Navigating the Digital Age:
Takeaways from senior leaders at top businesses who are leading the charge, worldwide.
Cognizanti is an annual journal published by Cognizant. Our mission is to provide unique insights, emerging strategies and proven best practices that globally-minded companies can use in their quest for business and IT performance excellence.

All articles published in Cognizanti represent the ideas and perspectives of individual Cognizant associates and contributors who have documented expertise in business-technology strategy and implementation. The content of the articles published in Cognizanti represents the views of the individual contributors and not necessarily those of Cognizant. They are put forward to illuminate new ways of conceptualizing and delivering global services for competitive gain. They are not intended to be, and are not a substitute for, professional advice and should not be relied upon as such.

For more insights, and to continue the conversation online, please visit our e-community at http://connections.cognizant.com or download our Perspectives app from the Apple App Store or Google Play at http://cogniz.at/itunescognizantperspectives or http://cogniz.at/googleplaycognizantperspectives, respectively.
Table of Contents

5 Editor’s Note
Learning from Those Leading With Digital

7 The First Word
Illuminating the Digital Journey Ahead

13 Telecommunications
Dial Tone Goes Digital

19 Banking and Financial Services
Digital: More About Business Than IT Change
Commentary
Just Because It’s Digital Doesn’t Mean It’s a Success

Retail/Consumer Goods
How Digital Is Reinventing Levi Strauss & Co.’s IT Business Model

Health Insurance
Consumer-Centric Transformation at Anthem: Digital and Then Some

The Last Word
And Now for the Hard Work
Learning from Those Leading with Digital

Faithful readers know full well the depths to which we explored all things digital in our recently published “Digital Business 2020” trilogy. These three issues of our publication provided a showcase for Cognizant subject matter experts to probe digital’s every bit and byte, illuminating a path forward for organizations seeking to lead in the modern digital era. While these points of view offered a vital perspective into our thinking on digital, they left a portion of the story untold: an inside perspective on what it takes to digitize work across the front, middle and back offices.

With this issue, we’ve turned the exploration of digital over to practitioners – namely, our clients. In the pages that follow, we are honored to present stories from business leaders representing top companies in their respective industries: Deutsche Telekom, UBS, Levi Strauss & Co. and Anthem. We asked these executives – veterans of the telecom, financial services, consumer brands and healthcare industries – to write from-the-trenches essays on their personal or organizational digital journeys, assessing their individual and collective business accomplishments and challenges, and gazing ahead to their near- and long-term objectives. Moreover, we asked them to offer recommendations from which their peers could benefit – essentially placing the work ahead in a distinctly human context.

We’re glad to say, these digital leaders didn’t disappoint. Representing a cross-section of business disciplines and industries, our essayists describe how their companies have established solid base camps in their full-on digital journeys.

And although the frontier can be a lonely place, these digital leaders appear undaunted. They convey an unbridled optimism that their organizations are better positioned as result of the digital bets made so far. All express the belief that digital is as much a state of mind as it is a technology adventure. And as such, they are working under the assumption that continued success will depend not just on technological advancement but also on behavioral and cultural change. Given this, they are undertaking a variety of important initiatives to demonstrate digital business benefits that can, over time, be scaled across the enterprise.

Our issue opens with a fact-based look at the digital work ahead, informed by data collected and analyzed by the Cognizant Center for the Future of Work. We then present our featured practitioners, who offer sage advice for how traditional businesses can successfully embrace digital. Also captured in this issue are commentaries from our well-connected columnists, Gary Beach and Bruce Rogow, who offer thoughtful digital business prescriptions gleaned from their face-to-face interactions with leading business and IT executives worldwide.

We hope you enjoy and benefit from the views shared by your colleagues and our commentators. And if you’d like your own digital journey featured in an upcoming issue of Cognizanti, or in our Digital Perspectives app (available both at the Apple App Store and Google Play on smartphones and tablets), contact me at Alan.Alper@cognizant.com. You can also share your point of view on our Cognizant Connections e-community.
Digital revenues will double between 2015 and 2018, according to our recent study, and slow-movers are already paying a heavy “Laggard Penalty.” Here are some insights into what it will take to succeed with the work ahead.

For many companies, embarking on digital transformation is like entering the great unknown without a compass. While it can be intimidating to navigate the uncharted territory, every organization needs to define and gauge the impending scope, scale and transformative impact of digital on its own terms. Taking a wait-and-watch approach is exactly what companies cannot afford to do. Success, to some degree, pivots on developing an intimate understanding of what lies ahead.

In this spirit, Cognizant’s Center for the Future of Work surveyed top executives around the globe, as well as futurists and MBA students, to illuminate how the digital world is taking shape. What became immediately apparent is how quickly things are moving. For the 2,000 companies we studied, digital drove $364 billion in revenue in 2015. By 2018, the estimate doubles to $770 billion in revenue per year – or a staggering $2.3 trillion in gross revenue across all companies we studied.

Clearly, the longer companies take to get on board the digital express, the more money they stand to lose in untapped revenues.

The Laggard Penalty

As Figure 1 (next page) illustrates, companies that lag behind their peers in pursuing digital initiatives pay a large annual “Laggard Penalty” – the difference in both cost and revenue gains influenced by digital technologies. This penalty only increases over time. In fact, the Laggard Penalty is projected to grow from $262.5 billion across the companies we studied, to a massive $1.3 trillion by 2018.

The penalty is especially severe in certain industries. In financial services, for instance, digital leaders are realizing, on average today, a total economic impact from digital of about 7.4% of costs and revenues vs. 3.1% for digital laggards – a 139% economic advantage.
The Looming Laggard Penalty

The penalty will vary widely by industry, but between 2015 and 2018, digital transformation laggards in each industry will forfeit a massive amount of value.

<table>
<thead>
<tr>
<th>Laggard Penalty: The difference in cost and revenue performance due to technology (in $ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare Payer</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Financial</td>
</tr>
<tr>
<td>Retail</td>
</tr>
<tr>
<td>Life Sciences</td>
</tr>
<tr>
<td>Consumer Manufacturing</td>
</tr>
<tr>
<td>Industrial Manufacturing</td>
</tr>
<tr>
<td>Healthcare Provider</td>
</tr>
</tbody>
</table>

*Base: 2,000 senior executives
Source: Cognizant Center for the Future of Work
Figure 1

Although the actual amount will vary depending on numerous factors, such as the industry, level of digital maturity and region, the average penalty across all industries is about $692 million between 2015 and 2018.

