Cognizanti

Part II

Digital Business 2020:
Getting there from here!

The Last Word
Enabling the Digitally Enhanced Business

Cognizant

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Enabling the Digitally Enhanced Business

By Bruce J. Rogow

For established companies, digital transformation isn't straightforward and simple, but by applying the following lessons, they can quickly embrace new thinking, strategies and skills that yield short- and long-term business results.

Virtually every interview I conduct with CEOs, line-of-business executives and CIOs quickly focuses on the intersection of two major, interrelated themes:

- The business model is struggling and must be reinvented if the business is to survive or thrive.

- The organization must learn to capitalize on the new digital IT capabilities that can be a transformative catalyst for a re-invigorated, more competitive enterprise.

Everyone, it seems, is now aware of the potential impact of the Internet of Things (IoT) and foundational IT architectures built around the SMAC Stack (aka, social, mobile, analytics and cloud computing), as well as the resulting metadata, or Code Halos,[1] that surround people, processes, organizations and devices. In fact, a recent survey conducted by a major business magazine showed that 72% of CEOs polled considered the rapid change of technology innovation to be one of their top three or four greatest challenges.[2]

While digital business transformation is among the most hyped terms today, most of the examples of organizations that have differentiated themselves through new forms of IT are greenfield businesses that were born digital. Most of these examples are not relevant to established, legacy Fortune 500 companies, which generate 71.9% of U.S. GDP.[3]

Since 2013, my interviews with CEOs, board members, business leaders and IT executives of legacy organizations reveal a desire to digitally enhance, if not transform, their companies into digital businesses.

These legacy leaders recognize the possible threats and opportunities for their businesses but are struggling with how to take advantage of digital's potential. During the past decade, most have gained the experiential learning and transformation required to enable profitable, practical, well-managed e-business capabilities. However, the ability to "do e-commerce" or field a few mobile apps isn't enough to capitalize on the contributions that enhanced digitization can make to the business.

Dissecting Digital Business Strategy; Distilling Learnings

Given their struggles, cynicism is emerging. The CEO of a major midwestern U.S. consumer products manufacturer told me: "I get it. IT offers much potential in almost every part of our business. But so far, everything we've tried has proven harder than expected, taken longer, had minimal if any real return, was difficult to scale across the enterprise and brought unintended consequences we hadn't considered. We get many deliverables but very few significant outcomes. We have gone into digitalization not knowing the right questions to ask and unable to produce a roadmap."

Starting with a realistic, objective assessment of the enterprise's IT base and the requisite digital capabilities is a critical first step. Yet fewer than 10% of the companies that told me they were struggling with digital business transformation conducted such an assessment. Without this type of baseline assessment, any future digital efforts are likely at risk.

Simply put, the digital spectrum comprises three types of businesses related to the role and use of IT:

- **Legacy business:** An established business model with proven markets, customers, staff, products, brand, distribution, process, financials, culture, incentives, competitors, partners, systems, technologies and

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In my IT Odyssey travels,[4] I repeatedly ask legacy and digitally-oriented enterprises what has worked, what they would have done differently, and the lessons learned throughout their digital business journeys. Successful and digitally-challenged organizations were included. Of the 130 lessons learned, the following five were most often cited as critical activities.

Lesson 1: Start with a crisp understanding of current-state capabilities and a realistic vision.

In my last *Cognizanti* article, "The Journey to 2020,"[5] I identified a broad spectrum of new enabling capabilities that will be required for a business to thrive in the next decade. Building those enabling capabilities in a large enterprise is likely to take five to 10 years or more.

behaviors. In these organizations, IT essentially augments, increases the efficiency of or optimizes business processes. Hopefully, but not always, the legacy business has a solid, healthy IT base and function.

- **Digital business:** The type of business that receives all the press and pundit attention but is dramatically different from legacy businesses because it was conceived based on a concept of what today's IT can do. From their founding, these businesses are designed to fully leverage modern SMAC technologies, employ a digital-savvy staff, have unconstrained market reach, and maintain a laser focus on e-business, unencumbered by a legacy infrastructure and ways of doing business.

- **Digitally enhanced business (DEB):** A more prudent approach for a healthy legacy business than aspiring to become a digital

