

Cognizanti

An annual journal produced by Cognizant

VOLUME 10 • ISSUE 1 2017

The Last Word
And Now for the
Hard Work



And Now for the Hard Work

By Bruce J. Rogow

Senior business and IT leaders “get it” that they must enable their enterprises to take advantage of digital opportunities. Their frustration lies in how to make that happen – and when they will see a material return.

Almost every senior business and IT executive I visit wants to exploit digital technologies to enhance and extend their business. They don’t need to be told again about digital’s importance. Nor do they need to hear additional war stories. They want to know where and how to deploy digital, as well as how to ensure their company is getting a tangible economic return.

Most appear to be playing “Whack-a-Puck” (going after perceived opportunities) or “Whack-a-Mole” (trying to catch up with the digital business standard). Additionally, while most enterprises have had some success with digital, they also find their competitors have quickly reached similar levels, and they struggle to achieve digital at scale. Paraphrasing Andy Warhol, one business services

CEO told me: “It seems most of our digital successes are famous and game-changing for [only] a few months.”

What’s needed is a more thoughtful strategy, plan and organizational approach. Enterprise leaders who are pressing ahead with digital are acting on several common realizations:

 The digital journey will likely be as prolonged as the global journey.

As the CEO of an industrial equipment manufacturer recently told me, “When we opened a sales office in Denmark in 1961, we told investors we were global. Today, fully 55 years later, we wrestle with being global every day. I think the goal of digitization will be equally long. I equate our first digital product with that Copenhagen office.”

Digitally-leading enterprises realize that digitization will be a long journey. They adjust their plans, management styles and approaches to a multi-year or decades-long perspective. Several said it was reminiscent of their globalization experience, where their companies took one step at a time, building on successes, choosing knowledgeable partners, adjusting products and services, and deploying the right people at the right place and time.

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Culture eats strategy for breakfast.

This Peter Drucker observation¹ is proving true with digitization. Many digital efforts depend on the voluntary awareness, acceptance and use by numerous stakeholders. One sales executive told me, “Our sales support team built a terrific set of digital tools for our advisors and clients, but neither had time to learn them.” An industrial products development VP lamented that technicians were ignoring their new built-in cloud-based diagnostics as they felt they knew better.

Business leaders often enact a cultural and readiness assessment of key stakeholders before launching digital efforts. They design the approach, launch, features, products, marketing and rollout based on what is learned from the assessment. Successful digital enhancement is often more about cultural adaptation and change than new technology and its application. Digital cultural assessment and activity is as critical now as it was for companies seeking to go global.

3

Organize teams according to time horizons.

As suggested above, successful digital enhancement for legacy enterprises – as well as their enablement of supporting staffs, their markets and their consumers – is often

directly related to cultural readiness, fit and adoption. Additionally, the technologies, while promising, are often complex, immature, evolving and untested. Despite the opportunities, the audience and environment within some legacy companies may not be ready.

Several business leaders described the need to restructure their organizations by timeframe or at least better link various functions working within the same time horizons.

A consumer services company, for example, established four teams:

- **The “Deliver Now Team:”** This group – which consisted of marketing, brand, product development, supply chain, distribution, sales and support – focused on the digital aspects of its existing product portfolio and markets.
- **The “Nexters Team:”** This team – which also represented the above business functions – focused on digitally enhanced products, services and markets ready for launch in 12 to 24 months.
- **The “Horizon Team:”** This group focused on anticipating and planning for the next two to three years. It also prepared the market and staff with campaigns covering market needs and internal resource capabilities over that horizon.
- **The “Possibles Team:”** The focus for this team was what the company would need to be successful four to five years out.

Rather than merely dumping a digital enhancement plan on a fully engaged set of stakeholders, these organizations acted on what they needed to do to advance organizational adaptation and work activities.



Sorry to convey this bad news, but becoming more digital costs real money, time and effort.

4 Stop chasing technology ... chase the problem or opportunity.

When I ask senior leaders about their digital enhancement plans, most reply with a litany of SMAC (social, mobile, analytics and cloud) or IoT (Internet of Things) efforts. Within this context, few cite actual business problems solved, the material economic contributions achieved or opportunities realized.

