

Digital Transformation

Digitizing Your Business Strategy for Breakthrough Performance



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Introduction

There has been a shift in attitudes toward technology. Digital transformation introduces incredible user experiences and powerful capabilities in both our personal and work lives. We also expect to pay for things as we need them and want to enjoy the benefits without the burden of ownership.

Digital transformation is not just a trend or a localized phenomenon. It is at the core of business strategies spanning all industry segments. While unsettling for many stable businesses, it is a very big opportunity for others. Over the next several years, investments related to digital transformation will drive sizeable growth across nearly every market.

The first industrial revolution helped humans mechanize production with steam power, followed by a second revolution enabled by electricity that brought the era of mass production. The third revolution leveraged electronics and information technology, while the exponential pace of innovation introduced a fourth industrial revolution. This one, characterized by unprecedented processing power, storage, access to knowledge and the blurring of lines between physical, digital and biological space, will fundamentally alter the way we live, work and relate to each other.

Capitalizing on this phenomenon is the key to continued innovation and growth. From the rise of connected devices and growing mounds of data, to augmented reality and new frontiers, the challenge for business leaders is to harness the disruptive force of technology to proactively shape their destiny. This comes while navigating the expectations of a changing workforce, addressing evolving cybersecurity threats and managing a host of other challenges.

According to **Forrester**, 86% of organizations claim to have at least some form of digital transformation strategy in place, but only 47% feel they are pursuing a full strategy that lays out how they will use digital assets to create new sources of value for their customers to drive revenue growth in the future and create operational agility in the service of customers.

Companies are going through a digital transformation that is creating huge opportunities, but it is also increasing the pressure. Although businesses are sold on the “why” of digital transformation, many are stuck on the “how.” **How do you transform for a successful future while running your business today?** Herein, we share some insights on how to create your digital roadmap.



Disruption is essential for success.



CHAPTER ONE

Digital Transforms the Game of Business

Digital Transformation is no longer a luxury. Across virtually every sector, it is becoming a competitive imperative, crucial for each company's survival. A core element of Digital Transformation is moving from manual processes to automated, instrumented, fully connected, workflow-driven processes. The impact can be profound. However, most companies struggle to attain the ideal state.

Many businesses see Digital Transformation as a 'bridge too far.' They're overwhelmed by the distance required to get there. Remember, "the journey of a thousand miles begins

with a single step." There are ways to start small. Modern workflow technologies don't require whole new systems or bet-the-farm projects. Workflow can start by making modest improvements to a single step of a single process and then grow from there. By starting small, results are seen quickly, investment and risks are minimized, and success can be built upon rapidly.

Two things have fundamentally changed: the dynamics of the markets in which we operate, and the speed necessary to remain competitive.

Digital Has Changed Your Markets

Digital touchpoints permeate every aspect of customers' lives. Buyers expect automated service with apps attached and tap social communities for insights. Digital has transformed context and the pace of change is accelerating. Here are some examples:

BUY

▶ **Your customers are digital.** Technology changes how customers experience products and what they value. We've entered an era of hyper-adoption and hyper-abandonment in which consumers flock to, and flock away from, digital experiences at unprecedented rates.

▶ **Your channels are digital.**

Digital has transformed the ways in which customers discover, buy and engage with products and services.



▶ **Your competitors are digital.**

Disruptors challenge your business model as they engage your customers in new ways. Unless you think and operate like a disruptor, you won't see the potential for disruption until it's too late. Your choice is to evolve or watch your market share tumble.



Technology transforms more than your channels and customers.

Digital Has Changed the Way You Operate

Technology transforms more than just channels and customers. It disrupts from within, changing the way you do business. Digital accelerates the pace of change by creating opportunities for those that rapidly embrace technology. Here's how digital influences your everyday business:

- ▶ **Your products are digital.** Firms that digitally enhance their physical products open doors to new experiences and revenue streams.
- ▶ **Your insights are digital.** Technology generates deeper insight than ever before.
- ▶ **Your employees are digital.** Consumer experiences shape workplace expectations. Mobile and social are critical to efficiency, changing how employees interact with each other, customers and suppliers.
- ▶ **Your business operations are digital.** Digital permeates your business operations.

