeration. As the weeks turn into months, and while nobody knows the timeframe, a set of stages have emerged that businesses are starting to plan for. Of course, this has occurred in the midst of digital transformation changes, and organizations now have to face contraction, cost controls, and accelerated and prioritized shifts to remote activities, while also trying to balance immediate survival with investing in the future.

In this article, I'll look at some of the effects with respect to digital transformation. To start with, let's look at the possible phases that businesses need to plan for.

Phases of the Crisis

Business reaction to Covid-19 can be described in terms of four phases:

1. **Rapid Slowdown** – crisis mode. Conserve cash / reduce costs / keep critical talent and technology for economic restart.
2. **Recession** – business resiliency. Adjusted business and operating models. How to close the books?
3. **Back to Growth** – opportunities for the able. New business and operating models. Expanded transformation.
4. **The New Normal** – there is no new normal. Business continuity takes on a new meaning. WFH. Adaptability is key.

Rapid Slowdown

This is the phase that we have all just been through. Suddenly, in a matter of weeks, all commerce that relied on in-person human interaction was stopped or severely curtailed. Many businesses such as restaurants, theatres, gyms may never recover. The impact on retail was profound. And anyone that could work from home was all of a sudden actually working from home. (In the US, only about 25% of employees can actually work from home. So, while technology professionals tout this as the future, for most of the world, it only addresses a small part of the problem).

At the same time, we can't ignore the increase in nefarious activity. With increased connectivity came increased threat surfaces. Cybercrime took advantage of the new opportunities for data theft, breaches and scams.

But not everyone suffered equally during this phase. Companies in the digital collaboration business, such as Zoom, exploded. Zoom experienced a 20X growth in daily users. It is interesting to note that they were able to handle the increase largely because of the elasticity of the cloud and associated digital transformation architectures, while last generation architectures would have choked under the stress. And, while they were an obvious target for ZoomBombing of meetings, they were also able to address this fairly quickly.

In general, the more digital a company was, the better it was able to cope. Retail operations with more capable digital channels, and less brick-and-mortar, were better able to weather the storm. Coincidentally, some physical-dependent businesses, such as delivery services, were also able to accommodate huge increases in load, partially because of their sophisticated digital investments.

During this phase, most CIOs and business leaders were asking themselves: How can I immediately cut costs? How can I accommodate new work from home (WFH) and collaboration requirements and throughput? What are my new security risks and requirements? And what investments must I protect so that I'll be able to rebound when conditions allow?

Recession

At this point, the immediate crisis and disruptions seems to have transitioned into a longer-term recession phase. Although the rate is slowing, unemployment continues to increase. And while some businesses are reopening, many are not.

The focus for business now is how to adopt and adjust to digital led business and operating models that will survive lockdowns, movement restrictions, social distancing, and more. Organizations are understanding that they will have to deal with multiple impacts for a while: continued cost controls, new work-from-home capabilities, better communications and collaboration capabilities, new platform issues (scalability, throughput, security...), new products and services for on line commerce, supply chain disruptions, changes to existing products, services and processes to support remote stakeholders, security, high levels of uncertainty, furloughs...the list goes on. These disruptions are obviously different than most digital disruptions of the past, but what can we learn from previous actions?

Let's review what digital transformation is all about. In my June 2018 column "[Digital Transformation: Right Here, Right Now](#)" I discussed the essence of digital transformation as being about the transformation of three key models: business models, operating models, engagement models, and the key role that data and analytics play in those transformations. And while the motivations, context and environments caused by Covid-19 are different in many ways, aren't these exactly the transformations that have to take place? What has proven to be successful with those?

As an example, in order to maintain jobs during the recession one organization has started a major initiative to insource functions that had been previously outsourced and keep those jobs inside the company. But what functions can actually be

insourced? How much does the company know about how they are being performed? Do they have the business platform necessary to perform them? What other functions may be impacted? What organizational structures will be impacted? What training will be required? Luckily, this organization has a mature business architecture program and evolving digital business platform and was able to answer to all of these questions. As a result, they were able to quickly make realistic, fact-based plans to weather recession, allowing them to keep employees on the payroll, and avoid unwanted disruptions from the change.