The Future Shape of Work

Businesses are optimistic about how work will improve when digital technologies are applied to customer experiences and back-office work. A vast majority (87%) expect personal productivity to increase, and most anticipate improvements in over a dozen job aspects, including efficiency, collaboration, creativity, innovation, customer service, job satisfaction and work skills.

The incredible changes in the work ahead are, to a large extent, the result of the growing ubiquity and power of the new machines, which blend artificial intelligence, algorithms, automation and big data/analytics to drive business forward.

Our respondents have a good read on how these new machines are now changing – and will continue to transform – business. Nearly all (97%) agreed that jobs and required skills will change significantly, particularly as their work becomes more strategic. Rote tasks – which still represent a substantial proportion of most individuals’ day-to-day work – will transition to the new machine, freeing up time and energy to ask better questions, craft better directions and generate more impactful innovations.

This trend will not, respondents said, lead to large-scale headcount reductions. In fact, only one-third of our survey respondents believe it “very likely” that embedding greater levels of AI across the organization will result in reduced employment at their companies.
Building the New Machine

We asked executives to name which forces would have the biggest impact on work between 2015 and 2018. The vast majority agreed that big data/analytics (99%) and AI (98%) will be the number one and two drivers of business change by 2018. Within that timeframe, every aspect of our commercial world (and much else besides) will be affected by the new machines. In short, the future of work is the mirror image of the future of AI.

Technologies that respondents said will matter most to business between now and 2020 are already in use today: cybersecurity, analytics, mobile, the cloud and sensors to instrument nearly every conceivable element of business.

Looking ahead to 2025, the picture changes. Big data and analytics will still rank near the top, but other technologies – such as Internet of Things/sensors, cybersecurity and AI – will move up dramatically, and stay there (see Figure 2).

Projected Growth in the Impact of Digital Technologies

By 2025, sensors/IoT, analytics, cybersecurity, AI and cloud will have the most business impact.

Base: 2,000 senior-level executives
Source: Cognizant Center for the Future of Work
Figure 2
With one notable exception – blockchain – all 10 of the technologies ranked as having a high impact on work by 2020 stayed in the top 10 for 2025. While blockchain’s impact is uncertain, its potential is so large that some leaders expect this technology to shape business in the coming years.

Looming Concerns Amid the Optimism

Despite their positive outlook, respondents were also clearly tuned into the obstacles and negative effects of technology on their lives and jobs. While it’s not surprising to see privacy top the list of concerns for 88% of respondents, it’s less expected to see dread about digital terrorism nearly tied for first place (87%). Fears about fraud and theft, already a daily reality for all of us, ranked high (86%), as did personal worries, such as becoming overwhelmed by information, job cuts and becoming disconnected from the natural world.

Interestingly, the MBA students and futurists we surveyed were less sanguine than the executives about the impact of technology. The students reported being overwhelmed with information, and concerned that they are losing their ability to think and process amid the digital deluge. They’re beginning to question the “always-on” environment in which they’ve grown up, and express worry that work demands are never more than a click away.

The Work Ahead

While digital transformation signals big change, senior leaders do not foresee major obstacles blocking their organizations’ digital pursuits (see Figure 3). Budget constraints top the list, but 71% of senior leaders don’t see funding as a major obstacle to becoming digital. Further, 75% of leaders don’t see security issues as a force powerful enough to stop the coming change.

If anything, digital transformation could do with a dose of reality, from the top-down. When we asked leaders how they thought their companies compared with their industry peers when it comes to benefiting from digital technologies, most said they were somewhere in the middle of the pack. But when asked what would happen by 2018,

### Obstacles to Transformation

Top obstacles include funding, security and unpredictable market conditions.

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget constraints</td>
<td>29%</td>
</tr>
<tr>
<td>Concerns about data security</td>
<td>25%</td>
</tr>
<tr>
<td>Unpredictable market and competitive conditions</td>
<td>22%</td>
</tr>
<tr>
<td>Shortage of digital talent and digital knowledge</td>
<td>20%</td>
</tr>
<tr>
<td>Uncertain ROI related to digital</td>
<td>20%</td>
</tr>
<tr>
<td>Insufficient senior management support</td>
<td>18%</td>
</tr>
</tbody>
</table>

*Base: 2,000 senior-level executives*

*Source: Cognizant Center for the Future of Work*

*Figure 3*
How Companies Rank Their Digital Progress vs. Peers
Executives seem unrealistic about the digital progress they’ll make in the next year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Above par</th>
<th>On par</th>
<th>Below par</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
</tr>
<tr>
<td>2018</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Base: 2,000 senior-level executives
Source: Cognizant Center for the Future of Work

How does your company compare to others applying digital technology?

about 40% thought they’d be average, while 60% said they would be performing better than the rest of their industry – a mathematical impossibility (see Figure 4).

The data shows – a bit painfully – that some of the future laggards still think they will be winners. The only way organizations can avoid this digital delusion is to take a hard look at the reality of where they are today. Conducting a digital audit is a good way for companies to assess where they stand.

Clearly, business leaders know that digital is vitally important, but our findings illustrate just how much is happening – fast. Organizations that don’t take the leap are missing critical opportunities to use new technologies to cut costs in the “old” and invent the “new.” The choices we make today will mean the difference between a hopeful future or an uncertain one.

To learn more, please see our full report, “The Work Ahead – Mastering the Digital Economy.”

Author

Reshma Trenchil is a Senior Manager on Cognizant’s thought leadership team. She has 16 years of experience in business news and research. Before joining Cognizant, she worked in equity research at UBS and conducted research at Deloitte. She has a master’s degree from Boston University and a bachelor’s degree from Stella Maris College. She can be reached at Reshma.Trenchil@cognizant.com.
German telecommunications giant Deutsche Telekom is reshaping its business to compete in a fully digital world – a future in which consumers expect persistent and free connectivity, with or without a mobile device. By deploying advanced technologies such as AI, Deutsche Telekom is working to deliver better customer experiences and gain stakeholder support to fund further innovation initiatives.

When I arrived at Deutsche Telekom (DT) two years ago, I was tasked with redefining our innovation strategy. It was a challenging moment, as the board had just received recommendations from a management consultant.

Focusing on innovation means focusing on the future. So we embarked on a future-mapping and scenario-analysis exercise to develop our go-forward strategy. Future mapping is a process where we define different future scenarios for our business, assess probabilities and outcomes, and then map signals. It gives our business leaders options to rehearse potential strategies to avoid extinction.

Much of what we saw in those early days was troubling. The world could look similar to today but with everything coming in via over-the-top services. As a result, communications providers will be competing against others that offer these communications and information services for free. Google and Facebook, for example, are providing services formerly exclusive to telecommunications operators. At a certain point, DT will have a hard time expanding, with industry growth rates slowing to about 1% to 2% per year. Being a telecom operator is not going to be enough.