Value Ecosystems Will Recast the Economy

Tomorrow's winners must understand value ecosystems and create sources of revenue within them.

- ▶ **Data enhances the customer's value ecosystem.** Companies that stockpile data will gain advantages in the economic model of the future. Conversely, those that generate data have the opportunity to reframe their role.
- ▶ **Consumers expect digital experiences.** Expectations are shaped by experience. Consumers will hyper-adopt models that create value as they hyper-abandon those that refuse to evolve.
- ▶ **Pay-as-you-go will dominate.** Consumption models will replace ownership models. Those that tap into this model will thrive by turning massive amounts of data into meaningful charging mechanisms.

Customer Experience Is the Heart of Digital Transformation

Customers are in control of their interactions with businesses. Inundated by endless information, they expect access to relevant content within the context of what they're doing. Attracting, winning and retaining customers requires a concerted effort. Organizational structure, company culture and business technology must align to deliver exactly what customers want. Digital and customer experience are inexorably linked. Whether directly or indirectly, nearly every step in Digital Transformation is in pursuit of a better customer experience.

- ▶ **Key drivers are profitability, customer satisfaction and speed-to-market.** When it comes to digital, revenue is not king — it has been usurped by margin, speed-to-market and customer satisfaction. Sales will always be important, but it's how the sale is made that matters.
- ▶ **Improving customer experience and growing revenue are strategic priorities.** Enhancing customer experience, growing revenue, improving differentiation and reducing costs are key to success. Digital Transformation is a customer-driven business transformation rather than a technical challenge.

There's Little Question that Digital is the New Language of Business

Most executives believe an investment in Digital Transformation is important to future success. However, most are waiting for a leader to emerge within the business, with the skills and perspective to drive a holistic digital strategy and roadmap. In the meantime, most look to the CIO to fill the digital leadership gap. In many ways, the CIO is in the best position to drive an organization-wide strategy that brings people, data and processes together to create new business models and deliver competitive advantage. The ability to connect the dots and see the big picture is imperative.



Digital fundamentally changes your relationship with your customers.



CHAPTER TWO

Businesses Have a Ways to Go

If digital is so pervasive and companies are ill-equipped to deal with it, how can they change? Companies often start by launching departmental efforts, but treating each digital channel as another project causes organizational and technical chaos. The “digital bolt-on” approach can deliver results, but the strategic reality is that your business needs a reset. You must look at digital holistically. Digital businesses win, serve and retain customers by continuously creating and exploiting digital assets to simultaneously deliver new sources of customer value and increase their operational agility.

Don't Develop a Digital Strategy; Digitize Your Business Strategy

Digital fundamentally changes your relationship with your customers. You can't address this with a bolt-on strategy that adds an app here or a site there. You must re-engineer how your business creates value.

Most businesses serve only a small slice of their customers' overall ecosystem, inherently limiting their opportunity to meet their customers' end-to-end needs. An inside-out focus on delivering products and services fails to grasp that customer desires are at the heart of their value ecosystems. Businesses that pivot their approach to a fundamentally outside-in, customer-outcome mindset create new opportunities for growth.

- ▶ **Increase the value you provide by digitally enhancing existing services.** By understanding your customers' underlying needs, you can reposition and extend how you add value. Focus on how digital assets enhance the outcomes most valued by your customers.
- ▶ **Create new sources of value through digital partnerships.** By focusing on the customer's desired outcome, it's possible to uncover opportunities to achieve those outcomes in new ways by partnering with others already in the customer's value ecosystem.
- ▶ **Use data and analytics to help customers toward their desired outcomes.** Because your firm collects data, you have access to a treasure trove of insight. Mining the data you already collect and combining it with external data opens up new business opportunities.

