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Talking Transformation

THE CEOS GUIDE TO DEALING WITH DIGITAL DISRUPTION

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LET'S TALK DIGITAL

The lowering cost of technology and an influx of digital services have transformed the face of business, opening up new markets and forcing out businesses that fail to adjust. For some organisations, this transformation has been a positive experience, for others, less so.

Evidence of the effects of digital disruption are already being seen in the declining sales of newspapers, CDs and print photography. They have also resulted in world-renowned brands such as Kodak and Blockbuster Video falling foul of digital disruption within previously stable markets. Now, as the global impact of digital technology takes hold and the rate of technological change increases, the security of such international brands will become ever less certain.

While the days of printing photos and renting videos may seem like a distant memory, for someone, somewhere, they were once the basis of an entire business strategy. No organisation can risk burying its head in the sand and hoping that the same won't one day happen to them.

Digital disruption is everywhere

Whether it's Uber's role in the global taxi market or Amazon's impact on retail, eventually, it impacts us all. While there is no stopping this fast-moving trend, business leaders still have time to prepare their organisations for the change. That is the purpose of this report, to help provide guidance to C-level executives in understanding how to transform their businesses for the digital age.

The contents of this guide were collated from the thoughts and experiences of 12 industry leaders from across marketing, IT, technology and HR. We brought these individuals together to discuss the issues of digital transformation and to provide advice and guidance based on personal experience. Amongst these thought leaders were representatives from private enterprises such as Oracle, Avascope, Old Mutual Group and BAE Systems, as well as government institutions such as the Ministry of Justice, and non-profit organisations including Cancer Research UK and The Prince's Trust.

By combining these business leaders' opinions, our aim was to develop a single, easy-to-read handbook, readying CEOs for the future of digital transformation. Through this proces, we hope to help encourage industry leaders to embrace digital transformation, and to start disrupting themselves… before anyone else does.

Vikram Setia, Co-founder & Commercial Director, Infomentum

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WHAT IS 'DIGITAL TRANSFORMATION'?

Despite its widespread usage, a great deal of confusion still surrounds the term "digital". For many marketing and IT professionals, "digital strategy" is viewed as synonymous with the use of social networking sites and the development of a broader social media strategy. But it is more than that.

While social media management continues to play an important role in business activities, the phrase "digital" is a far more all-encompassing term. According to Brian Solis, digital is "the use of any technology to provide better products, services, and experiences".

When discussing digital transformation we are not merely referring to social media, but to all variety of technologies and potential consumer touch-points. With the rise of the Internet of Things, this could even include something as day-to-day as a smart lock or connected thermostat.

> Social media has become a quick fix solution. A magic pixie dust that we try and sprinkle over everything we do.
>
> Neil Sholay, Head of Digital
> EMEA, Oracle

As a result, efforts to digitally transform a business must now incorporate any connected device that could help to improve a stakeholder's experience with a brand. At this point it's worth stressing the use of the word stakeholder, as it's easy to forget that digital disruption will not only impact your customer's expectations, but also your employees'.

According to research by Oracle, only 30% of businesses use digital technology to improve their employee-facing systems, with the vast majority of investment going on customer-facing technologies. While consumer engagement is a vital aspect of digital transformation, it is equally important that employees are also involved. The impact of this workforce engagement was outlined in Infomentum's previous report "Generating Success with Generation C".

In this report, we discuss the importance of "Gen C" within the digital age. Unlike previous generations, Gen C does not represent a specific age bracket, but is defined by people's behaviour and their intense use of digital devices and channels. It is this group that are proving the key driving force behind digital transformation, through a combined mindset of restlessness, exploration, and ultimately disruption.

Driving Digital: Gartner's Nexus of Forces

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BARRIERS TO DIGITAL TRANSFORMATION

Before considering how organisations could prepare for digital disruption, our roundtable of business leaders first discussed the key factors that could hinder digital transformation. Based on their own case studies and personal experiences, they put forward the following five factors as the most common barriers to digital transformation:

1. Company culture

Achieving digital transformation will involve a lot of attempts and even more failures. Unless businesses provide a culture in which their employees can explore (and fail) without fear of reprimand, they will never survive in the digital age. To encourage this kind of culture, the new digital mindset must run throughout an entire organisation, trickling down across every department.

2. Increasing pace of change

As the rate of updates and technological innovations increases, businesses should now look to manage and improve their systems on a near constant basis. This constant change is making it increasingly difficult for organisations to keep up with their customers' evolving needs.