That’s the challenge ahead, and the board of DT understood what to do. We had to challenge the status quo to avoid a slow, agonizing death spiral.

Customers of the Future

We decided to find out what our future customers would want – the kids who are now aged 10 to 16. These are the digital natives, growing up in an always-on, always-connected world. We embarked on a fun journey to find out how they thought the world would look in 2025. We talked to more than 300 kids in five countries, asking them to help us understand what will matter to them.

What we heard was challenging: “Connectivity will be a human right, and access to information will be free.” “Our lives will be fully digital.” “Everything will be networked.”
“Robots will help us live better.” And the biggest blow: “There will be no more phones.”

When we reported back, our board members were unsettled. One said if phones go away, our customers will count on us to provide privacy for their information, which made sense. The European Union has been very aggressive in implementing new privacy regulations during the past few years. We could help enforce those and implement the necessary compliance.

**Discovering New Value**

But you can’t just do things that might lead to a better future; you also have to build up the core and drive value. Like most executives, our P&L owners are focused on short-term results. So, we also needed to focus on incremental projects that would deliver results in the near term while building credibility to experiment with more innovative models. Several ongoing initiatives came out of our future mapping, including:

1. **Reinventing the customer experience at our retail stores.** We’re working to improve the store experience by applying technology to emphasize our ambition to be the digital companion to our customers.

2. **Applying artificial intelligence (AI) to provide better, lower cost customer service.** The CEO of our T-Mobile Austria unit has championed this initiative. When a customer calls, a chat window pops up and asks what’s needed. If the chatbot doesn’t know the answer, there’s a seamless handoff to a human agent. In fact, we have found live agents sometimes use chatbots to get answers to their questions, as well. We’ve recorded literally millions of chats between customers and agents and selected a subset that we use for supervised learning. Customers will rate the quality of the interaction.

   We started the initiative in Austria, and now others within the DT footprint want to apply AI technology in their call centers and stores. For call centers that have been selling phones, we can now start reimagining the in-store experience. These automated agents have super insights to answer questions. We are now bringing AI into the mainstream business.

3. **Creation of an internal €80 million innovation fund.** We need to make it attractive for our executives to think about what they might need in three years’ time. We established an innovation board that meets once a month to consider new project pitches or review reports on ongoing initiatives. The fund releases money quarterly. For example, one employee wanted to work on a distributed robot operation system, and we allocated €1 million to develop the prototype. Our people have become much more interested in talking about what they’re working on – they never used to want to share that. The participation and interest level have been great.
Encouraging a Culture of Innovation

It’s difficult to take the legacy organization along with you on a journey like this, but it’s key to your success. You can do cool digitization once you’ve translated these activities into a language the business leaders understand – how it benefits the organization. Technology for technology’s sake never worked – and it still doesn’t. Stakeholders want to know, “What’s in this for me?”

People in the organization need to feel safe with what’s happening, so you need to do incremental things while planning for the future. You can move into AI and augmented reality initiatives when stakeholders understand that the vast amount of your activity is on the conservative side. We call it the blue and the green world. Building a stable and reliable network, for example, is part of the blue world, but we need people who think about robotics and other inspiring services for this network. Improving the core business – that is 80% of what I do. But I’m still looking to the future.

Looking Ahead

Carriers have the opportunity to play an important role in shaping the future of communications and connectivity. I believe the current form of the Internet is dying or is already dead. There will be billions of devices and trillions of connections between those devices, and we need to be able to establish a connection between point A and B.

The Internet was built to assume you can trust the identity of who you’re dealing with, but that’s not the case today – the attack surface for security is exploding. In the Middle Ages, distance between humans was used to control plagues and wars. We need to achieve the same level of security that distance used to provide, perhaps in the form of unspoofable identities and more privacy.

As I’ve learned, agility and flexibility are not enough. You need to be ambidextrous: innovating for the future while delivering cost-efficiently for the business in the near term. You can’t have short-term thinking, but your model needs to point to short-term results. At the same time, you need to be willing to accept a little pain. If you only do what your competition does, you won’t gain competitive advantage. It’s a constant balancing act.
Author

Dr. Christian von Reventlow, Chief Product & Innovation Officer (CPIO) at Deutsche Telekom AG, is in charge of the group-wide innovation strategy, product development and partnering as well as corporate R&D. He controls the Deutsche Telekom product portfolio and defines the product roadmap for the group, as well as implementation in the market via systematic innovation management and corporate R&D.

Before joining Deutsche Telekom in March 2015, he held several executive positions, most recently as SVP Core platform at Nokia’s map service and navigation system subsidiary Here.com. At Here.com, he supervised the development of the first real-time cloud backbone for high-resolution maps in connected vehicles. Previously, he worked at Intel, where he was responsible for the software development of the first and second generations of Windows 8 and Android tablets, and at Avaya, where he managed the relaunch of the "Avaya Flare" videoconferencing solution.

Von Reventlow earned his Ph.D. in Electrical Engineering from Technische Universität Berlin, a diploma in physics and physical medicine from Yeshiva University, and a master’s degree in physics from the University of Sussex. He can be reached at Christian.Von-Reventlow@telekom.de | https://www.linkedin.com/in/vonreventlow/.
Digital: More About Business Than IT Change

By Herb Wildhaber

For global financial services firm UBS, digital is driving a business transformation that puts the client front and center and equips all employees, from advisors through back-office operations teams, with the tools and skills to advance that objective.

Having spent 30 years in IT, I’ve had a ringside view of the waves of innovation sweeping across the banking industry. While there’s a tendency to think of digital as an offshoot or natural progression of the last big wave, e-banking, that’s not entirely accurate. Digital is so much more, and it’s not confined to IT innovation; in fact, it impacts our entire business.

As a global bank focused on providing the best service for our clients, we were one of the first to embark on a digital journey. We’ve learned a lot along the way and continue to refine our strategy.

The early days of digital unleashed e-banking, which was essentially an additional channel for us and our customers, but it had minimal impact on how we operated. Today’s digital, on the other hand, symbolizes a fundamental change in approach – a transformation in how we operate. We’re building on our existing infrastructure and the experience gained with e-banking.

Today’s digital is about how banks serve their clients by allowing them to better serve themselves. It’s about putting clients in the driver’s seat and relinquishing control over clients’ decision-making.

An example that perfectly captures our digital journey is a mobile app that we developed for high net worth individuals (HNWI) in Asia. The app evolved from an e-banking solution to one that empowers HNWI customers to manage their investments themselves and still turn to UBS advisors when they feel the need for expert advice.

