LOGIC INS!GHTS

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DELIVERING TODAY WHILE TRANSFORMING FOR TOMORROW

HOW TO WIN AT DIGITAL TRANSFORMATION?

LOGIC
CONSULTING

DELIVERING TODAY WHILE TRANSFORMING FOR TOMORROW

Digital Transformation on the Spot

The COVID-19 crisis has seemingly provided a sudden glimpse into a future world. And with all the uncertainty about how the future will look like, it's crystal clear that it will be digital. **The response to the pandemic has fast-forwarded digital adoption by five years (1).** There is no doubt that the pandemic is amplifying the adoption of new technologies, such as chatbots, e-commerce, and advanced analytics, offering more groundbreaking application areas that could be implemented throughout the entire value chain. Yet, digital transformation is driven by business needs, hence, only companies that will identify and deploy the digital tools and approaches that offer the most value to their business will reap the full benefits. Though some companies might be reluctant to hit the go button on digital transformation, they are now forced to match the accelerating rate of digital change, or risk being washed away by pace of change. Digital transformation will not come without risks, but in the digital world, standing still is the biggest risk of all. But, first what is a digital transformation? That seems like a simple question, still there has always been a controversy on what it really means. Most of the hype around digital transformation is centered on the adoption of emerging technologies, but that's only half the story. **From where we stand, digital transformation is about embedding a digital DNA into your business, pushing everyone to think and act digitally and evolving all aspects of your data model and business model- mainly the way you get your revenue streams**. In this article of LOGIC Insights, we have distilled companies' best practices into 7 principles addressing how to achieve digital transformation on the spot along with highlighting the main blockers that can derail its effectiveness.

(1) Lack of Skills Threatens Digital Transformation, Gartner, 2020

"The response to the pandemic has fast-forwarded digital adoption by five years"
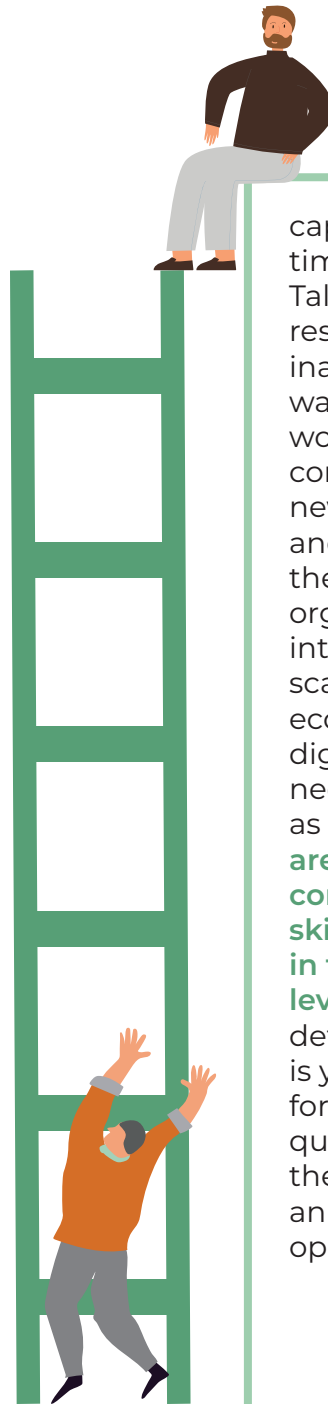
ROADBLOCKS TO A DIGITAL TRANSFORMATION

Digitally mature companies understand that to drive digital success, they need to sync talent, culture and organizational structures with digital environments. Each stage of the transformation, from its outset to the long haul of subsequent years, will undoubtedly present challenges. Yet, no rule book will solve them all. For this reason, we analyzed some digital transformations' initiatives to know the root causes of where they go wrong, and we came up with six main blockers that businesses usually face during a digital transformation.