> As long as you're not sitting on the sidelines then failure doesn't matter. The only wrong move, is no move at all.
>
> Neil Sholay, Head of Digital EMEA, Oracle

3. Constant search for expertise

As digital continuously evolves and new technologies emerge, it becomes increasingly difficult for businesses to develop and maintain expertise. By attempting to keep up with the latest technologies, employees will require a level of continuous training that few organisations can afford.

> It's about giving people the space to play. Some things will be taken forward, some won't. That doesn't matter.
>
> Mark McDonnell, Digital Media & Operations Manager, BAE Systems

4. Cost

While the myth of digital media as a "free" marketing channel continues to prevail, the truth is that digital transformation does not come without its costs. This said however, it is also important to consider the potential cost of not innovating. Within the increasingly competitive digital space, it is the companies that fail to invest that will quickly fall behind the rest of the market.

5. Red tape and regulation

While the digital landscape can change overnight, alterations in corporate regulation and company procedures are rarely as swift. This is especially true within the defence, financial and government sectors, where hefty-regulation and data protection laws make it difficult to implement significant technological change. Regardless of this regulation, digital disruption will not wait for lawmakers and corporate policy providers to give their seal of approval. As long as the technology provides a genuine benefit for users, sooner or later it will prevail.

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GETTING STARTED WITH DIGITAL TRANSFORMATION

Based on the thoughts and opinions gathered throughout the debate, the following four steps will help to prepare you, and your business, for the future of digital transformation.

During the course of the digital transformation debate the following key themes began to emerge: selecting the right digital strategy, deciding who should lead digital within the business and opening up your IT systems. While various other issues were also discussed, these three topics appeared to surface time and time again.

In addition to flagging these issues and the potential implications they hold, this guide provides CEOs and business leaders with strategic advice in order to help ready the business for the next stage in the digital landscape.

With this in mind, the concluding section of this report identifies key predictions for the future of digital transformation. These are collated from the views of the industry leaders present at the roundtable, as well as examples of real-life challenges currently being faced by the organisations represented.

> For us it's about internal change. Making sure we bring all of our staff with us, and help them to understand what we're doing, why we're doing it, and how.
>
> Rebecca Galambos, Transformation Director, Prince's Trust

STEPS TO DIGITAL TRANSFORMATION

1. DEFINE YOUR DIGITAL STRATEGY
Where is your priority? Play to your strengths and consider your culture.

2. IDENTIFY YOUR DIGITAL LEADER
CTO, CMO, CIO or a contracted Chief Digital Officer?

3. OPEN UP AND INTEGRATE
Understand the API Economy to streamline processes.

STEP 1: DEFINE YOUR DIGITAL STRATEGY

According to research from Forrester, despite 73% of executives claiming that they have a digital strategy in place, only 14% feel that they have the processes to effectively execute that strategy.

This opinion was widely supported at the Infomentum roundtable, which highlighted the significant gap between knowing what you want to achieve, and having the confidence to take the first step. Here are three ways to get your business on the right track:

Identify where to digitise and prioritise your focus

With entire industries facing digital disruption, businesses no longer have the luxury of asking "should we be involved in the digital landscape". Instead they must now ask "where can we be involved in the digital landscape". As the early adopters carve out their own patch, businesses must be permanently on the lookout for opportunities where they can add value.

Play to your strengths

Different strategies will work for different businesses. For some large organisations, a digital strategy may have to be developed for each individual product or service. In the instance of Unilever, each individual sub-brand provides its own unique approach to digital transformation. For other organisations, the advent of big data has encouraged managers to entirely redefine their business propositions.

As one example, by harvesting customer preferences, Netflix was able to build an intuitive video streaming service that ultimately outperformed the company's DVD rental business. By adapting to this change, and adjusting their core service offering, Netflix has become a leader in a brand new digital marketplace.

73% 14%

OF EXECUTIVES CLAIM TO HAVE A DIGITAL STRATEGY IN PLACE

HAVE THE PROCESSES TO EXECUTE THE STRATEGY

> Everyone should know what your strategy is, even if it evolves and adapts as your company changes.
>
> Mark McDonnell, Digital Media & Operations Manager, BAE Systems

Think about your culture

While some industries will be open to the idea of new technologies, others may be tied by strict legislation and a rules-based culture. Furthermore, some organisations may be limited by the scope of their own business models. As an example, those with high-value B2B goods such as BAE Systems would find little benefit from building ecommerce into their digital strategy. Instead, such businesses must undertake a grassroots approach to innovation, building a custom digital strategy from within.

As a result, there is no "correct" digital strategy. In fact, the very concept of a digital strategy will soon be out of date, with businesses embracing the online landscape as just another way of doing business. As a result, each organisation should have its own approach that will need to develop organically from within. If a digital mindset is forcefully imposed from the top downwards, it is unlikely to generate the freedom and innovation necessary to survive.