An Outside-in Innovation

For us and our financial services counterparts, perhaps the most interesting development with digital is the fact that it’s been driven by external forces. Fintechs, mostly start-ups, are leading the charge on digital
innovation, and so far, banks are happy to let them lead the way. Given their lean and nimble nature, start-ups are ideally suited for fast innovation, and banks can take more time assessing which products suit the longer term needs of their customers. Start-ups lack the brand recall and customer trust that banks have built over the years. Thus, partnerships between the two work to the advantage of both fintechs and banks.

Evidence of how much we value this collaboration is our sponsorship of the annual “Future of Finance Challenge.” This event is an opportunity for us to take in new ideas to test emerging products and services. For start-ups, it provides insight and feedback to help them further develop their products and services, which helps us progress on our digital journey.

I’ve also noted the business side’s keen awareness of what’s happening in the start-up arena. Unlike previous IT-driven innovation cycles, today’s digital is not driven by and confined to IT. People have approached me saying, “Oh, Spotify is doing this – do you think we can do it as well?” As a result, we are profiting from our collaboration with fintechs and other product-centric start-ups, and often view them more as partners than competitors.

Customer Focus Drives Digital

What strikes me as the most unique thing about digital is its focus on customers. If you think about it, digital really is about transforming the way a bank operates by placing the customer at the front and center of all we do.

It’s about learning all we can about our customers, even from before they sign on with us. It’s about anticipating their needs almost before they’ve felt them. Beyond traditional e-banking, today’s digital is all about empowering customers to make decisions on their own, if they choose, and enabling them to also turn to us when they need or want. It’s about making their association with us as seamless as possible right from their first contact with the bank.

Focusing on the customer illuminates the digital transformation journey and clarifies what we need to do. For example, it helped us realize we needed to improve our CRM systems so we could focus on prospects even before they became our clients. We needed to be able to reach out to them on the web, whether it was through mobile or a browser.

We are profiting from our collaboration with fintechs and other product-centric start-ups, and often view them more as partners than competitors.
The adoption of Agile has brought about a change in mindset in our technology organization, while also providing results to internal clients every two weeks.

Capturing the attention of potential clients, introducing the benefits we offer, learning more about clients and prospects through the way they operate, onboarding clients quickly and smoothly, making all of this a more digital experience – all of these are our goals.

**Overcoming Obstacles**

I’m now responsible for channel, CRM and distribution applications across all business groups. We support, develop and maintain the bank’s client- and advisor-facing technologies across the investment bank, the Americas’ wealth management business, the retail business in Switzerland, international wealth management and asset management.

While this is a wide array of businesses, I notice the challenges are pretty much the same across the board. For IT, it’s about how we can get software faster and more efficiently using state-of-the-art tools and methodologies with less client disruption.

**Getting Past ‘Legacy’ Technology & Thinking**

The first and possibly the biggest hurdle we encounter in this quest are legacy applications. I realized this when I moved to Hong Kong a few years ago with the mandate to shape the APAC organization to deliver on the digital agenda.

We had to change the focus from spending time on legacy applications and maintenance, to creating an organization that uses state-of-the-art methodologies and technologies, such as Agile, applications prototyping, continuous integration, Angular JavaScript, etc. It wasn’t easy, but not because of the technology – people working in IT adopt new technology relatively fast. The challenge was in changing mindsets. Convincing people to do things differently requires a bit of fancy footwork, and it’s a challenge I’ve continued to encounter in the past four years of our digitization journey.

The adoption of Agile has brought about a change in mindset in our technology organization, while also providing results to internal clients every two weeks.

For instance, our embrace of Agile facilitated intense interaction with the business on the look and feel of the mobile app for HNWIs. This style of work demanded results every two weeks. The business folks weren’t going to wait around to see the results of a change they had suggested.

**The Right People with the Right Skills**

One of the reasons we struggled to shift our focus from legacy applications was our over-reliance on external partners to stay current with new technologies. We’ve been fixing that by hiring and promoting talent from within our ranks, training them and getting them to work with our partners in the same room. We’re looking to achieve a more sustainable balance between trained in-house staff and our external partners, who provide a knowledge buffer and help facilitate the introduction of the newer methodologies and technologies.
The first step was to identify which technologies, applications and functionality is or should be in our own hands, or driven by us. The next step is ensuring we get the people on the ground to build up that knowledge internally. This involves a combination of training and on-the-job experience for existing staff and recruiting to upskill our teams.

One specific way we do this is by hiring graduate trainees, who then complete a two-year program, including training and “secondments” (i.e., the temporary transfer of a person from her normal duty to another assignment) to supplement their immersion in an existing team.

Finding the right talent to achieve this has proved trickier than we’d anticipated. This is because much of our work is still about maintenance of legacy applications – they aren’t going to disappear overnight. So we’ve had to figure out how to motivate our staff to think in terms of new technologies and their potential while keeping the engines humming, so to speak.

We look to hire people with a background in technology and an interest in learning about the banking business. I’ve also learned you don’t need only technology students. A commercially-oriented graduate who is not IT-averse can be a great extension to a technical team to enhance its understanding of the business impact and benefits.

Managing Change
Possibly the biggest challenge we’ve encountered in our digital journey is managing change. It’s definitely been tougher than the technology journey. People need to be convinced about why they should do things differently. It helps to present the benefits of digital to them personally in how they get work done.

For example, in developing the HNWI mobile app, one of our key considerations was finding ways to preserve the valuable client-advisor relationship. We therefore presented the advantages of the app: the reduced administrative burden, the ability to monitor clients’ moves and step in at opportune moments, the ability to help their clients in a more intuitive and less prescriptive manner. This approach worked, and the advisors came on board with the digital initiative.

Advice from the Trenches
If I had to sum up what we’ve learned on our digital journey, I’d say:

- **It’s crucial to articulate a clear message about digital and stick to it.** Explain the benefits, the path you intend to take and what is expected of stakeholders, and then stick to the plan.

- **A close partnership between business and IT is a must.** The real changes (e.g., future interaction with clients) significantly impact and need to be driven by business. IT brings ideas (the potential of technology) and provides technology solutions.
Agile adoption requires a major mindset change but introduces significant benefits for delivering best-fit digital solutions. Agile gets all stakeholders to buy into the end product. It provides the exhilaration of positive feedback every two weeks, which is a great antidote for inertia and resistance to change.

Fintechs are helping the banking industry drive innovation and should be viewed more as partners than competitors. Banks should keep thinking of ways they can support fintech innovation.

