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The Last Word

Lessons from the Digital Frontier

Lessons from the Digital Frontier

By Bruce J. Rogow

When it comes to capitalizing on digital opportunities, senior business and IT leaders must do a better job of foreseeing and overcoming key disablement factors that conspire to undermine their best efforts.

In my previous *Cognizanti* column,[1] I noted that most legacy business executives I visit[2] understand that the profitable use of digital technology is crucial to business viability and success. But on closer inspection, I get the sense that while they see the "why," they often struggle with the precise "what" – as in exactly which applications of digital will result in real, tangible, material economic contribution.

Increasingly, most senior executives with whom I meet realize that the journey to a more digitally enhanced business will not be a one- or two-year program. It seems they have a gut feeling that it will be an iterative journey, one similar in scope to what it has taken to transform their national business into a global enterprise.

I recently conducted targeted interviews with five executives who several years ago seemed to be progressing effectively toward digitally enhancing or changing their businesses. All, it turns out, had endured very similar experiences, from which the following six lessons emerged (spoiler alert: not all have succeeded).

1 They Greatly Underestimated the Time, Persistence and Struggle Involved

Four of the five executives I interviewed had quit in frustration or been fired. The one who faced the earliest, most daunting challenge had made the most significant lasting contribution. He was onto the next plateau of digital change: expanding the innovation beyond the initial case, accommodating business model change and achieving a recognized, positive material economic impact.

All the executives mentioned that they had misjudged the recognizable material outcome of their efforts by a factor of 200% or more. They, the pundits, consultants and vendors had all failed to set, communicate and resell the timeframe, difficulties and necessary course corrections involved in their initiatives.

As preliminary timeframes were exceeded, originally supportive senior executives asked increasingly difficult, often unanswer-

able questions, such as how long it would take to deliver a material contribution. As costs increased and measurable, acknowledged results were pushed out, supporters abandoned the initiative in fear that digital was a slippery slope. According to a distribution industry CIO, a member of the executive committee said the road to digital reminded him of driving from the Midwest to Disney World with his twin 6-year-old daughters in the backseat, who constantly asked, "Are we there yet? If it's much further, can we go home?" Two CIOs said they were denounced as incompetent by a CEO board member.

The one successful digital pioneer, a CIO, had strong board-level support from a former CIO and digital veteran. He said he'd had to deploy many tactics he'd learned in the Marines Corp. and as a CIO: Establish critical support at the outset; set and communicate realistic expectations; ensure a broad team comes together and stays deeply committed; expect and power through setbacks; hold the naysayers at bay; and be there to push forward as milestones are achieved.

2 They Didn't Adequately Anticipate, Focus on and Mitigate the 'Digital Disablement' Factors

Most executives who pursue a more digitally enhanced business identify and then act on what they believe to be the enablement factors of skills, sourcing, resources and process. All five of the executives I interviewed, however, said they hadn't adequately addressed what one described as the "digital disablement factors."

One oft-cited factor was corporate culture and behavioral resistance. Both the dimensions and domains of company and customer culture proved an overwhelming obstacle toward making adequate progress and buy-in. A persistent and passive-aggressive chorus hurled challenges such as: "Won't this change the nature of our business?" "Won't this cause our channel partners to abandon us?" "What makes you think our classic customers will want this?" "I know this is important to you IT folks, but I can't spare people this year."

Other digital disablement factors that should have been addressed more aggressively were accounting conventions, human resource policy and practice, incentives and a lack of slack. Three of the digital pioneers were shocked to find that the accounting system under-reported their initiative's revenue contribution while dramatically enhancing tabulated costs. To make matters worse, a continuous battle also raged with the company's economic value-added (EVA) mob, who shot down any innovation initiative if it lacked immediate and major returns.

One of the pioneers, a chief digital officer, advised: "Own the measures, or the measures of others will dominate you."

3 Their Readiness Assessment Should Have Equaled or Exceeded Risk Assessment

All of the executives did some form of risk assessment on their ventures. Unfortunately, these assessments were largely based on IT and not digital experience. With the classic IT approach, waterfall methodologies are employed, and the use of the applications is mandated as a condition of employment or to do business with the enterprise. Most digital applications and services, on the other hand, are delivered with Agile methodologies to an audience that can choose whether to use the capabilities provided. All five pioneers felt an iterative approach to enhancing risk assessment was needed.

However, the greater exposure proved to be a lack of a highly detailed readiness assessment of the exact what, how, who, when and where – not to mention the economics of the initiative. The distribution industry digital pioneer described how his company launched in the wrong place to an unprepared market,

without a cohesive team with the right skills. The new, individually customized and expanded service was aimed at smaller customers with inadequate staff at the busiest time of year. Customers were thoroughly confused, and the distributor's local reps had little interest in helping or training them. The company also never seemed to have time for adequate after-action reviews.

4 It Wasn't About the Data, Analytics, Mobile or IoT

In my previous *Cognizanti* column,[3] I noted that organizations large and small often chase the technology and not the outcome. All of the digital pioneers with whom I spoke said their projects generated great data, insights, mobile apps or clever IoT implementations.