Use Digital to Help Customers Get the Outcomes They Desire

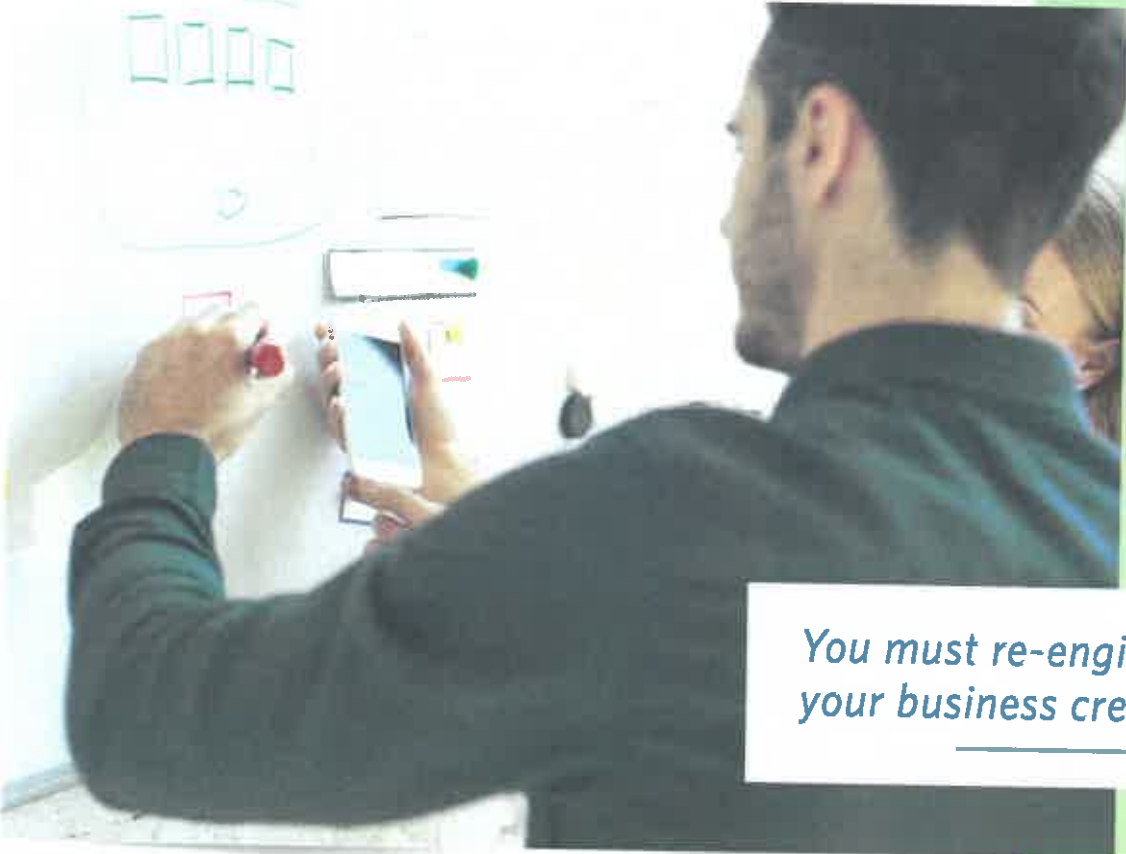
To win in the age of the customer, deliver compelling, engaging experiences for customers that meet or exceed their expectations. But you cannot keep up evolving customer expectations by simply tweaking the customer touchpoints. You must engineer a web of services and capabilities that adapt to your customers' changing expectations. This set of interconnected business capabilities is itself a kind of "customer experience ecosystem." **Forrester** defines this as, "the web of relations among all aspects of a company — customers, employees, partners, operating environment — that determine the quality of the customer experience."

Customers satisfy their desires by a "value ecosystem" where services are connected and share data. Recast your business as part of the ecosystems your customers assemble according to their needs and desires. These are the set of digitally connected products and services that combine to satisfy their needs. Success demands that you understand your customer's value ecosystem and become a part of it. Your ability to create value depends on how easily you can digitally augment your core capabilities and realign them to deliver the outcomes your customers desire, rather than the products or services you've traditionally sold.

