



DIGITAL TRANSFORMATION

Making digital transformation part of your DNA

Digital transformation is on the tip of many tongues in the technology industry of late; but like many potentially seismic shifts, this concept's meaning and the impact it will have on how day-to-day business gets done are taking some time to develop. CIO defines digital transformation as “**the acceleration of business activities, processes, competencies, and models to fully leverage the changes and opportunities of digital technologies and their impact in a strategic and prioritized way.**” But more than just acceleration, digital transformation is about the need for businesses to outpace digital disruption and stay competitive in a rapidly evolving business environment. At its core, digital transformation is all about disruption. Whether that disruption is beneficial or devastating depends entirely upon where you find yourself on the wave—at the crest or at the bottom of a breaker. Just ask cab drivers or hotel owners in any number of major US cities. Musicians, journalists, even doctors. All of these industries are experiencing changes that have the potential to completely up-end business models that have been in place for decades.

The question then becomes how to ensure digital transformation is a friend, not an enemy. In this Perspectives piece, we'll explore some strategies for embracing digital transformation and more importantly, for making it sustainable. To make a difference, digital transformation must be far more than a new way of thinking or a one-off initiative. You have to make it part of your DNA.

Break it down

One of the first steps toward understanding and embracing digital transformation is to break it down to size. The examples we hear about most are big and bold by nature. Catching a ride across town will never be the same again, thanks to Uber®. But not every digital transformation effort will turn an entire industry upside down. Nor should it be expected to. While thinking big is certainly not to be discouraged, we also shouldn't allow it to keep us from thinking small (or smaller). Consider:

- The fashion retailer that wants to empower its sales associates to provide customers with a personalized shopping experience that exceeds expectations and builds brand loyalty by giving customers visibility into personalized offers while they're browsing the aisles
- The hospital that wants admissions to be more like checking into a nice hotel
- The large equipment manufacturer that wants to connect the equipment manufacturing and shipping journey, linking what happens on the shop floor to the downstream impact on distributors and consumers

The biggest mistake companies can make at this early stage is to believe that digital transformation doesn't apply to them.

Another potential misstep (and a pitfall that many companies find themselves in) is the risk of digital transformation becoming a flash in the pan. It's very common for organizations to have pockets of innovation that aren't connected to a larger strategy or shared goals. In many ways, this harkens back to the birth of ERP—many disparate approaches to managing different parts of a business were developed over time until lightning struck, and people figured out that those things needed to work together.

What this means is that the right place to begin a digital transformation journey is probably the opposite of what comes to mind for many people—structure. Only by thinking through not just how digital transformation will support your business, but also how your business must be structured to support digital transformation can you develop a long-term plan that will have meaningful impact.

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Think in 3D

The first step on your digital transformation journey is to build your overall strategy. One of the key tenets in doing so is to start with the end in mind. Traditional thinking leads us to focus on problems that exist today and let requirements drive the selection of solutions. While this approach can definitely add value by improving the efficiency of existing processes, it's not very effective at shaping the future. Digital transformation needs to focus more on experience and users, rather than functionality checklists. For information on a four-step approach to creating the foundation you need for digital transformation, read [“Building a digital transformation strategy.”](#)

As your digital strategy is being built, you need to start putting in place the elements required to support it. The structure you create to support your initiatives will have many of the components that are essential to the success of any technology initiative, but it is not intended to discourage local innovation. The goal is to instead put a focus on innovation to ensure expansion when warranted. Many local innovations are hindered by “local” budget and “local,” visions when they could be the seeds for far-reaching transformation. Imagine if Airbnb had stopped at providing only rental assistance. Think of this process as building your Digital Transformation Office, which essentially represents the evolution of traditional IT departments. The structure can be broken down into three key dimensions:

- **Governance**—Once you develop your digital strategy, governance and constant updates to the roadmap and architecture are key. There is no comprehensive “digital landscape” like there was with implementing an ERP system. New ideas and market conditions are constantly in flux, based on conditions and market changes—which will make your roadmap dynamic. That's why governance is an essential component of your digital transformation strategy.

It can drive change and help you prioritize funding and determine key architecture decisions.