Turning these new capabilities into business contribution and profit, however, was a struggle. The marketing executive vice-president at a pharmaceuticals business described how his company's data analytics group had discovered a major business opportunity. However, when the CEO asked what had changed in the business, the room went silent; no one knew how to turn the new knowledge into actions. He kept saying, "OK, what the h… do we do now?" Three days later, the digital analytics group was terminated.

5 Digital Enhancement Is a Totally Different Three-Ring Circus, Requiring Different Clowns for Each Ring

All the executives with whom I spoke underestimated how different digital enhancement was from classic IT transformation projects. They all had proven, experienced IT teams and users but had not thought through the implications of the three major forms of digital enhancement,[4] each of which demand totally different skills, talents, process, measures, incentives and culture:

- **Enhance the business** (efficiency, responsiveness, reach, flexibility, agility, urgency, process change).

- **Enhance the products** (intelligence, self-diagnostics and remediation, data, preventive maintenance, performance, customer experience, customer economics).

- **Change the business model** (revenue generation, required acquisitions, monetization, new markets, provocative change, broader credibility, branding change, realistic institutionalization at scale).

As an example of the final point, one pioneer led a brilliant but unsuccessful effort to more properly organize the business. With all that can be done with digital technologies, the CEO and board asked: "Why EMEA (Europe, Middle East, Africa)?" Those individual markets, products, channels, regulations and cultures have almost nothing in common, other than they can be reached from Heathrow.

Digital technologies should allow this company to organize globally by common markets, products, channels, regulations and cultures. So, they did. I'll leave it to the reader to imagine what could go wrong – much of it had nothing to do with technology.

6 They Should Have Expected, Managed and 'Opportunized' Inevitable Setbacks, Challenges, Complications

None of the five digital pioneers could identify anything they tried that actually went where they wanted, in the timeframe they predicted, with the outcome desired. As mentioned above, they hadn't properly set the expectations. The board and senior executive pundits made it worse by demanding compliance with the mantra of "first-mover advantage." For legacy businesses in the land of "We don't know what we don't know," blind faith to competitive advantage results in an unpredictable journey to digital enhancement.

The successful CIO pointed to early digital efforts that initially resulted in great customer satisfaction as a major outcome: Problem installations of the company's product dropped from 30% to less than 3%. Under a corporately funded program, digitally equipped and connected specialists planned and then monitored the installations for the first 90 days.

However, after the original corporate funding dried up, revenues failed to appear as customers refused to pay for the added attention. No one predicted this, but the CIO had warned senior leaders that there would be major issues and adjustments.

Despite initial skepticism, the board and CEO realized the business model, revenue and pricing must change from product-based to service-based. Massive marketing investments, customer communication and adjustments to accounting procedures, as well as incentives, were required. Today, related service revenues exceed the old product revenues as customers increasingly chose the service option. The enterprise is moving toward managing its entire business in this manner. It "opportunitized" what appeared to be a catastrophic setback.

Learning from Failure

The demand for digital enhancement is real. Digital enhancement requires more than teammates with the ideas, desire and passion to conceptualize a future business state brought to life with digital technologies and thinking. Happenators, as I described in an earlier *Cognizanti* article,[5] who can tackle the exact what, how, who, when and where are also required. Together, they must design and execute an outcomes-driven approach. Frankly, I seldom meet organizations that have world-class talent in both arenas.

Organizations also can't shy away from the disablement factors that undermine digital enablement. The chief digital officer of a media company cited a five-step approach:

- At the outset, identify the major and possible disablement factors.

- Rank the disablement factors and develop an offensive game plan for each.

- Monitor the status, relative exposure and progress against each disablement factor.

- Continuously identify disablement factors and review them thoroughly.

- If all else fails, go back to Step 2!

The digital game is afoot. Is your enterprise on the road to winning?

Footnotes

[1] Bruce J. Rogow, "And Now for the Hard Work," *Cognizanti*, Volume 10, Issue 1, 2017, https://www.cognizant.com/whitepapers/the-last-word-and-now-for-the-hard-work-codex2676.pdf.

[2] The focus of IT Odyssey is not on greenfield, born-digital enterprises but on large, existing, often mature businesses with legacy management, products, assets, culture, customers, markets and business models.

[3] Bruce J. Rogow, "And Now for the Hard Work," *Cognizanti*, Volume 10, Issue 1, 2017, https://www.cognizant.com/whitepapers/the-last-word-and-now-for-the-hard-work-codex2676.pdf.

[4] Bruce J. Rogow, "Enabling the Digitally Enhanced Business," *Cognizanti*, Volume 8, Issue 1, 2015, https://www.cognizant.com/whitepapers/the-last-word-enabling-the-digitally-enhanced-business-cognizanti11.pdf.

[5] Bruce J. Rogow, "And Now for the Hard Work", *Cognizanti*, Volume 10, Issue 1, 2017, https://www.cognizant.com/whitepapers/the-last-word-and-now-for-the-hard-work-codex2676.pdf.

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