Digital Operational Excellence Increases Business Agility

Digital isn't just about customer experience; it's about driving operational agility. You must increase speed-to-market, make employees more productive, promote leaner processes and maximize asset utilization. Instead of viewing constraints as limiting, businesses need to realize that they can drive incredible innovation and value for the business. Embracing constraints creates an opportunity to be truly creative, an opportunity to believe and achieve new things. With technology, organizations can become agile and access unprecedented amounts of data on their customers, their industry and themselves. Those that are truly forward-thinking can harness that data to anticipate and respond quickly to trends.

Given the constantly evolving nature of technology, digital transformation cannot be a one-time investment or initiative. To "digitally transform" means to create organizational, operational and technological foundations that foster constant evolution and collaboration. Most businesses are actively developing their capabilities but are far from achieving digital mastery.



*You must re-engineer how
your business creates value.*

Customer engagement starts by understanding customer behavior.



CHAPTER THREE

The Threat Is Strategic, but the Response Is Tactical

Responding to the threats of digital is challenging, especially when placed alongside the need to defend and grow existing P&Ls. The challenge is how to execute in a considered way, because the structures, processes and ways of working that have proven successful in the past are now your firm's greatest enemies in its race to embrace digital technology. To stay competitive, organizations have to pivot their thinking toward "rapid incrementalism" - looking at what defines success and altering existing structures to make the most of what they have.

In a digital economy, the goal is to architect for agility and to empower employees to innovate at a pace unimaginable in earlier generations. The discussion around technology is no longer confined to IT. Leaders from sales, marketing, support, human resources and elsewhere recognize technology as central to their survival. It's up to leaders to drive innovation across the full range of operations, whether IT owns the technology or not.

Leading change requires leaders to have a vision of how to transform their company for a digital world. In addition to reimagining how to connect and engage with customers in new ways, organizations also need to transform how it empowers employees. Empowered employees will drive optimized operations and processes and lead companies to transform their products and services. Your business should consider the following steps:



▶ **Optimize operations.** Accelerate the responsiveness of your business, improve service levels and reduce costs with intelligent processes that anticipate the future and coordinate people and assets more efficiently.

▶ **Connect customers.** Build natural, tailored experiences by harnessing data representing a complete view of your customer. Then, draw actionable insights that can deliver personalization at scale and achieve a segment of one.



▶ **Empower employees.** Empower people to achieve more by designing a workplace where every working style can thrive - harnessing digital intelligence to improve experiences and enabling mobility while keeping your organization, people and information secure.

▶ **Transform products.** Harness data as a strategic asset, shifting from hindsight to foresight, automating manual processes, delivering personalization to customers, and innovating new business models, services, products and experiences.





Optimizing Operations

Optimizing operations is accelerating at a rapid pace. Equipment once isolated and siloed can now be connected, enabling businesses to shift from merely reacting to responding in real-time or preemptively. Organizations across a breadth of industries can tap into new efficiencies by applying machine learning to anticipate and solve issues before they become issues. Optimize your business operations by doing the following actions:

- ▶ **Harness technology for next-level efficiency.** Use technology to gain new levels of efficiency across every spectrum of the organization.
- ▶ **Use digital to reduce delivery timeframes.** Connect and gather data to draw insights and optimize production and delivery.
- ▶ **Test products and/or services.** Try, fail, and try again. Digital enablement gives us the ability to fail fast.
- ▶ **Anticipate and solve customer issues before they become an issue.**

Workflow helps for processes that involve human interactions when there are policies that need enforcing, forms to fill, or documents involved. There are common pain points, often not well addressed by existing systems, that can be fixed one piece at a time.

Digital technology allows businesses to move at incredible speed and accelerate the responsiveness to uncover issues and inefficiencies, predict what will happen, and then adjust as needed.