Author
Herb Wildhaber is Executive Director at UBS AG, where he manages delivery of channels, CRM and distribution applications for UBS globally. In his nearly 20 years at UBS, he has managed desktop standardization, automated software deployment and optimized end-user support for UBS Wealth Management and Swiss Bank; worked in application development, supporting group operations in Zurich; formed the regional application delivery team in Hong Kong, supporting wealth management; and managed the Global AD development pool in Switzerland and EMEA. Prior to UBS, he worked at Air New Zealand and IBM. Herb earned his bachelor’s of commerce and science at the University of Auckland and his MBA at IMD in Lausanne. He can be reached at Herb.Wildhaber@ubs.com | https://www.linkedin.com/in/herb-wildhaber-1b112b/.
Just Because It’s Digital Doesn’t Mean It’s a Success

By Gary Beach

To more effectively navigate their digital journeys, CIOs need to blend new approaches with some old-school thinking that is gaining new relevance today.

“Half a century ago, the life expectancy of a Fortune 500 firm was around 75 years. Now it’s less than 15 years and declining even further.”

And that’s the good news. At the recent World Economic Forum in Davos, Switzerland, Cisco Executive Chairman John Chambers warned attendees that 40% of all businesses would not survive the next 10 years. Those that do survive, he predicted, “will attempt to turn their companies into digital, techie versions of themselves. But 70% of those efforts will not succeed.”

Chambers’ forecasted failure rate is remarkably in sync with the 71% of traditional enterprise projects characterized as less than successful in The Standish Group’s 2015 “CHAOS Report.”

Given the stacked odds, how do chief information officers (CIOs) succeed at digital transformation? In recent conversations with world-class CIOs, I’ve become convinced their rallying cry should echo a lyric from The Who’s “Won’t Get Fooled Again: “Meet the new boss, same as the old boss.” In other words, at least one success factor can be taken from a lesson learned in the past: Know what “success” looks like before you get started.

Consider the words of Bill Schlough, senior vice-president and CIO for the San Francisco Giants, arguably the most tech-enabled team in Major League Baseball. “It’s not fair to call a digital transformation project a success unless you define success upfront. Otherwise, you just got lucky,” he told me recently.

It’s like playing pool, and after announcing your intent to drop the seven ball in the corner pocket, you instead put it in the side pocket. “The same logic would apply if your digital transformation project provides the ancillary benefit of helping your firm transition into a new line of business, when, in fact, you were initially just trying to enhance product quality,” Schlough said. “In both scenarios, you lose your turn.”

Meanwhile, at a recent conference I attended at Ohio State’s Fisher College of Business, the CIO at a global manufacturer shared a similar sentiment: “The only path to success is setting your objectives up front.”
Set clear objectives. Define success. Sounds old-school (old-boss) to me. And consider these four KPIs developed by the CIO at a large public utility to measure the success of his company’s digital transformation efforts:

- Revenue increase or expense reduction (previously budgeted).
- Fractional expense reduction or avoided costs.
- Process efficiency or effectiveness that cannot be measured in dollars.
- Softer goals such as corporate goodwill.

Why doesn’t this CIO use new-age “digital” metrics, such as clicks on the website or number of bills paid electronically? These, he said, are merely a means to an end. Mapping results against these four business benchmarks, he said, is the best indication of how his team’s hard work is moving the needle.

Beyond the Numbers: Why Digital Transformations Fall Short

So, if there’s nothing really new to developing a formula for digital transformation success, and it’s relatively quantifiable, why do 70% of these projects fail? I can point to four reasons.

- A lack of leadership. Three decades after the debut of the CIO role, I find many in this position have remained technology managers rather than business leaders, content to fill their calendars with engagements focused on balancing bi-modal legacy digital transformation infrastructures and KTLO – keeping the lights on. Few have enough time to assess customers’ pain and then craft solutions. Many remain obsessed with getting a “seat at the executive committee table.”

During a keynote speech at a tech conference in Boston, Dr. James L. Cash, former senior associate dean of the Harvard Business School, said this pursuit is misguided. To earn a “trusted voice” at the table, Cash suggested, CIOs should covet a more important “seat” – a seat in a customer’s office. In fact, savvy CIOs should spend a minimum of 30% of their time engaging with customers, he said.

- Digital ubiquity. Let’s state the obvious: Every employee, every department, every business requires information technology. Remember the early days of digital transformation when CIOs fought (and badly lost) the “bring your own device” battle? How simple that digital skirmish now looks. In the age of new machines powered by artificial intelligence, enough available IP addresses for every grain of sand on the planet, technology and big data everywhere, most CIOs are choking on their company’s digital exhaust. Making matters worse, modern digital tools are the most empowering technology stack ever rolled out.

Three decades after the debut of the CIO role, I find many in this position have remained technology managers rather than business leaders, content to fill their calendars with engagements focused on balancing bi-modal legacy digital transformation infrastructures and KTLO – keeping the lights on.
Larry Bonfante, CIO at the United States Tennis Association, put it well recently when he said, “Digital cannot be owned by the CIO, CDO, CMO or any other executive because it is a holistic way of doing business. Digital is not a job title, digital is not a thing, digital is not a department.” Digital transformation projects often fail because they produce too many “versions of the truth,” and the corporate ubiquity of digital projects leaves them with no clear-cut “throat to choke” when things go badly.

- **Talent disconnects.** CIOs struggle to manage workforces that now span four generations, from baby boomers to Generation Z. Many digital transformation projects at established companies remain tethered to mainframes running Cobol. Coaxing older tech workers to work “one more year, please” is a real challenge. Meanwhile, STEM skills remain scarce among millennial and Gen Z populations, which can slow progress toward creating or enforcing a digital mandate. Moreover, these workers also tend to job-hop, making it difficult for CIOs to retain competent talent.

How bad is the digital transformation talent gap? Real bad. At the end of 2016, there were 553,000 “open” tech jobs in the U.S., alone – including jobs that had been “open” for 90 days or longer! This is an ominous stat that projects out to 50 million days of lost IT productivity every quarter.

- **The “social costs.”** The rapid proliferation of AI, analytics and robotic process automation across the extended enterprise directly impacts the present, and future, employability of humans. Most CIOs pay lip service to work dislocation and corporate training and development.

Here’s eye-opening proof: In 2017, Forrester Research claims U.S. firms will invest $1.5 trillion in all kinds of digital equipment, software and services. And yet through December 2017, IDC reports that CIOs will spend a miserly $8.4 billion – or about $1,200 per company – on worker training.

The next decade will witness a seminal shift in the definition of work – work done by machines and work done by humans. As Cognizant’s Malcolm Frank, Paul Roehrig and Ben Pring write in their new book, *What to Do When Machines Do Everything*, “there will be blood.”