> If you don't have a culture which stimulates and allows innovation you're not going to be a digital leader.
>
> Neil Sholay, Head of Digital EMEA, Oracle

STEP 2: IDENTIFY YOUR DIGITAL LEADER

For many organisations, digital ownership remains a point of contention. As it stands, only 30% of businesses have a specialist digital member on the board, with the vast majority of digital transformation being managed by either the IT or marketing department. While the arguments surrounding digital ownership still rage on, recent years have seen CMOs take the lead over digital media. Often this is due to a common perception of IT departments as too process-focused to effectively manage real-time digital communication.

30%

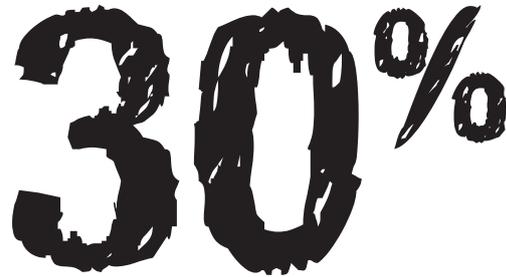## OF BUSINESSES HAVE A DIGITAL REPRESENTATIVE ON THE BOARD

Assigning an owner

While it's understandable that businesses would place this new discipline under the banner of marketing communications, the truth is that digital should not be 'owned' at all. In order to truly transform, organisations need to treat digital as an entirely new way of doing business. As such, a fresh mindset should be encouraged and allowed to expand throughout the business, not pigeonholed into one individual department.

While this would be the ideal scenario, it may not be realistic for a lot of businesses that are only just getting to grips with the digital space. As a result, our panel of business leaders widely agreed that it is still important to assign digital experts to help manage the transition. However, once a digital process has progressed internally, these teams can eventually be phased out.

Building your team

In some instances, businesses have encouraged transformation through the creation of a "digital centre of excellence", which pulls together individuals with a strong digital focus from across the company. In selecting such a team, many organisations fall into the trap of assigning purely younger staff. This is a common mistake that can limit the scope of a company's digital direction. While younger employees may be more active on social media platforms,

this is not to say that their creativity, innovation, or knowledge of technology is any better than their older colleagues. As discussed in our previous report, Generation C is not defined by age and as such, digital teams cannot be limited in this way.

In summary, the decision of who owns digital should come down to cultural factors. Businesses should look inwards to discover and utilise the people who truly know and understand new technology, whilst looking outwards for innovative ways to improve their business. As the process evolves and digital grows increasingly integrated, the need for specialist teams will eventually dissolve.

> If all of these different departments worked collaboratively together, we'd be able to change the way a business operates.
>
> Leigh Hopwood, Marketing Director, Infomentum

STEP 3: OPEN UP ...

From social networking to user-generated content, the new digital landscape thrives on two-way communication between businesses, their customers, and employees. Generation C no longer see this two-way engagement as a "nice-to-have", but rather as a basic expectation. As such, rather than demanding traditional engagement, customers now want complete editorial control. Rather than engaging with your brand, they want to help define it, creating their own products and services and ultimately steering the future direction of your company.

One of the more recent developments of this two-way mindset is the API Economy. By opening up application interfaces, businesses are providing their customers and employees with the ability to define their experiences. Rather than mining data or innovating from within, these organisations are allowing their customers transparent access to their own internal data streams. This is the ultimate example of Gen C integration, opening up corporate systems and saying, "here is our information, now go and create".

While this may be a scary prospect for many organisations to face, it is the way Generation C expects to work. By taking a back seat and trusting your customers, it may be possible to literally crowdsource your next innovation.

> The companies that kept integration as part of their business models are now truly reaping the benefits.
>
> Neil Sholay, Head of Digital
> EMEA, Oracle

…AND INTEGRATE

Systems integration was a big point of discussion in the 1990s when the merger of different technologies began pulling into focus the blueprints for the very first smartphones. After this period, industry leaders grew bored of the associated buzzwords and the integration bandwagon slowly drew to a halt. Now, with the rise of Generation C and multichannel communication, digital integration is back on the cards.

Merging together existing services into one easy-to-use bundle has long been a way to generate disruption within existing markets. Such integration not only provides a unique selling point, but is also vital for customer service and satisfaction. By placing customer satisfaction at the forefront of their online experiences, businesses can streamline their internal processes, ultimately benefiting both customers and employees.