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1	The Digital Talent Gap
2	Wrong KPIs
3	Rigid Organizational Structures
4	Rushed Rollouts
5	Poor Technology
6	Leadership Buy-in

01 The Digital Talent Gap

It takes a combination of talent and technology to undergo digital transformation. Still there aren't enough people to fill all the gaps, especially with the development of new technologies- AI, Big Data, predictive analytics and others. To adapt to a more digital future, companies need to develop the next generation of skills. **Technology skills now need to be marbled across all business functions, and not just centered in IT.** According to Deloitte and MIT Sloan Management Review, the No. 1 operational and cultural challenge organizations most commonly face in digital transformation is finding, training, and retaining the right talent. The evolving world of work created seismic shifts in skills set required to succeed in labor market; companies are now looking for adaptable skills that enable employees to transfer from one task to another. They are also still underestimating the time needed to build new capabilities in such turbulent times. According to a recent TalentNeuron survey, 53% of respondents said that the inability to identify needed skills was the No. 1 impediment to workforce transformation. Thus, companies need to identify the new capabilities that are required and prioritize a way to acquire them, for example should the organization build digital skills internally through re-skilling at scale or leverage external digital ecosystem of talent and strategic digital partners? Leaders also need to work on retaining talents, as **digitally talented employees are prone to move to another company if they feel their digital skills are stagnating, especially in the middle management level**. Ultimately, the biggest determinant of digital success is your people; so while hunting for talent, focus on quality over quantity and work on retaining them since digital talents have an easy exit option with many job opportunities.

02 Wrong KPIs

Having the wrong/ outdated success metrics or KPIs to guide and measure progress is a key deadlock in any digital transformation initiative. Finding the right metrics for any organization in today's digital environment will require continued experimentation and tweaking over time. KPIs of digital age need to be tied to outcomes that encourage digital ways of working and adoption, such as digital capabilities or improvements in customer experience or the speed of product launches. Another common challenge is that some companies tend to solely rely on output-based and financial KPIs, such as digital revenues or reduction in CAPEX, that are too broad to take into account factors contributing to a given impact.
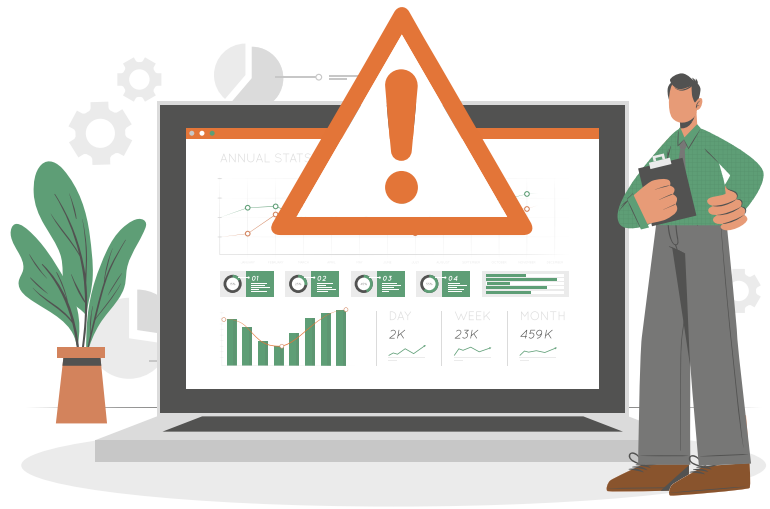
03 Rigid Organizational Structures

Digital transformation will require more than cultural changes; it will require an overhaul of your organizational structure. Hierarchy shouldn't become the bottleneck in digitized business models. Sticking to today's ways of working and the rigid internal structures will only impede your digital transformation efforts. You need to constantly realign your organizational structure to the requirements of digital transformation. **Many new functions and capabilities—ranging from data analytics and rapid experimentation to ecosystem management—will need to be developed and embedded somewhere in your structure.** The integration process causes delays, and if your organizational structure is not fluid enough and workflows are inflexible, your people will not get accustomed to new digital approaches and tools easily. **It's quite simple; reduce bureaucracies, breakdown silos, boost cross-functional collaboration and communication, share data, and adopt a new operating model based on autonomous learning loops.**