Newton’s third law of physics – “for every action, there is an equal and opposite reaction” – should serve as a roadmap. For every digital transformation investment they make, they should make a corresponding digital training investment.
Don’t Get Fooled Again

Forecasters are fond of suggesting that to look forward, we need to look back twice as far. In that spirit, read the script of this 1997 Apple, Inc. advertisement to forecast the current, and future, attributes CIOs must embody to successfully navigate their digital transformation journeys:

*Here’s to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently. They are not fond of rules. You can quote them, disagree with them. The only thing you can’t do is ignore them. Because they change things. While some may see them as the crazy ones, we see genius. Because people who are crazy enough to think they can change the world, are the ones who do.*

Just as Apple valued “thinking different” in the late ’90s, digital leaders today need to be committed to “changing things” and, yes, even be counted among the “misfits.” Go to any tech conference. The “crazy ones” are on-stage and in the aisles. My favorite tip: Type “digital transformation” into the search boxes of Twitter and LinkedIn. You’ll quickly find thousands of people to follow or connect with.

McKinsey & Co. calls them “unreasonably aspirational” leaders, focused on setting goals that “jar an organization into seeing digital as a business that creates value, not as a channel that drives activities.” How do you know if your digital goals are unreasonably aspirational? McKinsey advises: “If your goals are not making the majority of your company feel nervous, you probably are not aiming high enough.”

Or as Cisco’s John Chambers said, “If [your digital transformation plans] aren’t making you sweat, [they] should be.” Although it wasn’t that long ago, client/server and e-commerce initiatives called for the same levels of unreasonable aspiration and sweat. Sometimes, following the “old-boss” rules means breaking from the status quo. There’s no reason for CIOs to get fooled again.

There’s a Formula, But It Isn’t Magic

Is digital transformation a somewhat new endeavor? Absolutely! But this is where a successful CIO must apply a twist to old-boss thinking.

Set objectives. Define success. Don’t get infatuated with the latest new technology. Create governance rules that are departmentally inclusive. Get out of your office and visit customers. Set the pace of your business to theirs. Be a maverick. Develop bold, defined goals. Plan your work and work your plan, and you will be among the 30% of companies that succeed at digital transformation.
Footnotes


7 From a private IDC analyst call.


9 Apple “Think Different” advertisement, YouTube, https://www.youtube.com/watch?v=tjgtLSHhTPg.


Author

Gary Beach is the Publisher Emeritus of CIO magazine. He is also a guest columnist for The Wall Street Journal and author of the best-selling book The U.S. Technology Skills Gap. He can be reached at Garybeachcio@gmail.com | Twitter @gbeachcio.
The 163-year-old blue jeans pioneer is turbo-charging business processes by applying new management structures and digital technologies to match the pace of selling directly to consumers.

Established retailers like Levi Strauss & Co. (LS&Co.) face a tall order in dealing with fast-evolving business models and ever-changing consumer expectations. Over the past decade or so, we’ve worked toward responding to the direct-to-consumer movement. Now, digital is changing the clock speed of the company. We need to operate at the pace of the consumer, in real time, all the time.

When we sold all our products through wholesalers, we had no way to access real-time insights or act in real time. IT historically operated as an island, with control and authority over “all things IT.” The need to transcend this old-world model is what makes it so critical to properly plan and deploy digital technology. IT must be integrated, agile and responsive.

Like many companies that deal directly with consumers, we’re implementing digital tools and rethinking how we manage technology. Business-led initiatives enabled through technology are becoming the norm. Today, it’s all about where and how IT architecture intersects with business architecture. The paradigm is shifting from “business vs. IT” or “business and IT” to “business is IT, and IT is business.” There’s no distinction anymore.

Three-Pronged Mission to Transform IT

We’ve undertaken a three-step approach to fuel our digital transformation and accelerate the direct-to-consumer pace of business. Our “True North” is to ensure IT is structured and resourced (in terms of people and partnerships) to meet the requirements of our
business, in an agile and sustainable way. I think of it as “IT at the speed of (digital) business.”

Our three change imperatives include:

1. **Bring business and technology together, both organizationally and operationally, to speed up our service and capability delivery to meet digital consumer demands.** With our roots as a traditional wholesaler and brand, we did not really have direct-to-consumer interactions. With little retail of our own (though we had plans to expand our bricks-and-mortar presence) and no direct digital presence, we had a lot to do to position ourselves to engage directly with consumers. You have to be much more responsive and nimble to meet their needs. A couple of years ago, we started to shift the entire organization toward operating in real time. To get there, we’re emphasizing the technology side of the house. We needed to shore up IT’s relationship and credibility with business leaders by creating an IT structure that matches the business structure. Positioning IT leadership in matrixed roles, at both the IT and the business leadership table, has proved instrumental to our success. While we used to organize IT by technology platform, we now organize by business process – for example, e-commerce, sales and marketing. By making the technology lead part of the business leadership team, we ensure we surface the right priorities. Our business-savvy IT professionals are full partners with the business. They have a seat at the table and collaborate with their business counterparts. This allows IT to contribute and be recognized for the business value that’s created and closes the gap between what the business needs and what IT does.

This structure also drives high accountability and ownership on both the IT and business sides for the investments we make. Today, we know immediately where we are on our most important business metrics, including sell-through rates, inventory and profit margins. It used to take us weeks to figure out how we were performing. We also have a new business intelligence environment (more on that below).

2. **Build trust by shifting to fact- and metrics-based IT performance.** Historically, IT lacked business credibility from IT operations and project execution. IT work was often not aligned with business priorities, was delivered late or did not meet envisioned needs. We’ve addressed this by building a relationship rooted in strategy, transparency and predictability, supported by facts and metrics. We provide operational excellence reports that focus on how and where we’re delivering against scope and time (and where we aren’t). This is informed by more sophisticated analytical tools – visualization dashboards, collaboration tools and real-time technologies, such as ServiceNow, Tableau and SAP HANA. We can show results and measure performance and value add/ROI. Transparency and positive results build credibility and trust.

For example, three or four years ago, the business was not clear on what IT

---

A couple of years ago, we started to shift the entire organization toward operating in real time. To get there, we’re emphasizing the technology side of the house.
Business leaders are more willing to increase technology investments and to place bigger bets with IT as we have been able to measure and prove the value of our IT investments.

was working on and how IT initiatives supported strategic business priorities. It was unclear whether projects were delivered on time, on budget and on scope. Now, we have dashboards and scorecards so we know what we’re doing, why we’re doing it, how we did at executing our initiatives, and whether or not the business achieved results. Data brings clarity. After projects are completed, we measure the ROI in six- to 12- month intervals to see if we achieved the benefits outlined in the business case.