Understanding the Business, Digital and IT Landscape
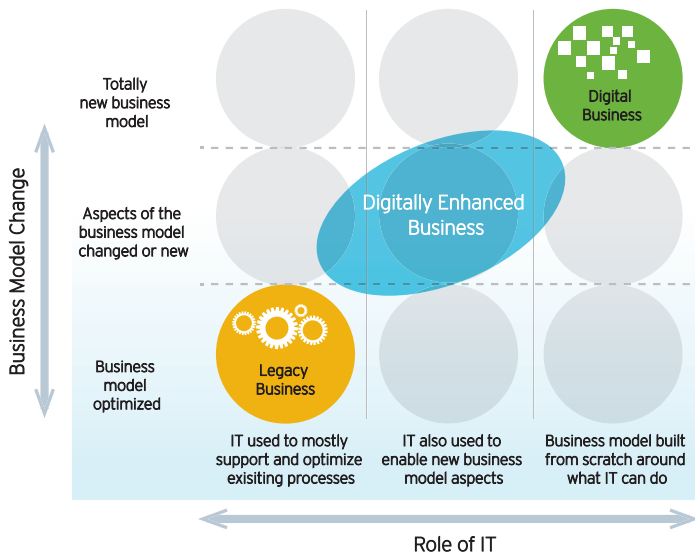
Source: IT Odyssey & Advisory Copyright 2015 © Bruce J. Rogow
Figure 1

business in the short- or mid-term. A DEB knows its IT base is solid and is converting its existing business model to take advantage of what today's IT can deliver and enable tomorrow to support necessary business model change (see Figure 1).

The most common errors cited by my interview subjects were launching digital efforts on a weak IT base or reaching beyond available digital enablement capabilities. An analysis of technical debt[6] – including systems, skills, infrastructure, data quality, architecture, IT management processes and governance – is essential. If major weaknesses are found, a remediation strategy is the next step.

Lesson 2: Add an experienced CIO to the board of directors.

Typically, boards of directors have at best a conversational knowledge of IT, from either a historical or modern frame of reference. The new digital age requires a higher level of

IT consideration and stewardship, beyond just risk and security. Many struggling DEB efforts revealed by my interview subjects were stymied or complicated at the board of directors' level.

To work around this, I believe at least one person on the board should be a CIO with practical digital leadership experience. He or she should be able to organize a board digitization sub-committee and ensure that the board asks the right questions. A vendor executive may be on the board, but there must be a person with the knowledge of what it takes to enable digitization operationally and strategically across the organization.

The CEO of a retailer told me: "All our digital strategy problems started because we on the board didn't know the right questions to ask, and we didn't have a grasp of complicating issues such as technical debt. We have so much more to learn. The addition of an experienced CIO [on the board] has gotten us back on a healthy track."

Lesson 3: Recognize that digitization demands a three-tiered management structure.

The journey to a DEB or digital business is a major endeavor. One of my previous *Cognizanti* articles, "Innovation: Not a Choice But a Series of Choices,"[7] highlights the role that dedicated and well-chosen leaders play at the endeavor, program and project levels. This is exceptionally critical in any digital business initiative.

Many C-level executives struggling with digital business transformation said they had treated further digitization as a sideshow with disbursed activities and management. They viewed it as a set of independent one-off projects or activities rather than as an extended journey. Inadequate consideration was given to necessary enabling programs, ongoing support or follow-up assessments. A more formal leadership structure is required across management tiers, with each level tasked with discrete responsibilities and talents. Jumping from an amorphous digital vision to individual projects doesn't work.

A logistics company found that this type of mapping exercise helped identify which digital efforts offered the highest likelihood of early success, as well as which enabling capabilities required the most immediate buttressing; taken together, these insights provided a roadmap to guide their planning and progress. At the endeavor level, decision-makers could see that they needed resources who were familiar with the use of social media within their industry, rapid deployment of Agile software, customer mobile support processes, and staff who could support those customers.

Next, an organizational development and/or operations executive should be assigned to continually assess digital readiness, skills, incentives for digital programs, organizational structures, adequate funding, economic return from digitization efforts, organizational learning and ongoing support across the enterprise.

What seems to work is when organizations create a digital success enhancement vehicle, such as a dedicated leadership group or centers of digital excellence. One CEO described accelerating DEB progress through what he termed a blend of "hunter

Jumping from an amorphous digital vision to individual projects doesn't work.

Lesson 4: Use a digital opportunity vs. readiness analysis as a baseline and then execute to a continually refreshed digitization roadmap.

This lesson typically has numerous components. First, organizations must map opportunities presented by SMAC or Code Halo™ thinking vs. the capabilities needed to conceive, design, provision, support and refresh that digital initiative.

and gatherer" initiatives. The hunter initiatives were top-down programs in the business units to target specific business opportunities. The challenge was marshaling the requisite resources and getting key people on board. Gatherer programs identified worthwhile bottom-up digital efforts to be scaled and spread across the enterprise.

As an example, a manufacturing manager in one plant gave tablets to forklift drivers, leading to a complete rethink of routing, materials handling and shop floor coordination. After a dramatic reduction in waste and improvement in on-time shipments, the manufacturer launched a company-wide deployment.

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At a financial services firm, a gatherer program identified an office of customer agents who used a social media scan of its customers to target specific products. The following year, a hunter program based on what that one office had done led to a more sophisticated Code Halo profile kit for all customer agents.