At this point it is also worth remembering that Generation C has grown accustomed to one-click purchasing and minimised customer journeys. With such short attention spans, any opportunity to save time through integrated experiences represents a significant competitive advantage. Businesses would do well to remember this fact.

PREPARING FOR THE FUTURE

As has already been made clear, digital transformation is not a single event, but rather an on-going change in mindset. As such, while the advice here can help CEOs to prepare their businesses for change, there is no one event that they will need to prepare for. While the nature of digital transformation changes every day, there are a number of set trends that are starting to develop. With this in mind, our business leaders have provided their top five predictions for how the landscape is likely to transform.

All brands will become technology firms

All organisations will eventually switch to a technology-focused mindset. Even the most well established brands are already placing technology at the heart of their business models. Where once Nike was a sports brand, it is now a sizeable tech firm with investments in Nike+ wristbands, apps and more than 30,000 objects in its data grid.

The online and offline worlds will merge

As the Internet of Things continues to blur the lines between on and offline, businesses will no longer feel the need to distinguish between the two. While all industries will be impacted by this trend, different sectors will approach it at different times.

Developing nations will drive innovation

As high-speed internet access expands, the developing world will quickly become the new digital hotspot. By repurposing older technologies, developing countries will lead the charge on digital transformation, innovating out of necessity in an effort to solve real world problems.

Digital will be internalised, IT will be outsourced

As the rate of technological change increases, the cost of continuously upgrading will drive businesses away from IT spending. Rather than purchasing and managing technology, this function will be outsourced to external providers and software management systems. As a result, businesses will spend more time using technology to improve stakeholder experiences rather than expending resources on day-to-day IT functions.

Increasing rates of change

Year on year the pace of technological change is increasing. As such, in order to ensure continuous improvement, businesses need to be continuously reviewing their processes. This however, does not necessarily mean investing in the very latest technologies, but should instead be a more strategic examination of business needs. Once these are established, department heads can invest in the specific technologies that their customers and employees require.

> We need to make sure that digital is in the ethos of a business, in the way we improve processes, and the way we improve customer experience.
>
> Vikram Setia, Co-founder & Commercial Director, Infomentum

KEY CONCLUSIONS

The only wrong move, is no move

Businesses need to adapt to an environment of constant innovation and on-going digital disruption. While this disruption could have adverse effects on any business model, organisations that embrace the changes early on will be best protected. By exploring the digital space and considering how new technologies could improve customer experiences, some brands will even be able to turn this disruption to their advantage. By taking this opportunity to disrupt their competition, businesses have the rare opportunity to redefine their entire market sector.

Encourage innovation, then watch it grow

In the earliest days of digital transformation, employees and customers may need someone to lead the way. This could take the form of a Chief Digital Officer, or even a Digital Centre of Excellence. The role of these individuals should be to develop an open culture and to encourage the rest of the organisation to explore the digital space. Once this has been achieved, these individuals should take a step back and allow a digital strategy to develop organically from within. This should include input from as many members of staff as possible, not just the youngest or most digitally savvy recruits. Remember, enabling employees is just as important as enabling customers.

Know your strengths, but be open to change

Businesses need to consider all the resources available to them, and examine how these resources could help to improve customer experiences. It's all too easy to get hung up on your business' core service offering and close your mind to potential alternative opportunities. If Google had only ever considered itself as a search engine, it might not be here today. Instead, it saw itself as a service provider, a data collection engine and even an advertising agency. All businesses will have to adapt to this mindset, the trick is finding your niche as early as possible.

> It's not about 'doing digital', it's about doing business in a digital world.
>
> Sue Kean, Group Chief Risk Officer, Old Mutual Group

Trust your customers

Opening up your business to the world can be a daunting task. For years, managers have convinced themselves that corporate transparency is something to be feared. If businesses are to survive in the digital age, this mentality has to go. Customers are your most valuable resource, provide them with the tools necessary and leave them to create.

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ABOUT INFOMENTUM

Infomentum enables organisations to evolve successfully through digital transformation. We're here to help you achieve the innovation, cultural change and improved digital user experience you need to maintain your business momentum. Drawing on our deep business understanding, we use technology as an enabler to improve efficiency and performance to optimise the way your people and information connect. From initial planning to final implementation and beyond, we can bridge the gap between technical understanding and business strategy. We're experts at making change work.

To find out more about digital transformation and how your business can prepare for the rise of Generation C, visit : www.infomentum.com/digital-transformation

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Infomentum is a Platinum Partner and the first organisation in EMEA to be certified as specialized for both Oracle Enterprise Content Management and Oracle WebCenter, amongst other specializations. Infomentum has also been recognised as Oracle Middleware Partner of the Year 2015.

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