Empowering Employees

Organizations cannot transform to digital unless people do. Digitization and automation are outpacing organizations' skill level and the workforce's ability to become proficient with new technologies. To ensure this trend doesn't disrupt an organization's health, IT leaders must introduce digital literacy strategies and increase employee engagement.

- ▶ **Strategic.** Be intentional about people priorities and related strategies. Invest in driving a customer-obsessed, transformative culture focused on growth.
- ▶ **Data Driven.** Use the data available to gain insights about your workforce and make strategic decisions.
- ▶ **Self-Service and Simplified Processes.** Create new delivery systems and models for HR services. Simplify and provide self-service tools for HR, standardizing routing processes.
- ▶ **Skills.** Invest in ongoing skill development and training.

The nature of how we work – and even the workplace itself – has undergone a dramatic evolution. Successful businesses use the power of mobility to support productivity and collaboration, while mitigating the risks that come with providing that freedom. Managing security doesn't have to come at the expense of productivity. A mobile workforce reduces cost, improves business continuity, improves work/life balance and helps attract and retain talent.

Customer Connection

A lot has changed around how we engage customers. With the rise of mobile and social media, customers are more powerful than ever. Their always-connected status and ability to find information puts them in control of their own experience, and this forces businesses to rethink how they engage and connect. We are no longer focused on “touch points” during the marketing and sales process, but instead find a need to engage in meaningful, ongoing relationships that involve frequent online and real-world interactions.

- ▶ **Customer centricity across the business.** Get everyone to be customer obsessed. Focus on satisfaction. Align customer experience and strategy. Create seamless service experiences. Act based on customer insight.
- ▶ **Create fans.** Go where your customers are. Personalize based on customer insight. Turn customers into engaged advocates who love your products.
- ▶ **Data-driven insights.** Take advantage of high-quality, data-driven insights to create experiences that customers really want.
- ▶ **Marketing as technology decision makers.** Partner with IT to select tools to get ahead of the competition.



Getting a consistent, 360-degree view of your customer across all touch-points and channels is paramount to your engagement strategy. Customer engagement starts by understanding customer behavior. Intelligence plays a critical role in understanding and dissecting massive amounts of data to recognize patterns of sentiment and behavior across our customer base.

Transforming Products and Services

The opportunity to embed software and technology into products and services is changing how organizations deliver value, which enables new business models and disrupts established markets. If every company was effectively a digital company, how would the nature of their products, services and overall business model shift? Consider these actions:

- ▶ **Use data to enter new markets.** Investigate how data can become the key asset for new business opportunities. Inform engineering and service with data insights to reveal new opportunities.
- ▶ **Revise business models to prioritize agility and emerging trends.** Find new business models by augmenting physical with digital. Build digital service wrappers around transitional products.
- ▶ **Make customers your business partners.** Understand where your business interests intersect with your customers in a digital-first world. Find opportunities that increase your access to new markets while decreasing technology and security risk.
- ▶ **Connect products to amplify and redefine their value.** Create new value connections through greater insight, machine learning and analytics.

Every company is becoming a data company. We need to create connected services and generate insights to see what can be monetized to unlock new business models.