Lastly, a business unit review of the digitization landscape should be instituted on an appropriate cadence (quarterly, semi-annually or annually). This should include the unit's digital competitive profile, digital position and strategy, opportunities, threats, digital capability strengths, plans and projects, as well as a review of the performance, support requirements and contributions of efforts underway.

Lesson 5: There can never be enough messaging, communication, dialog and marketing of DEB efforts and progress.

The conception, provisioning and success of DEB efforts must be perceived as a critical concern by the entire business. It should be seen as enabling a brighter, more exciting future for the enterprise. Every executive I interviewed noted that they'd learned that digital success was as much a cultural issue as any other aspect of enablement. Professional marketing and communications resources should herald DEB efforts and their success.

Reward and incentive programs were also cited as key. One CEO spoke of his company's "Shoulders Awards," given to staffers who stood on the shoulders of what another staffer had started to extend the DEB journey.

Stepping Up to the Digital Business Challenge

Few legacy businesses will be suddenly disrupted or displaced by new entrants. However, over time, new or existing entrants will likely use some form of digitization to attack aspects of nearly everyone's business.

Starting and accelerating progress on the journey to being a DEB can't happen on its own. Embracing the DEB concept and acting on lessons learned (such as those enumerated above) can help struggling organizations become DEB All-Stars. Ignoring these lessons would be a strategic mistake.

Note: Code Halo™ is a trademark of Cognizant Technology Solutions.

Footnotes

1 For more on Code Halos and innovation, read "Code Rules: A Playbook for Managing at the Crossroads," Cognizant Technology Solutions, June 2013, http://www.cognizant.com/Futureofwork/Documents/code-rules.pdf, and the book, "*Code Halos: How the Digital Lives of People, Things, and Organizations are Changing the Rules of Business,*" by Malcolm Frank, Paul Roehrig and Ben Pring, published by John Wiley & Sons. April 2014, http://www.wiley.com/WileyCDA/WileyTitle/productCd-1118862074.html.

2 Alan Murray, "Myth Busting the Fortune 500," *Fortune*, June 15, 2015.

3 Ibid. The 71.9% in 2014 is up from 58.4% two decades ago and 35% in 1955.

4 Each year, Bruce J. Rogow conducts independent, anonymous face-to-face interviews with over 100 business and IT executives under the IT Odyssey banner.

5 Bruce J. Rogow, "The Journey to 2020," *Cognizanti*, Vol. 7, Issue 1, 2014.

6 Technical debt is becoming a widely used term that describes the material liability or exposure inherent in an enterprise's current IT. It was originally an estimate related to the code or software development needed to complete an application, or elevate it to acceptable quality, performance and sustainability. Many organizations now view it as the estimate of the financial costs and effort needed to remediate the systems, infrastructure, data, tools, skills, IT processes and governance to bring the enterprise's IT to a point of industry parity.

7 Bruce J. Rogow, "Innovation: Not a Choice But a Series of Choices," *Cognizanti*, Vol. 5 Issue 1, 2012.

Author

Bruce J. Rogow is a Principal at IT Odyssey and Advisory in Marblehead, Mass. Known as the counselor to CIOs and CEOs on IT strategy, Bruce has for the last 15 years conducted independent, face-to-face interviews with thousands of C-level executives. Previously, he spent five years as Executive Vice-President and Head of Research at Gartner Inc. Prior to that, he was Senior Managing Principal at Nolan, Norton & Co. Bruce can be reached at Bruce@ITOdyssey.com.

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To learn more about Cognizant, please visit: www.cognizant.com.

U.S. Headquarters:

211 Quality Circle
College Station, TX 77845
Tel: +1 979 691 7700
Fax: +1 979 691 7750
Toll Free: +1 855 789 4268
Email: inquiry@cognizant.com

World Headquarters:

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll free: +1 888 937 3277
Email: inquiry@cognizant.com

India Operations Headquarters:

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraipakkam
Chennai 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
Email: inquiryindia@cognizant.com

European Headquarters:

1 Kingdom Street
Paddington Central
London W2 6BD
Phone: +44 (0) 20 7297 7600
Fax: +44 (0) 20 7121 0102
Email: infouk@cognizant.com

China Operations Headquarters:

Cognizant Technology Solutiions
(Shanghai) Co.
Zhangjiang Hi-tech Park
Building No. 5, No.
3000 Longdong Avenue
Shanghai, Pudong China 201 203
Phone: +86 21 6100 6466
Fax: +86 21 6100 6457
Email: inquirychina@cognizant.com

Philippines Headquarters:

Cognizant Technology Solutions
Philippines, Inc.
5th & 6th Floor,
8/10 Upper McKinley Road Building
10 Upper McKinley Rd.
McKinley Hill, Fort Bonifacio
Taguig City 1634 Metro Manila
Philippines
Phone: + 63-2-976-2270
Email: inquiry@cognizant.com

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