

## A. An Introduction to Digital

Enterprises today are rushing headlong to become more “Digital”. But what does “Digital” really mean? For some executives, Digital is about technology; for others, it’s about a new channel to engage with customers; and for others still, digital represents an entirely new way of doing business. Such diverse perspectives often trip up leadership teams because they reflect a lack of alignment and common vision about where the business needs to go.

Aiming to strike balance between pithiness, abstraction, and comprehensiveness, this paper defines Digital as follows.

*Digital means unlocking value from emerging growth vectors to execute, aided by data driven decisions, a vision around customer experiences, leading to more agile, responsive, and competitive business models.*

To move a step further, let us investigate the four attributes that this paper believes characterize Digital:

- Digital creates value at the new frontiers of the business world
- Digital executes a vision around customer experiences through a cycle of core processes
- The Digital enterprise thrives on a set of foundational capabilities that supports the entire structure
- Digital leads to more agile, responsive, and competitive business models

### **Digital creates value at the new frontiers of the business world**

Being digital requires being open to re-examining the entire way of doing business and understanding where the new frontiers of value are. Characteristically, such value remains embedded in the emerging growth vectors - the Mobile revolution, Hyper-digitization, and the power of Analytics to name a few - and unlocking it requires a deep commitment from senior leadership to fast paced change.

The Internet of Things, for example, is starting to open up opportunities for disruptors to use the unprecedented levels of data precision to identify opportunities in existing value chains. In the automotive industry, for example, connecting cars to the outside world has expanded the frontiers for self-navigation or in-car entertainment. A few other areas where businesses are pushing their boundaries are - Smart grid, digital utilities, and smart home; Digital logistics; Digital patient and e-health; E-government and e-education; Digital media and entertainment.

### **Digital executes a vision around customer experiences**

Fantastically, it is not all these awesome technologies that truly drive the digital change we see in businesses. That honour belongs to a commitment on part of industry-leading businesses to being customer (and user) journey driven.

Historically, the interface between business on one side and customers, partners, and even employees on the other was driven by *inside-out thinking*. In other words, businesses decided how they wanted to run their processes and designed systems and interfaces to match those desired processes. If a bank’s preference was for the customer to be in the branch while opening an account, that’s how the processes and systems were defined.

In Digital, those interfaces are conceptualised *outside-in*. The starting point is the user. What do users want to do? How do prospective customers want to open their accounts? What are their constraints? What would make their choices easier and their experiences better? In other

words, what do customers need in each step of their omni-channel journey and how can the enterprise use its digital capabilities to design and deliver the best possible experience along these steps? Once enterprises start thinking outside-in, they reach a very different point in the way systems and processes are defined.

In practice, such a paradigm, which this paper calls the **Customer Experience Design**, requires an interconnected set of four core capabilities:

- **Proactive decision making:** This involves making decisions based on intelligence, powered by back office Analytics, to deliver content and experiences that are personalized and therefore relevant to the customer.
- **Contextual interactivity:** The rising number of customer interactions generates a stream of intelligence that allows the brand to make better decisions about what their customers want. The rapid rise of wearable technology and the Internet of Things represent the latest wave of touchpoint interactions that will enable companies to blend digital and physical experiences even more.
- **Real-time automation:** To support this cyclical give-and-take dynamic and help the customer complete a task requires extensive automation. Automation can boost the number of self-service options to help customers quickly resolve a problem, personalize communications to be more relevant, and deliver consistent customer journeys no matter the channel, time, or device.
- **Journey-focused innovation:** Serving customers well gives companies “permission” to innovate how they interact with and sell to those customers. That innovation can include expanding existing customer journeys into new businesses and services, ideally to the benefit of both company and customer. These innovations in turn fuel more interactions, create more information, and increase the value of the customer-brand relationship.

An enterprise that embraces such Design Thinking typically reaches a state where it has integrated physical and digital experiences, bases its decisions on automated analytics and intelligence, digitized its front end processes, is a leader in digital marketing and social media, automated its back end processes, and outsourced its support functions.

### **The Digital enterprise thrives on a set of foundational capabilities**

The third element of the definition of “Digital” is about the technology and organizational processes that allow an enterprise to be agile and fast. This foundation is made up of two elements:

- **Mind-sets:** A digital mind-set institutionalizes cross-functional collaboration, flattens hierarchies, and builds out environments to encourage the generation of new ideas. Incentives and metrics are developed to support such decision-making agility.
- **System and data architecture:** “Digital” in the context of IT is focused on creating a two-part environment that decouples legacy systems that support critical functions and need to run at a slower pace from those that can support fast-moving, often customer-facing interactions. A key feature of digitized IT is the commitment to building networks that connect devices, objects, and people.

### **Digital leads to more agile, responsive, and competitive business models**

We are used to stability and to treating change as a temporary disruption between periods of stability, not unlike moving to a new house. Increasingly though, we find ourselves in a state of continuous change. The disruption is not a passing inclemency. It is the new normal.

The combination of technologies, design thinking, and data surfeit allow us to build a responsive or adaptive business model that is able to keep pace with a fast-changing

environment. Think evolving operating model instead of target operating model. Think of the cost of change as a part of the cost of doing business, not as a capital expenditure.

Seen in this way, it would therefore be logical to look at an enterprise's strategy as an agile and evolving artefact. Many companies still look at three-year or five-year plans which are sequential. Instead, the new normal calls for looking at rolling twelve-quarter road maps which reflect its strategies but which can be modified on a quarterly basis, keeping a vision or end goal in mind

The point of all this is to be competitive. And digital business models which use technology, design thinking, and data optimally are far more competitive in the world in which we live. John Chambers, the CEO of Cisco, once said, "Change will never be this slow again." And 52% of companies from the Fortune 500 list of 2000 no longer exist. Collectively, that sums up the challenges and dangers of being a laggard in the Digital curve.

### The Industry Context for Digital Transformation

Obviously, industry context is vital in Digital. Retail banks and media businesses are much farther down the path of transformation than, for example, infrastructure providers are.

A survey by Oxford Economics asked 363 business executives around the globe the question: In your view, which of the following business sectors will be most transformed (for the better) by information technology over the next 5 years? The figure below represents the percentages of the respondents stating "greatly transformed" for the various business sectors.