*Companies need to
take risks to keep up.*



CHAPTER FOUR

Reboot Your Business Model

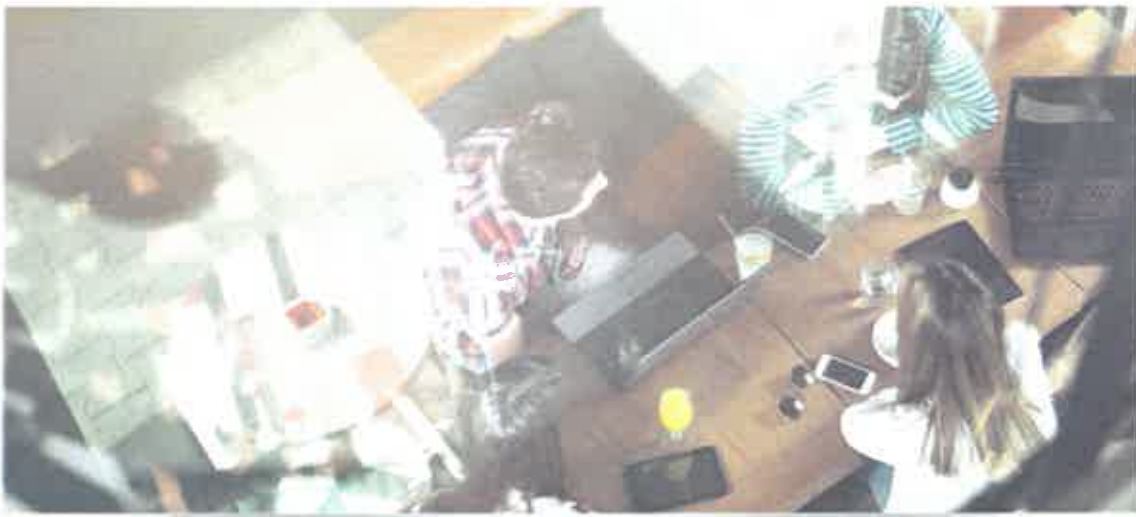
What I'm proposing is nothing short of a reboot of your business model. Changing how you create value for customers may put existing revenue streams at risk. How do you get started? Start small, focusing on reshaping one business unit or product line, which in turn helps with innovation and digital agility. Managing scope and continually experimenting to find the right answers are vital.

Innovation Mindset

In a recent **survey** of senior executives, only 7% said the CIO plays a leadership role in identifying opportunities to innovate. To lead the digital shift, CIOs need to look beyond traditional practices and transform IT from within. Supporting legacy systems can't be allowed to consume resources that are necessary to thrive in the future. Organizations that take a holistic approach to IT modernization will be more effective at creating and supporting a viable digital business. An end-to-end approach can reduce the amount of time required to translate business ideas into new products and services, helping the business reduce time to market.

Unless people buy in, it's not going to work. Most people and organizations struggle when too many dimensions of change are introduced simultaneously. Often the best first step is to take some portion of a painful, error prone, time-consuming process and put it on a workflow platform. Once people see how it improves their lives, they will be willing to digest bigger and bolder process improvements.

- ▶ **Think big. Start small, and act swiftly.** No matter your situation, the journey is a radical overhaul of culture, organizational structures, technology, measurement frameworks and operating model. It isn't about creating a stand-alone digital strategy; this must become a new way of being.
- ▶ **Experiment and co-create.** Building tangible prototypes is a proven way to demonstrate the potential of Digital. Your existing change process isn't the place for such rapid, tactical delivery.
- ▶ **Take risks and learn from mistakes.** Companies need to take risks to keep up. Not every change should require traditional approvals; in the spirit of Digital Transformation and customer experience, give it a try, solicit feedback and iterate on it. An agile approach helps to ease capital expenditures as you implement new capabilities over time.



Change the Culture

Life is a journey, not a destination. That is also true about Digital Transformation. It's good to have a long-term vision of where you want to go and then take rapid, incremental steps to get there. After automating workflows for one or more discrete tasks or processes, set your sights on digitizing major company-wide, end-to-end processes. With a unifying vision, a company can methodically chip away at manual processes, replacing them with digital workflows that can radically transform the company's business model, outcomes and competitiveness.

- ▶ **Establish a clear vision.** Digital Transformation is so fundamental to future success that your CEO must inspire employees to pursue a vision of the company as a digital business. It's imperative that you collaborate to co-create a digital vision.
- ▶ **Establish a digital-first culture.** Collaboration, agility and innovation are second nature to employees in digital businesses. Fuel a digital-first mindset by educating, training and inspiring employees with seminars, roadshows and education programs. Engage your HR department early to define how team goals, employee performance plans, and rewards need to change.
- ▶ **Advocate digital transformation at the executive level.** Digital Transformation can only succeed as a company-wide initiative, requiring collaboration and evangelism from leaders. No one person can drive all the required changes. Company culture lags behind process and technology when it comes to digital readiness.