a. Reduce bureaucracies

b. Breakdown silos

c. Boost cross-functional collaboration and communication

d. Share data

e. Adopt a new operating model based on autonomous learning loops

04 Rushed Rollouts

In times of crises or disruption, companies tend to be pressed for time and capital, so they tend to roll out quick, limited-scope solutions without getting to test them thoroughly. For example, rolling out collaboration apps without considering security measures or chat-bots that didn't take into account the different accents. Doing this will not give your company any competitive advantage but will rather turn your customer into frustrated ones as new pain points will be created throughout their journey. Quick fixes might indicate how your digital transformation will ultimately look like, but until then, companies should anticipate waste, data silos, customer frustration and other pain points.

05 Poor Technology

It is quite surprising how many companies fail to recognize the importance of technology in deploying digital transformation. Companies sometimes fail to consider their technological debt early on, which results in significant and unplanned CAPEX expenditures, and ultimately fail to complete their digital transformation roadmap. Other companies are reluctant to recognize the importance of integrating the different systems in the business causing the creation of new silos, but only this time they are technical ones.

06 Leadership Buy-in

So many CEOs seem to like the idea of digital transformation because it gives them the bragging rights among their industry but when it comes to the details, we found that at many times, they are startled by the costs, effort, and time they'd have to incur in order to make it happen. On the other hand, we've found that other leaders focus so much on building scattered improvement projects in the business with no link to the company strategy which results in frustrations that digital transformation "hasn't achieved its objectives".