In fact, we see that in general, organizations that are well along with their transformation strategies are better equipped to withstand the recession. And, in particular, those organizations that invested in a digital transformation architecture, including: Digital Business Platform, intelligent data architecture, business and information architecture, application, technology and security architecture, have a much better foundation for the adaptations required. So, while investments continue to be restrained in this phase, businesses need to answer the following questions: What will my future business, operating and engagement models look like? What should my digital business platform and transformation architecture look like? What architectural, technology and other investments must I preserve so that I am ready in the future?

Back to Growth

The growth phase is the time to invest and seize the new opportunities. "To the victors go the spoils". One of many lessons learned from the 2009 recession and (other economic downturns) was that they were an inflection point for the future. Those companies that used the slowdown as an opportunity to retool experienced significant advantage later on. And, we can expect something similar to happen this time as well.

First off is the implementation of the new business and operating models. Hopefully, organizations have taken the time to figure out what many of these changes are. What will be the new engagement and interaction models? What is the new value proposition? What new products and services will support that engagement and value? How will existing products and services need to change? How will the supply chain be adjusted? And so on.

Of course, with many difficult questions and an ever and rapidly changing environment, businesses need an agile approach. This is where organizations should harness BizDevOps practices to not only deliver quickly and predictably but also understand how what they have delivered is working and adjust next steps in response. BizDevOps, a digital transformation best practice, provides a cross-functional, end-to-end, integrated team that covers all aspects, from identifying critical priorities; designing and validating potential solutions; iteratively prioritizing, developing, testing, integrating, and deploying solutions; all overlaid with continuous feedback, measurement, and refinement to ensure optimal outcomes.

Key to the meeting these growth challenges are using a hypothesis driven approach. As part of each iteration, the team develops a hypothesis about how an initiative, product, service or whatever will impact an outcome. Then, they measure the results, adjust accordingly (or fail fast) and repeat. It is the rapid, data-driven approach that allows for adaptability and the ability to fine tune products and services for optimal engagement and value.

But that alone is not enough. New business, operating, and engagement models will be based on the sense-compute-act paradigm of digital transformation. In order to create new models, and / or quickly adapt, the business needs an adequate platform of foundational capabilities. That is the digital business platform. So, companies that have invested in foundational information, analytics, connectivity, and other transformational capabilities will be able to capture new market opportunities faster and more effectively than competitors that still need to build out their platforms.

The New Normal

Nobody knows what the new normal will look like. Perhaps there is no new normal. The only certainty is that things will be much different than they are today.

Work from home and remote scenarios will be part of most organizations. Many internal processes will be reengineered to support remote requirements. For those that can work from home, advanced organizations will go well beyond the initial steps taken in earlier phases to implement full remote work capabilities that are equivalent to an in-office environment. This will include:

- Seamless, secure access to tools, data, processes, and expertise
- Support for effective meetings and collaboration
- Enterprise and team culture and serendipitous innovation
- Communications and transparency of enterprise, LoB, and team goals, initiatives, challenges, and successes
- Mentoring, guidance, social activities and support

Business resiliency will take on a new meaning. While traditionally Business Continuity Planning (BCP) was mostly about short term incidents and disasters (storms, IT outages, etc.), and businesses will still need to plan for all of these issues, now they also have to plan for disruptions to supply chain, changes in customer behavior and expectations, regulatory issues, another pandemic, etc. So, in addition to traditional redundancy approaches to BCP, flexibility, adaptability and diversity will be key.

In any case, I think we can predict that those companies considered the winners in whatever the new normal is will have adaptable, flexible digital business platforms, architectures and processes, and are probably already underway with their transformations.

What's it all mean?

Hopefully, you and your organization have made it through the crisis mode of rapid slowdown and are able to make it through the recession. At this point, you need to do what is necessary to get by but understand and avoid the secondary effects of panicked decisions that decimate future abilities. Think ahead. Invest in architecture and digital business platform capabilities. Rethink your business and operating models. And be prepared to quickly grasp the future when opportunities arise. And of course, stay safe and healthy.

About the Author: Mike Rosen is Chief Scientist at Wilton Consulting Group which provides expert consulting in Digital Transformation Strategy, Business Architecture, Enterprise Architecture, and Architecture-on-Demand. Prior to returning to consulting, Mr. Rosen was Research VP for Strategic Architecture at IDC, providing research to IT and business leaders on strategic architecture and digital transformation. Mr. Rosen has 20+ years of experience in the architecture and design of solutions for global corporations and many more years in product development. He is an internationally recognized speaker and author of several books and hundreds of articles. He can be reached at: Mike.Rosen@WiltonConsultingGroup.com.