As an example, an executive at an oil field supplier described digital sensors and cloud connections placed on all pumps and valves by geography to build a big-data analysis of likely equipment failures. He has added a data science team. So far, nothing has been saved compared with the capital expended.

Instead, digital leaders start with a business outcome and then fit an appropriate set of digital enhancement tools to the cultural changes described above.

Another company in this space approached the problem differently. It wished to reduce recurring outage impact. It scanned its previous five years of repair tickets, identified the characteristics of most frequent failures, and embedded cellular sensors/alarms into 10% of its pumps, compressors and valves in 70% of its regions. For a minimum capital outlay, the company believes it has saved millions on outage prevention and recovery. By starting with the business outcome, it achieved outsized results.

5 Operationalize beyond bi-modal to tri-modal.

Gartner and other major research houses have suggested that organizations seeking to go digital need to adopt a bi-modal operating model. Mode 1 is classic IT that is focused on industrial strength, efficiency and stability. Mode 2 endeavors to increase the IT organization's agility, responsiveness and willingness to experiment. As described in my earlier *Cognizanti* article "The 50-Year Journey to Digital Business,"² digital activities performed in Mode 2 seldom migrate automatically to Mode 1. A third mode is needed to decide which Mode 2 activities must be discontinued, modified or migrated to Mode 1. Leaving these decisions and activities up to either the Mode 2 or 1 groups seldom works.

The DNA and operating models of Modes 1 and 2 are not similar, easily connected or integrated. Leaders have found they need very special staff and processes to select a future direction for Mode 2 activities; they then need to discontinue, link, integrate, adjudicate and migrate the effort, while supporting the shift of behaviors, expectations, products and processes of a Mode 2 activity to a Mode 1 footing.

6

If you're going to the future, bring money.

Sorry to convey this bad news, but becoming more digital costs real money, time and effort. Fantasizing that it can be accomplished by applying funding from cost savings doesn't work. You don't need to lose the \$800 million that Uber lost in the third quarter of 2016,³ but new, increasing investment will be required. Everyone touts GE for its progress in digitization. That wasn't funded out of the ether.

Leaders have learned that success always pivots around money, time and effort invested upfront and along the way. They all speak of continually learning, transitioning, re-training, developing, recruiting, retaining and maintaining digitally capable staff, culture, products, processes and markets.

But many are caught between a rock and a hard place. They have activist investors demanding cost reductions, splits and spinoffs. There is no best practice, but many companies are developing a credible business scenario for simultaneously making the case for necessary investment, showing the pathway forward, and then demonstrating tangible results as they build support for the further enhancements. Even though uncertainty abounds on all fronts, it's critical to develop a capital investment plan for digital initiatives, similar to what would be created for a new plant, set of stores or product.

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7

At least two types of digitization leadership are required.

We often hear that a chief digital officer (CDO) is needed to guide digitization efforts across the enterprise. While this may be true for some companies, business leaders with whom I've spoken appear to have two very distinct CDO roles in mind, each with very different mandates.

The Digital Strategist

This role provides vision and direction to advance the digital business strategy. This may involve developing new architectures, adapting the business strategy, identifying opportunities, setting priorities, establishing enablement programs, selecting the program happenators⁴ and monitoring progress. Key to this is understanding the readiness and cultural change involved, as well as the associated economics.

The digital strategist embodies a broad range of skills, talents and abilities to:

- Visualize, communicate and enable a digital future vision.
- Break the digital vision into realistic and achievable programs and projects based on realization horizons.
- Establish and govern priorities, scope and accountability through management structures and processes.

- Understand the cultural change needed for digital success.
- Get things done with resources outside the role's reporting purview while building trust and getting real commitment.

The Digital Orchestrator

The digital orchestrator acts as the overall conductor of the digital efforts and is viewed by some as the “digital control tower.” The role involves providing guidance, promotion, coordination and monitoring of all digital efforts.

To do this, the orchestrator must identify and coordinate the efforts, their major moving parts and their inter-relationships, such as data, technology, markets and activities. Inspecting and ensuring the progress of the efforts is also required. Much of the orchestrator's effort is directed at helping stakeholders over the bumps encountered, identifying resources required, and ensuring the efforts are on a pathway toward business contribution.

The digital orchestrator role embodies the capabilities, skills and talents required to:

- Break endeavors into broad programs and then into projects.
- Define, establish and manage resources; measure progress and enforce responsibilities.
- Identify and address gaps, risks, needed cultural change, conflicts, impediments and flows.

- Ensure the coordination of all enabling aspects of programs and projects, as well as benefits plans and harvesting.
- Report and escalate issues to the digital strategist on progress and impediments.

There are very few, if any, people with all the understanding, management and leadership talents or experiences for either of these roles. Digital leaders must have patience and develop or augment these roles by building tight team relationships over time. The leaders I spoke with mentioned common themes:

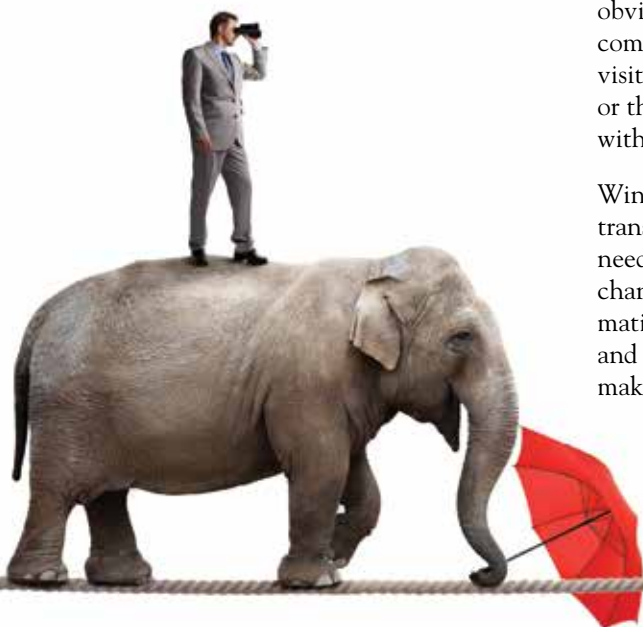
- It seldom worked to drop a “digital wizard” from Silicon Valley into the team to act as the strategist or orchestrator. These people often lacked the patience and understanding of the existing culture.
- A mix of internal and external resources worked best.
- It was essential to develop an understanding of and sensitivity to all team roles and capabilities.
- It was crucial to recognize when teams needed help, where to get it and then how to apply it.

As one CIO of a financial services firm told me: “Analytics identified our most profitable clients, and we didn't know what else we could do for them.”

Words to the Wise

These seven guidelines sound so simple, obvious and logical. But if this is so, how come fewer than 20% of the business leaders I visit annually have pursued no more than two or three of these activities on a broad base with discipline?

Winning businesses have, for the most part, transcended the promotional activities needed to gain business buy-in and cultural change; they are well along their transformational journeys. It's time for fast followers and the rest to get on with the hard work of making digitization happen.



Footnotes

- ¹ Although the quote “Culture eats strategy for breakfast” is often attributed to the late management consultant Peter Drucker, there is no proof that he ever made this statement. It does, however, reflect his management consulting philosophy. See <https://www.quora.com/Did-Peter-Drucker-actually-say-culture-eats-strategy-for-breakfast-and-if-so-where-when>.
- ² Bruce Rogow, “The 50-Year Journey to Digital Business,” *Cognizanti*, Vol. 9, Issue I, 2016, page 83, <https://www.cognizant.com/whitepapers/cognizanti-volume-9-issue-1-2016-codex2092.pdf>.
- ³ Eric Newcomer, “Uber’s Loss Exceeds \$800 Million in Third Quarter on \$1.7 Billion in Net Revenue,” Bloomberg Technology, Dec. 19, 2016, <https://www.bloomberg.com/news/articles/2016-12-20/uber-s-loss-exceeds-800-million-in-third-quarter-on-1-7-billion-in-net-revenue>.
- ⁴ A “happenator” is the person absolutely responsible and accountable for ensuring that the change happens and does so with passion. For more detail, see *Cognizanti*, Vol. 5, Issue 1, 2012, <http://www.cognizant.com/cognizanti>.



Author

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