HOW TO WIN AT
DIGITAL TRANSFORMA

By now, standing pat is not an option if you're to stay in the game. The landscape is vastly more complex – and accelerated – than before. As a leader, you need to know how to effectively defend your company's position, mitigate potential threats and make the digital transformation happen before it's too late. The success rate of digital transformation has always been regrettably low, and still there is no single path that can ensure success. Accordingly, we suggest 7 imperatives to navigate this current wave of digital transformation and exploit new digital opportunities:
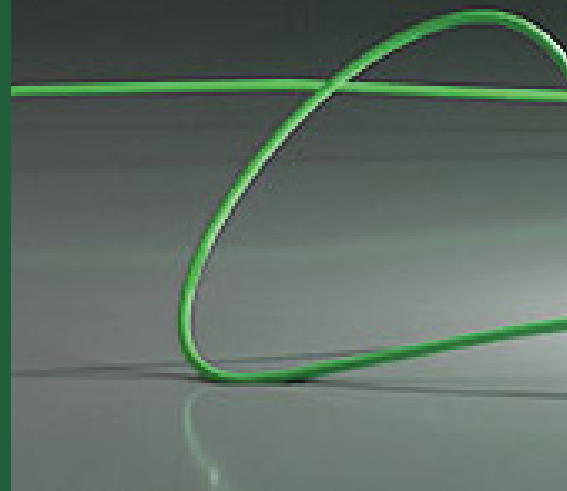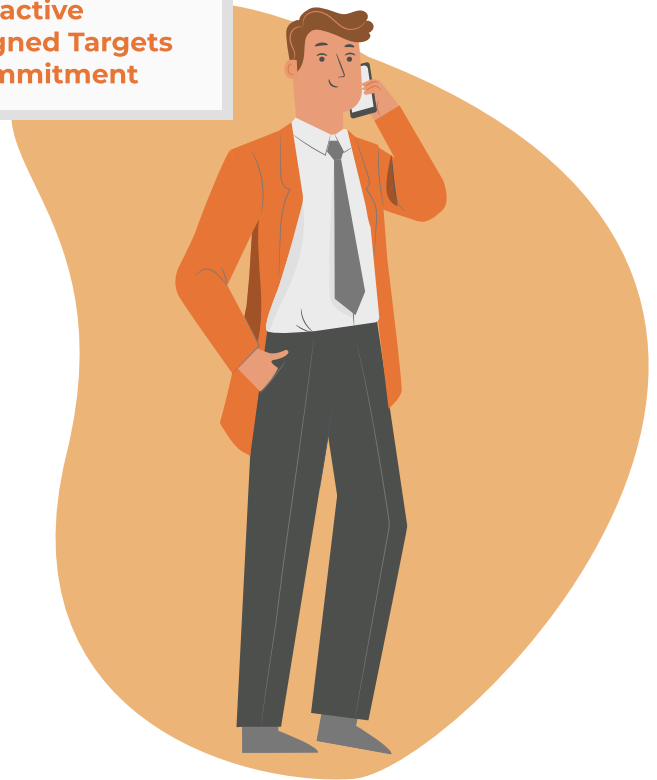
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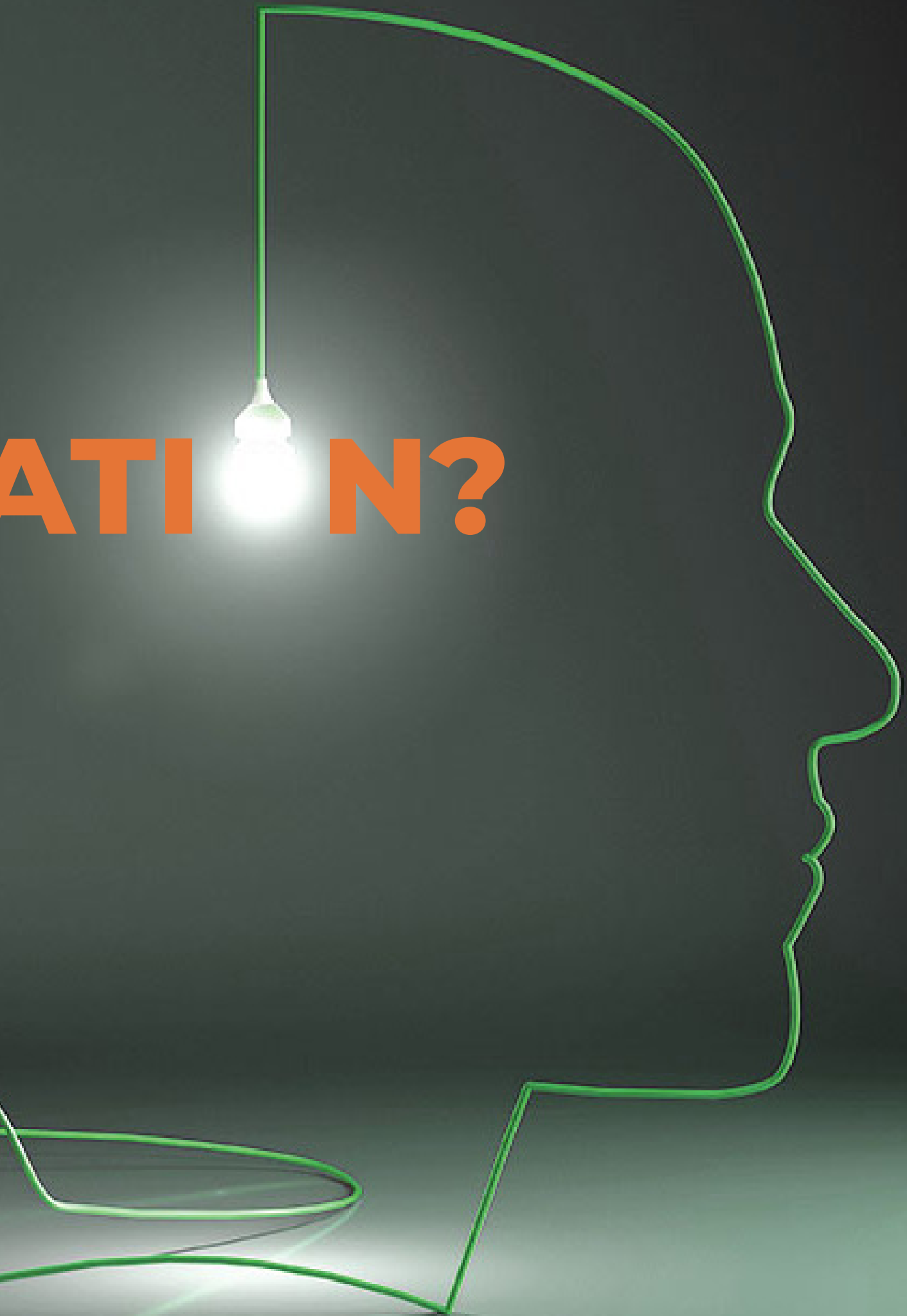
01 CLEAR VISION AND STRATEGY