Accountability and transparency around IT results/ROI drive trust and buy-in on the business side. As a result, the appetite has grown for digital technology to drive further business transformation. Business leaders are more willing to increase technology investments and place bigger bets with IT as we’ve been able to measure and prove the value of our IT investments. Now, the IT function and the business can rely on each other to accelerate total company performance.

3. Elevate IT’s strategic relevance and influence. With the right organizational structure and strong relationships in place, coupled with proven execution, we’ve built a solid reputation and established trust with our business partners. This has unlocked strategic influence. IT’s biggest value will come from bringing new and innovative digital technologies, services, solutions and ideas to the table.

By knowing what’s needed, what’s possible and what’s required to bring it to life, IT leaders can be equal partners with business leaders. Having established the trust required to take risks with new technology projects, IT now has the strategic influence to help the business fully leverage digital’s new capabilities as they become available at an ever-increasing pace. Once you have proved that IT is reliable and predictable, you can make additional investments in innovative projects. This is the essence of our transformation.
Digital Investments that Enable Tighter Business-IT Alignment

In addition to analytics and business intelligence tools, we’re investing in the Internet of Things (IoT), RFID to accurately track inventory in the store and manage replenishment in real time, and omni-channel retail capabilities to deliver on consumer expectations. We will incorporate these capabilities in our retail environments, supporting both business-to-consumer and business-to-business with our wholesale and supply chain partners.

In summary, IT can undertake three initiatives to transition to the new digital model.

- First, get your structure and IT talent right.
- Then, build a strong reputation and performance record with your business partners based on relevance, delivery and reliability.
- Finally, unlock the true value of digital for the business by inspiring and accelerating deployment of differentiating digital technologies with and for the business.

Author

Roland Paanakker recently retired as the Senior Vice-President and CIO at Levi Strauss & Co., where he was responsible for managing all aspects of IT, ranging from strategy and innovation to IT portfolio and program execution, and IT operations. In this role, he focused on reenergizing and transforming IT into a critical growth-enabler of the company’s product and omni-channel strategies worldwide and creating technology value for Levi Strauss & Co. worldwide – accelerating top- and bottom-line growth through differentiated IT services.

Prior to joining Levi Strauss in 2014, Roland held various positions at Nike, Inc. in Europe and the U.S. over 18 years. As CIO, he was responsible for developing new information technologies that enabled Nike to become the innovative product and omni-channel leader in its industry. He also worked for IBM Netherlands. Roland holds a bachelor’s of business administration & technology from H.E.S J. van Zwijndrecht in The Hague, The Netherlands. He can be reached at https://www.linkedin.com/in/rolandpaanakker/.
Consumer-Centric Transformation at Anthem: Digital and Then Some

By Meg Rush

The digital journey requires more than the latest technology to deliver great experiences; equally important are timely and targeted consumer research, tight business and IT alignment, and a passion for delivering a great consumer experience.

Individual consumers control increasing amounts of healthcare dollars and have many choices about how to spend that money. Moreover, large employers that purchase health insurance for their employees have elevated their expectations. The ability to deliver great experiences will determine success as our industry continues to evolve.

At Anthem, consumer centricity is a key pillar of our business strategy and a focal point of our digital journey. Our focus on consumers, supported by our digital transformation efforts, is enabling us to deliver access to high-quality, affordable healthcare. From end to end and on every channel, we anchor our digital strategies to deliver exceptional consumer experiences. This ensures the work we’re doing within digital aligns with member needs and our business strategy.

We’ve learned many valuable lessons during the last two years of our “extreme makeover.” One overarching lesson: It takes a lot more than technology to deliver a rich, engaging, elegant experience. Consumer research, business and IT alignment, Agile development processes, scalable foundational...
Best-in-class consumer companies have raised the bar by delivering simple, engaging and personalized experiences.

Platforms and a passionate team – all of these are required elements for providing exceptional, frictionless experiences.

We’re aggressively tackling this challenge – and recognize that delivering exceptional experiences across all stops on the consumer journey is a marathon, not a sprint.

Start With the Consumer

Consumer expectations are rapidly increasing when it comes to their experiences with service providers, including health insurers. That’s because best-in-class consumer companies have raised the bar by delivering simple, engaging and personalized experiences.

It’s critical to understand the different types of experiences consumers need, depending on the context. To ground our teams on consumer needs, we conducted a series of consumer studies – NPS driver analysis, cross-channel voice-of-the-consumer synthesis, and deep research on our touchpoints – to determine their importance and better understand how we performed in these areas. We analyzed our end-to-end journeys and identified the critical moments that disproportionately add value to the experience.

Consumers told us their basic needs:

- **Confidence** that they are covered and will be taken care of in the event of a health issue.
- **Clarity** of coverage, free of industry jargon, to avoid negative surprises when they need to use their benefits.

Our Consumer Experience Credo

With design focused on user experience, we create with consumers in mind. A relationship is formed, and it grows, which bonds consumers with the product. We put the consumer in focus, and we do it with passion.

---

**BE SIMPLE**

Remove distractions and avoid complexity. Good design is achieved not when there is nothing more to add, but when there is nothing left to take away.

**BE EASY**

Keep an open mind, explore all the options, but pursue the path of least resistance ... for the user, not the team. Guidance should be subtle and as needed, in easy to understand functions and language.

**BE HUMAN**

Do your research, know your audience, and have empathy for their respective needs. Ultimately, we’re all human, as well as consumers – draw from our shared experiences.

Source: Anthem

Figure 1
● **Convenience** when interacting with their health plans through their channel of choice, as well as personalized, effortless service whenever they have a question or an issue arises.

Grounded with this understanding, we assessed our ability to deliver this type of experience, supported by our digital capabilities. Through an exhaustive evaluation of our existing digital capabilities, we learned we needed to overhaul our foundational technology platforms to enable the flexibility and performance required to deliver on the “personalized and effortless” interactions our consumers demand.

We started with consumer expectations, then worked backwards to reimagine our digital experiences. And rather than just comparing Anthem with other health plans to develop a strategy, we also looked outside the industry at best-in-class consumer companies to study examples of exceptional digital design. Our digital product and user experience design teams quickly realized the bar is fairly low if they only look at healthcare solutions.

We immersed ourselves in the experiences offered by brands like Netflix, Amazon, Zillow, TripAdvisor, Starbucks and Uber, which all offer clean layouts with ample white space, a defined visual hierarchy, intuitive navigation and interfaces with clear calls to action. They often feature guided experiences and warm personalized messaging that reflects the brand personality. Learning from these exceptional examples, we focused our efforts on simplicity and ease as the new norm for all of our experiences.

---

**Digital Transformation: More than Meets the Eye**

Using our understanding of consumer needs and exemplars from leading consumer-focused companies, we identified the modern, flexible and scalable digital technology platforms required to deliver on our ambition. Focusing on consumer needs helped business and IT teams operate as one – aligned on vision, goals and objectives.

To support our efforts, we transitioned our digital organizations from a traditional waterfall development approach to a modern Agile software development approach. That was a very heavy lift. Anthem is an extremely virtual company, so not only were we making the transition to Agile practices but we also had to figure out the tools to enable collaboration among virtualized work groups, teams and the larger organization. The digital business and the IT organization led the way into Agile as part of the digital transformation process, and now the entire company has rallied around Agile to transform the enterprise.

It has become very obvious that digital is much more than a new technology, or a new app. It requires an enterprise-wide approach to support the organization and truly enable the business strategy. We’re changing our culture, processes and technology – essentially how we work. We’re not only changing what we deliver to our consumers but how we deliver it.

In short, digital transformation is a massive undertaking, with many critical activities in progress on parallel tracks that need to be carefully orchestrated to deliver on consumer expectations and our ambition to be a leading consumer-focused organization.

---

We’re changing our culture, processes and technology – essentially how we work. We’re not only changing what we deliver to our consumers but how we deliver it.
Delivering Results

In 2015, we focused on the foundational elements: planning, prioritization, team building and implementation of the enterprise technology stack, which included a portal platform, digital analytics and an enterprise content management system. None of this is particularly glamorous work, but it is all crucial – and hard.

In 2016, we leveraged the foundational technology to deliver new, modern experiences to consumers, following our user-centered design principles aligned with Anthem's brand promise. We did a lot of testing directly with consumers, such as usability, navigation testing and feedback. We completely overhauled our public Anthem.com site, which serves as our front door for consumers, brokers, employers and providers. Our second launch included a fully redesigned secure member portal for 1.2 million members. And lastly, we delivered an integrated cost and quality transparency solution to one million members.

Response from our internal stakeholders and consumers has been rewarding. In the first five months following the release of our redesigned website, our public consumer portal recorded 11.3 million unique visitors, generating 65.1 million page views. Of those, 85% of the traffic came from desktop users, and 15% came from mobile devices.

During that same timeframe, we also deployed the first release of a secure member portal for an initial population of 1.2 million members. In the first five months of production, we recorded 870,000 unique visitors, generating 14.3 million page views. Of those, 88% of the traffic came from desktop users, and the remaining 12% from mobile phones and tablets.

Surpassing Expectations

The results from our digital transformation teams were even better than expected. In addition to the portals and cost transparency solutions, we rolled out a visual design update to the mobile app. Within all these complex releases, we logged an extremely manageable set of defects, all rapidly addressed by our new operating model. This was made possible by new ways of delivering quality solutions and new strategies.

One small example is our customer care model. To provide white-glove service following major releases, we formed a “hypercare” team that would be on high alert for troubleshooting after each release to direct any issues to the right team for resolution. In one case, we wound up disbanding the team in two weeks – there just wasn’t a need for it.

The results are in, and we’re pleased with our progress. During any major redesign, those affected the most are existing (returning) users. They tend to temporarily depress satisfaction scores as they get used to the new site and the new user experience. This is referred to as the “relaunch effect.”

What is encouraging is the comparison of scores from our first-time visitors with those of returning visitors who said they come monthly.

Members who are experiencing the website for the first time are giving us much higher scores (see Figure 2, next page). This will continue to raise overall scores as the “relaunch effect” abates, and the scores of both are blended together in future months.

Our work continues, and our teams continue to get even better. They are self-directed, and because they work on products, not projects, they can focus on the needs of the consumer as their overall goal and create end-to-end solutions instead of features or enhancements. Most of these teams remain intact and continually get smarter about how they work together.
Continuous Transformation

I’m very proud of the work our Anthem digital teams have accomplished to date and look forward to all that’s yet to come. We’ll continue rolling out new capabilities to our members across all lines of business. In addition, we’ll begin working on designing experiences for other stakeholders, including brokers, employers and healthcare providers.

Given how rapidly digital technologies are advancing and the innovation we’re seeing in the healthcare sector, it’s difficult to pinpoint a time when our transformation will be complete. Instead, delivering great consumer experiences is our passion and our mission. It’s the result of deliberate decisions orchestrated through a focused approach that includes listening to our consumers and developing the right culture, leadership, processes and technology to meet consumer needs. We’re excited about taking this journey and helping Anthem’s 40 million health plan members manage their health and healthcare with the best experiences possible.

Redesign Receives High Marks
First-time visitors rated the new functionality higher than repeat visitors did, indicating overall high satisfaction.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction score</td>
<td>+10</td>
</tr>
<tr>
<td>Site information score</td>
<td>+10</td>
</tr>
<tr>
<td>Recommend Anthem</td>
<td>+10</td>
</tr>
<tr>
<td>Task process score</td>
<td>+9</td>
</tr>
<tr>
<td>Site performance score</td>
<td>+8</td>
</tr>
</tbody>
</table>

Source: Anthem
Figure 2

Author
As Vice-President of Digital Solutions at Anthem, Meg Rush leads a diverse team of digital professionals whose passion and mission focuses on developing seamless digital experiences that support consumers with their health and healthcare decisions. She spearheads the company’s digital strategy, leveraging consumer research and insights to drive growth and develop new capabilities for Anthem’s online channels. Meg received her bachelor of arts degree from St. John Fisher College in New York, and her master’s of management degree from Penn State University. She can be reached at Meg.Rush@anthem.com | https://www.linkedin.com/in/meg-rush-6b624b2/.
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:

1. 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.
Culture eats strategy for breakfast.

This Peter Drucker observation 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.

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.
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.

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,”

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.
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, 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.

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 happenators 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.

Even though uncertainty abounds, 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.
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.


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

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.
About Cognizant

Cognizant (NASDAQ-100: CTSH) is one of the world’s leading professional services companies, transforming clients’ business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 230 on the Fortune 500 and is consistently listed among the most admired companies in the world.

Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.

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

Europe Headquaters:
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 Solutions (Shanghai) Co.
CN Shanghai You Do Space
ChuanQiao Road
Pu Dong New District
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

Global Delivery Centers:
Budapest (Hungary), Buenos Aires (Argentina), Guadalajara (Mexico), London (UK), Manila (Philippines), