

Developing a Digital Transformation Strategy

WHITEPAPER

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Introduction

In today's digital first world, technology has become an immutable part of our daily lives. The convergence of megatrends, such as Big Data, Artificial Intelligence, Mobile, Cloud, and Social Technology, is rapidly rewriting the business landscape, transforming consumer behavior and disrupting long-standing business processes.

Organizations are facing increasing pressure to implement technological advancement strategies to remain competitive and relevant in the market. With digitally-driven companies reporting benefits that run the gamut from lowered costs to improved customer satisfaction, efficiency, decision-making and speed-to-

¹ <https://www.gartner.com/document/3678617?srclid=1-8619339564>

market, the impetus to embrace digital transformation goes well beyond the reflexive desire to adopt 'the next big trend'. Indeed, for some industries it is a case of adapt or die – either learn to strategically leverage digital technologies or get left behind.

Gartner's recent 2017 CEO Survey¹ reveals that forty-two percent of respondents said “digital first” or “digital to the core” is now their company digital business posture.

Forty-seven percent of CEOs surveyed are being challenged by the board of directors to make progress in digital business, while fifty-six percent said that their digital improvements have already improved profits.

Despite these promising statistics, more than half of respondents (53%) could not provide a clear metric for digital transformation and success.

Digital transformation, like many industry voguisms, is accompanied by a sense of urgency, but also a general lack of clear, quantifiable measures for successful implementation. Bombarded with information from a dizzying array of sources, organizations know they must act, but remain unclear on the How, When and What.

This paper delves into the challenges businesses are likely to face on their digital transformation journey, and sets out actionable steps to overcome these barriers and implement a successful Digital Transformation Strategy in your organization.

What is Digital Transformation?

It is clear that implementing a considered digital transformation strategy has become imperative to business success in the age of rapid technological advancement. But what is digital transformation, exactly?

Definitions vary and digital transformation may mean different things for different segments of society, or even within individual organizations. Digital transformation has become an umbrella term to indicate changes associated with the adoption of digital technology across all spheres of human society, including government, science, medicine, social and business.

In the context of digital business transformation, the term can be broadly defined as:

The profound transformation of business and organizational activities, processes, competencies and models to fully leverage the changes and opportunities of a mix of digital technologies and their accelerating impact across society in a strategic and prioritized way, with present and future shifts in mind².

Digital Transformation is not (only) Digitization

Often, what is referred to as digitalization or digital transformation in an organization is in fact merely digitization. The distinction is an important one. Digitization is what we would commonly refer to as 'going paper-less' – converting existing analog or paper-based forms or process to digital format to enable the automation of manual processes.

² <https://www.i-scoop.eu/digital-transformation/>

In contrast, digital transformation goes beyond simply automating an existing process, but also includes the overall strategic transformation and optimization of business processes and models through leveraging digital technologies.

We'll look at the common barriers to achieving such strategic transformation in the next section.

Barriers to Digital Transformation

Achieving true digital business transformation can be a complex process that not only requires a significant investment of time, money and human resources, but also profound changes to organizational behavior.

For business leaders preparing to embark on their digital journey, it is important to be aware of some of the challenges that they may need to face along the way. While specific barriers may vary from company to company, some of the most common obstacles to digital innovation will be discussed here.

Organizational Culture

Digital transformation requires fundamental changes to business operations and models across all areas of the business. Simply investing in new technologies is not enough, and needs to be coupled with strategic shifts in organizational behavior that promote a 'digital first mind set' across the whole enterprise.

The notion of a 'digital first' or 'digital to the core' culture is rooted in the understanding that championing digital innovation is everyone's job. A holistic digital transformation strategy calls for the breakdown of

internal silos and an ethos of integration, collaboration and innovation.

'Going digital' is not a bolt-on technical project that runs its course with a clear beginning, middle and end. Instead, it is a continuous improvement process that becomes central to the way the business operates, permeating every level of the decision-making process.

Deep organizational change does not happen overnight. It takes strong leadership to articulate and promote the business' long-term vision and inspire the behavioral changes essential to digital success.

Lack of Expertise

In order to drive technological innovation, organizations need to arm their existing workforce with the necessary digital skills. In addition, there may be a need to recruit staff with a solid understanding of the ever-changing digital landscape, who are unafraid to experiment and challenge long-standing business processes.

Investing in digital training for employees can help develop the expertise needed to drive your digital strategy. However, the staggering pace of technological change means that keeping abreast with new developments in the industry is an exercise in life-long (or at least career-long) learning.

While it may not be financially viable to maintain continuous formal training programmes for your team, there is a wealth of inexpensive or free resources available for those motivated to learn, including webinars, whitepapers, business case studies, blogs and industry reports. Investing in access to insights and resources published by a reputable research and advisory firm such as Gartner could give you an edge when it comes to sourcing reliable educational content.

Instilling an appetite for learning within your organization goes hand in hand with fostering a 'digital first' culture across enterprise, as already touched on in this paper. In an organization committed to championing digital innovation, the task of cultivating the necessary expertise and knowledge becomes everyone's responsibility.

Costs

While it can be argued that the cost of not investing in digital is far greater than the capital investment needed to implement business transformation strategies, it has to be said that digital transformation does not come cheaply.

Organizations dipping their toes into the digital market may find that the expenses pile up quickly. Implementing a digital transformation strategy may require costly replacements of legacy systems, upskilling employees or hiring new talent, investing in emerging technologies, or funding research and development.