The right digital leader boils down to three major characteristics; opportunistic, communicative and proactive. He/she needs to constantly look out for new processes, technologies, and opportunities that can accelerate their digital transformation efforts while communicating with relevant stakeholders. Any transformation will be dead in the water if leaders did not set clear targets while being fully committed to them. Without clear and strategically-grounded targets, people can easily slide back into old ways of working, and leaders won't be able to decide which initiatives to pursue for maximum impact. Lack of leadership alignment around targets and objectives often leads to many misaligned initiatives. Once an organization has defined its digital vision, leaders need to ensure that the company has the right foundations in place- for example an effective technical system and a robust management system, before jump-starting their digital transformation journey. **For companies that lack alignment, they could set up a digital center of excellence to come up with and drive a fact-based digital strategy to settle any conflicting decisions across business functions.**

KEY WORDS:
- **Opportunistic**
- **Communicative**
- **Proactive**
- **Aligned Targets**
- **Commitment**

02 PEOPLE & CULTURE

The overall evolution of the company's skills is a critical success factor for digital transformation. Talent is a main aspect in which successful digital transformations differ notably from the rest. Digital and analytical projects are skill-intensive activities, so you need to get the right people who can understand the capabilities and limitations of digital approaches, and know how to get the best out of the technological tools. **In fact, the right strategy should be around building the right talent ecosystem, which will typically include internal people, external hires, partners, and freelancers.**

One way of getting around this is having your HR function ensuring a digital mindset across the organization while freeing up the resources needed to build a continuous learning culture. This might include:

a.

Setting up a dedicated digital academy along with development programs to develop digital competencies and change mindsets across the organization

b.

Modernizing reward programs and incentives for digital talent by moving beyond role-based compensation frameworks and focusing on skills required to get the work done

c.

Making a portion of compensation based on specific outcomes from digital initiatives.

To develop and retain people with digital skills, you need to rethink the full value proposition you offer compared to other digital natives, including your work environment, job mobility, rewards, career path, and so on.

03 INNOVATIVE, AGILE MODELS

In such turbulent times; when companies need to digitize how they work on the fly, **executives need to rethink their structure in a way that would support faster cycle times for projects, more collaboration among business functions and units, and more active engagement with external ecosystems.** Adopting a new, agile operating model that is free from functional silos will allow your people to rapidly design, manipulate and test digital and non-digital features. Your teams can be able to work in short iterations- implementing the minimum viable product and adjust as you go. Also, many companies are adopting a variety of different business models to protect and grow their position amid disruption. These new business models call for capabilities that radically change operating model requirements. So, you need to fully align your operating models with these new disruptive business models. **Without digital operating models that support agility at speed, companies could risk losing 10-20% revenue growth, 10% on average consumer spending growth and 15% income growth (2).** Scaling agile from a team level to an enterprise level is incredibly challenging and could take years but a fluid, living model is inevitable for the digital age.

(2) Adapt to survive-an agile operating model for the digital age, 2017

Digital Operating Models

+ 10-20%
REVENUE GROWTH

+10%
CONSUMER SPENDING

+15%
INCOME GROWTH

04 CUSTOMER CENTRICITY

Digital transformation starts with the business model, which is usually centered around customer experience. Consumers are now, more than ever, looking for personalized, unified and convenient experiences with both human and digital touch-points. For corporates that are digitally transforming, designing a customer experience where the company is the digital partner for the customer- the company is co-creating value with the customer- should be their number one objective. Thus, companies need to think through customer experience in every business aspect and not just in customer-facing roles to meet their changing demands while identifying red flags and isolated efforts. Being a customer centric in the way you do your business requires you to be customer centric in the way you design your IT architecture, as well. With the emerging technological solutions such as AI, chat-bots and predictive analytics, companies can now better understand their customers, anticipate their needs and respond to them in real time. As companies enter an uncharted territory when implementing digital transformation initiatives, they need to:

