

The many aspects of

# DIGITAL TRANSFORMATION

WarrenWilliams



**PARITY**

Enabling Exponential Transformation



# Key areas addressed in this article

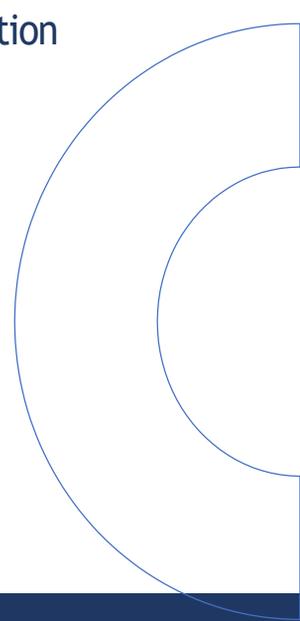
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**What** is Digital Transformation?

**Why** is Digital Transformation important?

**Who** should be involved in defining the strategy?

What are the **risks** if Digital Transformation is managed poorly?



# Introduction

Our goal with this article is to give some insights into the technical as well as people aspects to consider when implementing a digital transformation strategy in your business.

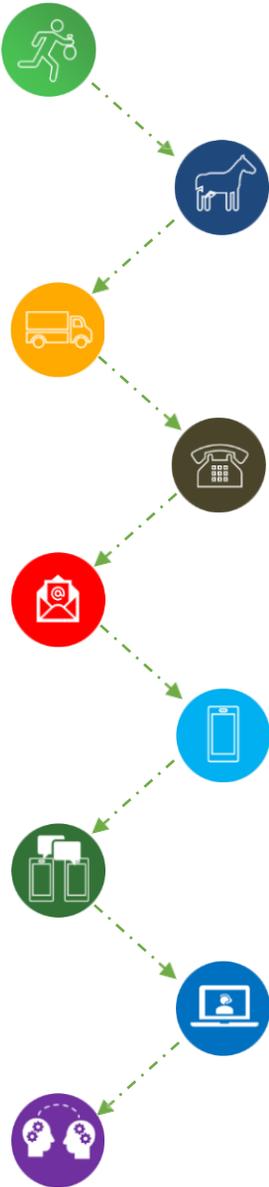
We describe the definitions of digital, analogue, transformation and change to ensure a common understanding of the term, supported by business examples.

Some guidance and suggestions are shared for the implementation of a strategy which covers all aspects of business from strategic leadership level to employee level to ensure its successful rollout and minimise risk.

The importance of senior leadership understanding and involvement as well as the management of change and its impact on the business is highlighted.

# What is Digital Transformation?

Transformation of communication over time



*Digital transformation* can be defined, in layman's terms, as the way in which we choose to utilise technology in conducting business or delivering services to our customers. In this article, we will attempt to unpack the term digital transformation in such a way that it enables you to identify opportunities for digital transformation in your own environment.

*Organisational transformation* is a process of radical change that moves an organisation in a new direction where an entirely different level of effectiveness can be achieved. This is not the same as business turnaround. Transformation implies that the underlying character of the business changes in such a fundamental way that the past structures and processes have no resemblance to the future state of conducting business.

Allow me to explain such a transformation by using an example that is industry or company non-specific, but one we can all relate to. The advancements made in the way we communicate over a long distance has been significant over the past few hundred years, and we can expect an even more significant transformation in the future. This transformation *fundamentally changed* the way in which we communicate. The infrastructure and mechanisms available to us before have *no resemblance* to the state we are in currently, and based on predictions, will be even more significantly different in the future.