While the idea of governance may seem like a basic concept, it's essential for avoiding the pitfalls that accompany a commonly held philosophy that all digital transformation opportunities have merit, even when that merit is not immediately obvious. This again does not mean that risk is unavoidable or unacceptable. However, it should be taken with eyes wide open. As such, digital transformation ideas should be evaluated with the same rigor that would be applied to any new business initiative. How does it impact our market share, our customers, and our brand? Does it fit into or eliminate our existing and future business, operational, and technology landscape? What will it cost? How long will it take? And so on. For more on this topic, read the Perspectives paper "[Prioritizing digital transformation opportunities.](#)"

- **Architecture**—Enterprise technology has a reputation for being clunky. Solutions added over time aren't integrated; technology footprints are large and expensive to maintain. As a result, systems become incredibly rigid. Businesses can easily become static as well, with opportunities limited by what their technology can support. One of the key principles of digital transformation is agility. Technologies like cloud and networked analytics, along with significant advancements in the area of integration, are allowing companies to start their transformations from within, creating flexible system architectures that can underpin continuous innovation.

In the new paradigm of the digital economy, your future business model should drive your enterprise architecture, from process down to technology. Without a way to determine how new technology fits into your architecture both now and more importantly, in the future, processes can become disjointed and data can be left in pockets.

Regardless of where you are in your own architecture evolution, all digital transformation initiatives should be evaluated against your current technology architecture to determine where they fit and how they can be incorporated in a way that delivers maximum value.

- **Shared services**—One element of digital transformation that's both exciting and challenging is speed. Traditional technology has trained us all to expect long delays between enhancements to existing systems—months certainly, if not years. The world of digital transformation turns this notion on its head, in large part due to the growing adoption of cloud technology. Innovation no longer has to come in the form of major releases, and you also shouldn't have to turn your organization upside down to adopt it. The time has come to say good-bye to lengthy, costly, and disruptive upgrades.

However, continued access to innovation—as well as ongoing transformation—is only valuable if your company and employees are able to understand, adopt, and embrace the changes that are coming their way. This requires more than flexibility or an open mind. It requires a shared support structure, along the lines of a shared services center, with skills across a variety of disciplines—such as change management, process optimization, and agile management, to name a few. We'll dive more into the skills required in the next section of this paper, but the goal is to build repeatable processes that are supported by a dedicated group of experts, who may or may not reside within your own organization and avoid simply innovating for innovation's sake.

The people side of the equation is just as important as the technology.

It takes a village

In the previous section, we introduced the concept of a shared services center to provide the foundation needed for continuous optimization to succeed. Let's take a look at some of the skills you'll need to build your digital transformation office.

- **Change management**—With digital transformation, the ability to rapidly adapt to change is essential; and the people side of the equation is just as important as the technology. However, this component is too often treated as an afterthought. Driving adoption of new technologies and processes requires a combination of risk assessment, communication, training, and more. The goal is to demonstrate an organization-wide commitment to change and to give employees the support and confidence they need to embrace it.
- **Process optimization**—Aligning closely with change management, process optimization skills are key to ensuring that new processes and approaches deliver on their promised value. This optimization should be an ongoing process, rather than a one-time event, to ensure that digital transformation initiatives become ingrained, rather than peaking initially and then declining over time as organizational focus shifts to new opportunities.
- **Agile management**—A key component of the agile development method, agile management is an incremental method of managing digital transformation initiatives that allows for continual input and draws from the capabilities of individuals across the business. This non-hierarchical approach is designed to be flexible and interactive, and it requires an openness to change that can be challenging for those who are used to following traditional development methods. However, the philosophies of agile are extremely well-suited to digital transformation, as they allow for greater creativity, speed, and flexibility, with innovation as the ultimate goal.

- **Core testing, data management, etc.**—As with core “waterfall” programs and many agile programs, it's also key to have an automated testing strategy in place for digital, along with strong data management skills. You don't want agile to have to wait for the waterfall programs, and many testing scripts can be reused and a common library built. Digital is all about data. This is key to overall success and your strategy for the future. The skills needed here go beyond data migration and into data architecture, governance, and data science. For more on this topic, read the Perspectives paper “[Driving digital transformation with data science](#).”

These skills and others that may be required might not be ones you have access to today, but don't think all the answers have to come from within. In fact, finding and retaining staff with all the skills to support your digital transformation strategy is becoming increasingly unrealistic, as the speed of change accelerates and the skills required to take advantage of various opportunities evolve, as well. Many companies are partnering with digital transformation specialists who help them determine what's possible and augment staff as needed. Others are building small “mini-garages” where innovation can be born and then bringing in a larger eco-system to turn ideas into reality. There are many ways to get there. The most important thing is to begin the journey.

The time is now

Digital transformation is shaping up to be the next big wave that up-ends traditional thinking and makes us shake our heads in wonder at the way things used to be. Although the trail is still being blazed, the time to start forging your own path is now. The ingredients are all there, and companies that start formulating a strategy now will have a far better chance of taking the lead in the race to transform their industries.

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