> **"Although Artificial Intelligence is still in its infancy in Egypt, many organizations are now using AI to improve customer experience through chatbots"**
>
> **- Ahmed Bakir**
> Founder & Data Scientist, Endos

a) Let the customer journey dictate their internal processes.

b) Emphasize on design-thinking methodologies.

c) Continuously evaluate how digital disruption is changing customer behavior.

e) Rethink their customer engagemen models to leverage disruptive technologies.

d) Analyze which of them are likely to stick.

05 ECOSYSTEM PARTNERSHIPS

According to IDC, by 2023, 60% of the G2000 companies will have a digital developer ecosystem, and half of those enterprises will drive 20% of digital revenue through their digital ecosystem. Companies need to join forces to accelerate digital transformation and build value faster. Everything is now happening in real time, and only companies offering personalization, new and integrated experiences and new offerings will remain relevant in the digital world. **But few organizations are prepared to meet all theses demands alone; they will need to tap into ecosystems of start-ups, suppliers, customers, R&D organizations, technology incubators and other potential partners.**

Ecosystem engagement increases the organization's capacity to innovate, unlocks growth and allows them to tap into new growth areas that are too challenging to explore with internal capabilities. To start this process on the right foot, you need to figure out which capabilities, skills, and technologies you already have and the ones available in the ecosystem that could complement and support your company's strategic goals.

"Before opening your doors to partnerships, make sure to assess the issues in the different components of your operations, map your processes and identify where partnerships can help you, finally bring those partners together to start your process"

- Ayman Ismail,
Associate Professor and Abdul Latif Jameel Endowed Chair of Entrepreneurship

06 A DIGITAL IT ARCHITECTURE

Digital transformations have their own specific requirements, including the IT architecture that needs to be as modern and agile as the business itself. **More digital consumers, automated workflows, and complex analytics are putting unprecedented pressure on IT functions, meaning that it is nearly impossible to embark on a digital transformation with a legacy IT architecture.** Under a traditional corporate IT architecture, the IT-integration platform setup could make it difficult for companies to operate digitally in real time as it lacks the speed and flexibility required. This could result in customer frustrations and revenues losses due weak systems integration and slow database-access times.

Short-term and quick fixes aren't enough if you're seeking sustainable digital performance. Still, building an entirely new IT function could take many years to complete given the magnitude of changes required, leaving companies with no choice but to build a digital IT architecture that works in parallel with the existing one. This would allow companies to alter IT architecture sequentially by focusing on reinventing IT for higher-value business areas at first stages then scale up to cover the other functions over an extended period of time.

07 DATA & DATA GOVERNANCE

Data has always been any company's strategic asset, but COVID-19 made the need for data even greater. Executives now need to depend on real-time data and predictive forecasting to enable intelligent, faster-paced and forward-looking decisions. Aside from decision-making, data can help companies to optimize finance and free up capacity for digital investments by planning for new growth areas, rethinking how to finance digital initiatives and forecasting shifting revenue streams. **For data analytics, it's still in its infancy stage in Egypt and is emerging in a series of 'waves of disruption', which makes it a competitive differentiator for companies as they focus on digital transformation**. By 2022, 90% of corporate strategies will explicitly mention information as a critical enterprise asset and analytics as an essential competency (3). So, if you're to start a digital transformation on the right foot; determine what data you actually want to use, how to source it and how to monetize it.

Yet, till today, many organizations don't have a clear picture of how data flows across departmental boundaries and what people throughout the organization are doing with it. Technology and governance go hand in hand, and even the most innovative technologies won't scale if they're not governed properly and ethically. **Most Egyptian companies are still getting to grips with data governance, but they now must take proactive steps by setting clear boundaries on what data will be collected, who owns data, how to ensure data integrity, and what are data security quality standards.**

(3) Why Data and Analytics Are Key to Digital Transformation, Gartner, 2020

"Data has to be collected in a very systematic way and it has to be personalized to the level you can get so you can easily monetize it. For companies that don't have the internal capabilities or are too small, they should resort to service companies."