Influence Versus Control Leadership Style

Many IT departments are reluctant to embrace new ways of working, even stifling innovation and collaboration in favor of maintaining cross-company standards and efficiency. This may have been the norm, but fostering innovation and disruption is essential for success. The key to being an influential leader is to empower users and instill trust and freedom in the workplace. It's about creating an environment where your business feels it can come to IT with creative ideas. For example, progressive CIOs are realizing they must influence digital business and "shadow IT," not control it—while helping drive innovation around best practices. **Gartner analysts Kurt Potter and Stewart Buchanan write**, "While traditional governance and control strategies are prudent for centralized IT, with digital business and shadow IT, influencing it will more likely produce the most positive outcomes with business units."

- ▶ **Execute Change in Context of the Vision.** A clear vision for the end state is critical so that everyone is moving in the same direction. Even if the vision is a moving target, leaders need to have goals in mind so that they are not making changes in isolation. Standardizing on a core set of technologies that the business can build around is a great way to accelerate change and keep the organization connected.
- ▶ **Link Outside-in and Inside-out Thinking.** Map your customer journeys from the outside in — start with the outcome your customers are seeking. Understand the ecosystem your firm has created to serve its customers, then connect this to the business capabilities you need to help your customers achieve their outcome.
- ▶ **Create a Cross-functional, Customer-centric Organizational Model.** Start by forming cross-functional teams that can drive change using metrics like Net Promoter Score (NPS) to guide their actions before progressing to full-scale reorganization.

Partnership Between IT and the Business

Exchanging IT budget for innovation is a growing trend. As funds continue to move towards the business, CIOs must develop capabilities that deliver business value. Data analytics is one example where IT can help the business improve decision-making and deliver new services. The Internet of Things is also helping to lead the shift from products to outcome-based services.

► **Empower the technology management team to focus on systems of engagement.** Technology management teams must play a pivotal role in enabling Digital Transformation. Technology teams must step up, hire for digital skills, and drive enterprise-wide transformation. Meanwhile, the CIO must champion investments in technology, systems and processes to win, serve and retain customers.

► **Protect your customers' trust.** In a world of fluid ecosystems, treating data with care is crucial. Gather only data that is necessary, and use it to create context that adds value, ask permission to share, and share only with those who can add additional value.



Why THInc.IT

Digital Transformation is a complex process filled with uncertainty. It is critical that leaders take iterative steps to implement the culture, processes and technology that will enable their business to compete in the modern marketplace. Even digitally mature companies have gaps in capabilities as technology continues to evolve. 3rd-party solution providers help navigate change and implement new strategies cheaper and faster than building capabilities internally.

Recognizing the scarcity of skills and the goal of increasing speed-to-market, most businesses leverage the resources and expertise of 3rd-party partners for at least some of their digital strategy. As Digital Transformation pervades all areas of the business, decision-makers increasingly look for vendors to serve as ongoing strategic partners rather than simple implementers of point solutions.

- ▶ **88% use a 3rd-party provider for at least one component of their Digital Transformation.** Business-to-business companies tend to rely on partners for strategy, requirements definition and project management.
- ▶ **Firms engage 3rd-parties for expertise and resources.** In many cases, companies find that vendors can perform tasks cheaper, faster or can reduce the burden on internal resources.
- ▶ **Existing vendor relationships are not structured optimally.** For something as strategic and iterative as Digital Transformation, organizations should consider challenging their partners to bring more than just time and materials contracts to the table. Instead, engage in end-to-end partnership where the vendor assumes some responsibility for success.
- ▶ **Find partners whose capabilities complement your own.** Find partners that understand your broader strategies and have strengths in the functions and areas that your company lacks.

Partnering with THInc.IT on the road to Digital Transformation means that you can count on us to follow an approach that empowers agility, is fiscally responsible and maximizes business value.

Flexible | Integrated | Trustworthy



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