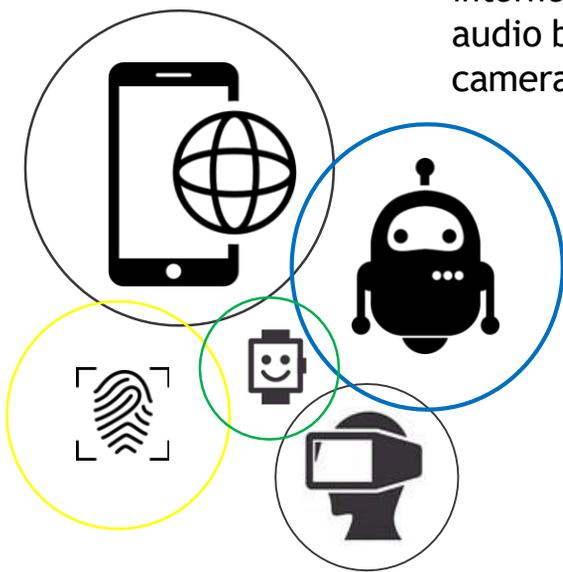
Analogue



Digital

The term *digital* describes the way data is transferred in computer language i.e. zeros (0) and ones (1). In other words, it is the transmission of data in digital terms. Any technology that relies on the use of microprocessors, computers and applications which are dependent on computers are digital. The digital platform available to us today enhances creative ways in which we can communicate and improves the overall efficiency of communication.

Contrary to an analogue communication process, digital technology refers to media which can communicate in a digital way and convey a message using digital data transfer. The word *communication* implies that a sender and receiver exists in the process, and in the case of digital communication, that both the sender and the receiver is represented by a digital device. The internet, websites, social media platforms, digital and audio books as well as digital devices such as digital cameras and mobile devices fall into this category.



It is projected that the compounded annual growth rate<sup>1</sup> of the digital transformation market will be more than 15% throughout the period 2016 to 2023. Both private and public sector organisations are considering ways in which they can *transform* their business through *technology* to improve efficiency and sustainable growth.

It is imperative that all organisations understand the impact of these advancements as well as the opportunities it presents, ultimately devising their own strategy of transformation in the digital era.

<sup>1</sup> <https://www.prnewswire.com/news-releases/the-digital-workplace-market-is-expected-to-grow-from-usd-13-4-billion-in-2018-to-usd-35-7-billion-by-2023--at-a-compound-annual-growth-rate-cagr-of-21-7-300801341.html>

Transformation does not happen overnight, even in the fast moving environments we operate our businesses in today. Any transformation process goes hand in hand with a potential sizable financial investment on the one hand as well as a well thought through people change management intervention to ensure its overall success on the other hand.



## Why is Digital Transformation important?

Digital transformation is happening and it is happening fast. The transformation will impact all industries and all areas of business going forward. Those businesses who fail to implement and deploy a successful strategy will soon be faced with challenges they may find exceedingly more difficult to overcome. Each business should consider their own challenges and conduct thorough research on the changes expected in their industries.

Below are a few examples of where digital transformation has made an impact. By acting pro-actively you can ensure your business' prolonged existence, improving competitiveness and sustaining growth in the longer term as a result.

### CUSTOMER SUPPORT

In the *customer support environment*, digital transformation has already transformed the way we support customers by utilising chat bot services which answers basic and frequently asked questions by customers *consistently*, 24 hours a day and 7 days a week. If you are currently in the support industry, and you're not already investigating your own strategies for improving support consistency and turnaround times in your business, then you may stand the chance of losing customers rapidly over the next couple of years due to poor service delivery.

The biggest challenge faced by the *transport industry* (goods or people) has been the frequency and cost of accidents in transit. These do not only endanger the lives of people but also result in huge losses in assets and goods annually. This has resulted in many companies going out of business annually due to the highly competitive nature of this industry combined with the low margins at which transport companies need to operate. Research shows that driver fatigue contributes to as much as 20%<sup>2</sup> of accidents worldwide.

Digital transformation through wearable technology can improve accident rates significantly by improving the monitoring of driver fatigue in advance, allowing the control room to manage the rotation cycle of drivers pro-actively. This will allow you to increase profits by reducing the cost of accidents and also improving the reputation of your business as a safe, consistent and dependable transport service, outperforming your competitors.