In addition, technology leaders will most likely need to secure buy in from financial decision-makers within the business before a penny is spent. Here, a well-structured strategy is essential to help convince stakeholders to dig into their pockets.

Digital innovation is not a one-off expense. A detailed plan identifying short-, mid- and long-term goals and the strategic capital investments needed to hit those targets will help pave the way to achieving your digital ambitions.

Computing ROI

The real value of your digital investments can be difficult to measure. The benefits of digital transformation initiatives are mostly cumulative and focussed on long-term growth across the value chain, rendering traditional ROI calculations unfeasible.

This presents a challenge for business and technology leaders pressured to deliver a business case for continued investment in disruptive digital technologies.

[Forrester](#), one of the world's leading research companies, offers invaluable insights into building a business case for digital transformation. You can find a link to this resource in the **Recommended Further Reading** section of this paper.

Risk Factor

Disruptive transformation is inevitably accompanied by an element of risk and experimentation. Embracing digital innovation often means moving away from old, tried and tested business models in favor of new, unestablished practices.

Frequently, implementing a new strategy simply doesn't pay off as expected and it's back to the drawing board.

While careful planning and risk assessments can help mitigate the impact of disruptive digital technologies on organizations, there's no fail proof route to success. Get comfortable with failure, keep experimenting and learn from your mistakes.

Overcoming these challenges may seem like a Herculean task for companies of any size. For those willing to prevail and embrace change, however, the pay-off can be immense. In the next section, we'll look at practical steps to develop an informed digital transformation strategy.

Steps towards a Digital Transformation Strategy

Every company is different and what works for one may not necessarily work for another. However, there are a few basic steps you can follow to help formulate the digital transformation strategy that is right for your business.

What does digital mean for you?

As mentioned above, digital transformation will look different for every company. The first step towards developing a strategy for digital transformation is defining what digital success would look like for your organization.

This could be as simple as moving away from paper-based processes to digital forms, or a more complex overhaul of business models, processes and products.

Start with a vision and then work on setting goals to achieve this. What that vision is may depend on a single individual such as a CEO or CIO, an executive board, or may even be established through a crowd-sourcing approach that involves the entire business through workshops and surveys.

Like any business vision, this may change as you move forward, and needs to be revisited from time to time.

Think like your customer

Ultimately, your business is shaped by the needs and behaviors of your customers. It makes sense then to approach your digital initiative from the point of view of your target audience.

Understanding how customers interact with digital technologies, what their expectations are, and what pain points they have will allow you to optimize your customer experience and help inform decisions on technological investments.

What are the risks?

As already discussed, embracing digital innovation goes hand in hand with some risk and experimentation. However, that does not mean blindly rushing in only to face problems that could have been prevented by a proper risk assessment exercise.

Carefully consider the potential impact of digital disruption on your organization. If required, conduct a readiness assessment to establish your business' digital maturity, employees' digital skills and the organizational changes that would need to be made to drive a successful digital development project.

Are you in a position to conduct an effective in-house risk and readiness assessment? If not, consider calling on an independent professional to help out.

Competitor analysis

Fear of being outpaced by competitors is often a catalyst for digital transformation initiatives.

While it can be useful to keep tabs on the neighbors to find out how digital technologies are being leveraged within your industry, don't allow the activities of your immediate competitors to narrow your vision. Looking beyond your field can help you gain an understanding of wider digital trends that could affect or assist your business.

Goals and objectives

Once you've established a clear vision for your digital future, it's time to set some concrete goals to help get you there. Digital transformation can be seen as a multi-step journey and may play out across an extended time frame. Thus, short- and long-term goal setting, accompanied by actionable steps to achieve these objectives, is key.

Establish a logical starting point and decide which goals require immediate attention and which can be achieved incrementally. As with your overall vision, your goals may change as you progress and require regular review.

How do you measure success?

Perhaps one of the most challenging steps in implementing a workable digital transformation strategy is defining success metrics. Again, KPIs will vary from organization to organization, depending on their digital ambitions.

Indicators of success may include user adoption, customer reviews and feedback, new customer acquisitions, turnover, speed to implementation of new technologies, completion rates, brand value, etc.

How you define and measure return on your digital investments is up to you, the most important thing is that you do have standards in place for measuring ROI.

Are you ready to start implementing a digital transformation strategy? [Learn how Alemba Service Manager can help you do this.](#)

References

Raskino, Mark. Highlights of the 2017 CEO Survey: CIOs Must Scale Up Digital Business. Gartner.com. Published: 13 April 2017.

<https://www.gartner.com/document/3678617?srclid=1-8619339564>

Digital transformation: online guide to digital business transformation.

<https://www.i-scoop.eu/digital-transformation/>

Recommended Further Reading

Gartner:
[Foster a Growth, Not a Fixed Mindset](#). (See also: [Leadership Practices to Foster a Growth Mindset](#).)

MIT Sloan:
[The Nine Elements of Digital Transformation](#).

Forrester:
[The Business Case for Digital Transformation](#)

CIO.com:
[Change management for digital transformation: What's different?](#)

Visioncritical:
[Common digital transformation mistakes to avoid](#)

Cognizant:
[A Framework for Digital Business Transformation](#)

Altimeter:
[Six Stages of Digital Transformation](#)

Ionology:
[A Step-By-Step Guide to Digital Transformation](#)