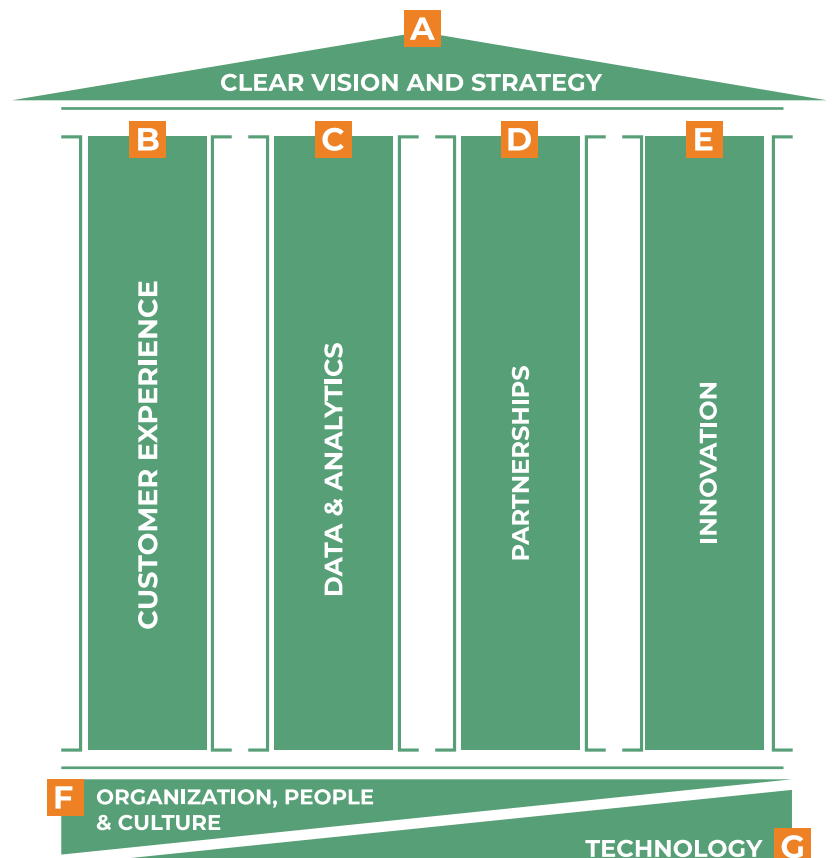**– Khaled Ismail**
Chairman of HIMangel

CONCLUSION

COVID-19 has been a defining moment for digital transformation. All business leaders now have an opportunity – and a pressing need – to explore their company's true capacity for innovation. The pace of innovation will never be slower than it is today, and it is abundantly clear that companies that do not fully embrace digital transformation in a matter of months are at risk of being left behind. Still, digital transformation is more than just a bolt-on solution, and the only way forward for a company is to commit to permanent changes in strategy, mindset, structure and culture. But the silver lining to this pandemic is that it has unlocked trapped potential, removing away many of the roadblocks that companies traditionally face in realizing the digital promise.

7 Imperatives to Navigate A Digital Transformation

A Clear visualization of what are the business targets while aligning all the relevant stakeholders

B Customer journeys are constantly assessed for improvements and customer satisfaction is a key strategic input

C Comprehensive data infrastructure that enables faster-paced decisions, with data governance embedded across all processes

D Awareness on cross-industry and value chain partnerships with suppliers, customers and even competition

E Proper management and incentivization of innovation best practices across the organization and properly measuring output

F Planned changed management in structure, skills, cross-functional working, and leasdership

G Clear technical and data plan which enables the business strategy

A CLEAR VISION AND STRATEGY

B CUSTOMER EXPERIENCE

C DATA & ANALYTICS

D PARTNERSHIPS

E INNOVATION

F ORGANIZATION, PEOPLE & CULTURE

G TECHNOLOGY

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