<sup>2</sup><https://www.rospa.com/road-safety/advice/drivers/fatigue/>

It is said that the *recruitment of employees* will change significantly over the next decade due to the technologies available to screen candidates. A few years ago, we saw a change in the recruitment process with the release of recruitment platforms which assisted with the screening of CV's through candidate matching to job requirements. The ability of a system to review thousands of CV's and shortlist candidates against job requirements improved efficiencies significantly. Ideal published an article indicating that CV screening can take up to 23 hours for one job vacancy. Another challenge faced in the recruitment process is the management of bias and subjectivity during the interview process itself.

Digital transformation in Facial Emotion Recognition (FER)<sup>4</sup> and ultimately Natural Language Understanding (NLU)<sup>5</sup> enables a computer to understand the input given from facial expression, texts and sentence construction to determine the underlying intent of the individual it's engaging with and enables an appropriate response accordingly. These concepts form part of the digital world of artificial intelligence which, in itself, will significantly transform not only the way in which candidates are interviewed during the recruitment process, but any engagement in business where a deeper analysis of the responses of individuals are required.



<sup>4</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5856145/>

<sup>5</sup> <https://www.expertsystem.com/natural-language-understanding-different-nlp/>



The examples provided above provide the positive impact of digital transformation in business. In some cases, businesses are forced to transform in a much more quickly, leaving little room for the implementation of long term strategies. An example of a more difficult transition is the pressure in the financial sector from FinTech disruptors. FinTech disruptors are usually smaller start-ups who focus on developing innovative technology or enhanced processes for mobile payments, insurance and other financial transactions. It is believed that over one third of full-service banks will lose to their new digital competitors due to their agile delivery and quick transformation of the traditional monetary service.

It is clear from the examples provided above that the world is changing significantly and at great speeds with digital transformation being at the centre of the changes which impacts business sustainability for the future.

Having understood the concepts of digital transformation and being provided some examples, let's go through some of the important considerations which need to be taken into account when implementing a digital transformation strategy in your business.

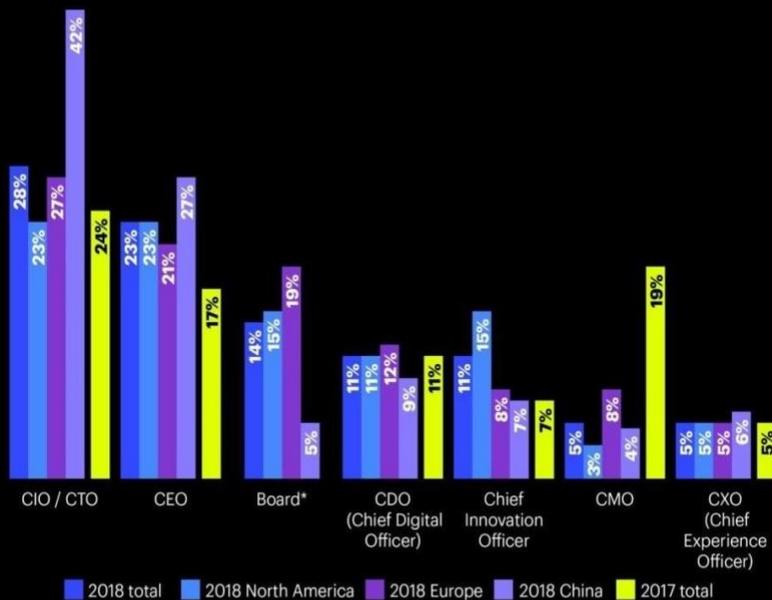
# Who should be involved in defining the strategy?

It is imperative that the vision and strategy behind digital transformation is recognised, appreciated and owned by all senior executives within your business. Traditionally, the Chief Technology / Information Officer would drive digital transformation by the mere definition of the topic. It's usually the CTO or CIO who focusses on the latest technology and infrastructure trends within business to ensure their division effectively executes on their core purpose. This is not the only senior executive who needs to drive the DT strategy to ensure its success.

Research published by Altimeter<sup>6</sup> illustrates how business is slowly realising the importance of digital transformation as an enterprise-wide endeavour, involving the *entire executive leadership team* and not only the CTO or CIO of the business.

**FIG 3: EXECUTIVE OWNERSHIP OF DIGITAL TRANSFORMATION**

Q: Which executive officially owns or sponsors the formal digital transformation initiative?



Source: Altimeter Digital Transformation Survey, Q3 2018; Base: North America N=273, Europe N=172, China N=109  
 Source: Altimeter Digital Transformation Survey, Q2 2017; Base: N=528  
 \*\*Board\* is a new addition in 2018; the 2017 data shown here has been normalized to account for this addition.

**ALTIMETER**  
 @PROPHET

<sup>6</sup> Altimeter is a Prophet company who provides independent research and strategy consulting on disruptive technology trends

## COO

The need for digital transformation should ideally start within the operational side of the business via the **Chief Operations Officer (COO)** or similar executive who identifies the need for transformation due to certain identified concerns. The COO is the executive closest to what's happening on the ground, and also deals with customer complaints as a direct result of inefficiencies within the business. The Chief Marketing Officer (CMO) should support the business case by providing information on net promoter scores, market movements, key market trends and future requirements for competitive advantage in the market segment.

The **CIO / CTO's** involvement would be similar to a development team in a software business, having to find a technical solution to a functional problem. The technical team's ability to identify the correct tools to solve the problem is only possible if the problem is clearly defined and articulated well. If not, the solution may be completely off the mark which will label the project a failure, even though the solution architecture may be excellent.

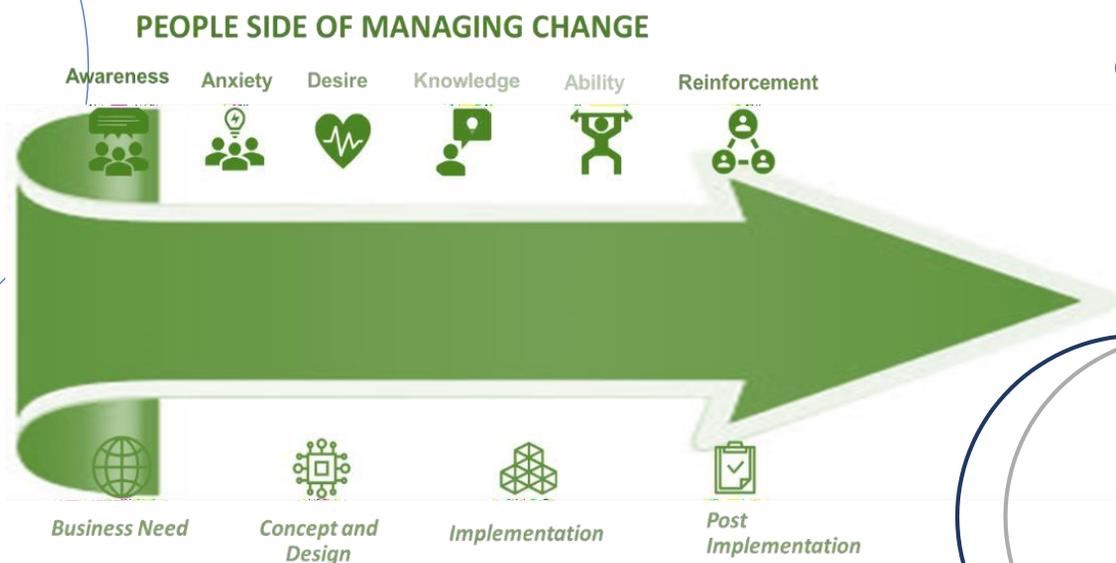
## CIO/CTO

## CFO

The role of the **Chief Finance Officer (CFO)** as part of the digital transformation strategy would be to review the business case presented by business (COO), evaluate the technical solution proposed by the CIO/CTO and assess whether the solution is worth the investment required. Needless to say, the CFO can only come to a financial conclusion if the information presented is well researched and presented. The risks and benefits of implementing the proposed strategy should also be clearly articulated by the presenting team, as well as counter-arguments on potential consequences to the business should the proposal not be implemented.

Once the business case presented is assessed as being financially feasible in principle, the **Chief Personnel/People Officer (CPO)** will be in a position to assess the potential impact on the business from a peoples' perspective. The CPO should formulate a rollout and execution plan from a change management, skills development and employee engagement point of view.

## CPO



*Image: People and Project side of change*

Finally, the presentation of the proposal should be made to the CEO and the board, where all key stakeholders will be in a position to actively participate in discussion and debate. The transformation strategy with its' associated execution plan can now be finalised.

**CEO & BOARD**

The illustration below provides insight into the flow of events which may drive a successful digital transformation strategy, as well as the typical role of each executive in the process.



Image : Executive teams' involvement in the digital transformation strategy

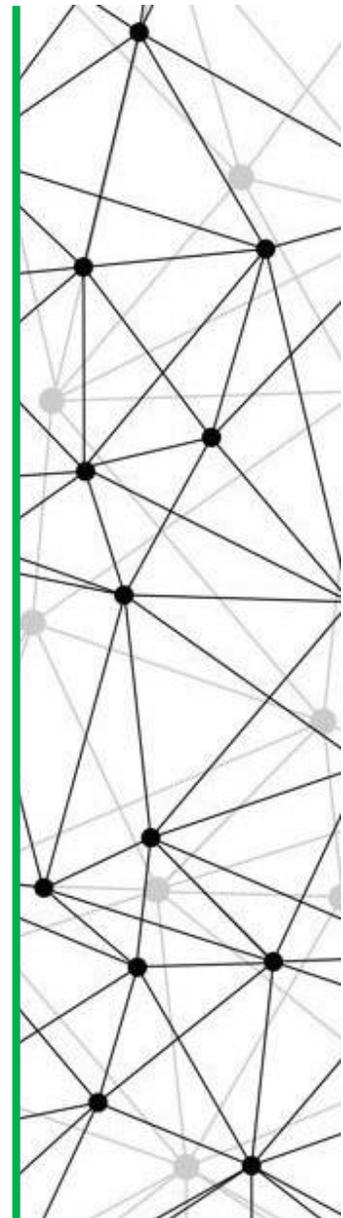
## Risks

### if poorly managed

The risk of a poorly defined and executed digital transformation strategy should not be underestimated. The efficiencies *not* gained, revenue *not* increased and market share *not* captured, will have a negative impact on your customers, suppliers and employees with an overall decline in morale due to stress, fatigue and confusion throughout the organisation. The loss in business confidence as a result of lost investment and opportunity may impact any future attempts to execute an effective digital strategy.

The success lies in a clearly defined strategy, owned by senior executives, but also the quality and commitment of the execution of the plan throughout the business. This calls for a clear understanding of the impact of change (*any change*) on employees, customers and suppliers and how best to manage this impact through proper change management practices.

If the impact is big, the potential negative emotions experienced can be managed by making sure the message communicated forms an integral part of the overall strategy. The care taken by the Exco and CPO in announcing the change, collaborating with individual employees and presenting the potential benefits of the change will ensure a much quicker and smoother transition towards a more positive response.



The below timeline illustrates the phases people go through when faced with a big change. In some cases, the change may be experienced as entirely positive with very little negative impact. The emotional impact (intensity and duration) will depend largely on the significance of the change and its direct impact on the individual or team.

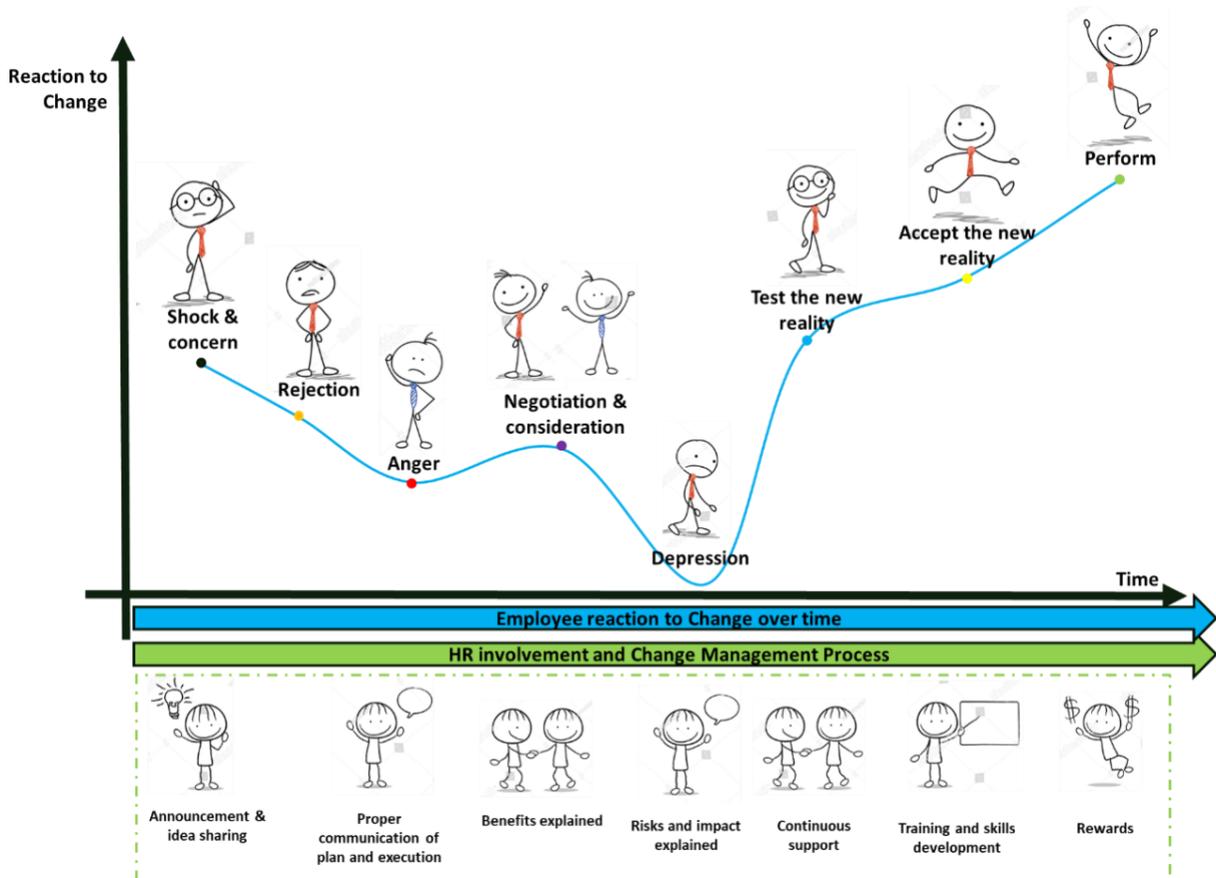


Image : Employee reaction to change and HR's involvement in change management process

A well thought through change management strategy which includes clear communication and support to enable and facilitate the transition is critical to the success of the project.

# Conclusion

We hope that this article provided you with some food for thought in rolling out a digital transformation strategy in your business.

Every business expecting longevity and future growth (regardless of industry) needs a well-defined digital transformation strategy supported by a well thought through change management process.

Having someone on-board who understands the micro and macro variables which the business needs to deal with and manage in rolling out such a project will improve the success of its execution significantly.

If you have any contributions or addendums that you would like to add to this article, please feel free to contact Warren Williams at [warren@parity.co.za](mailto:warren@parity.co.za).

Alternatively, contact our office:

 +27 861 PARITY

 +27 11 728 2999

 [info@parity.co.za](mailto:info@parity.co.za)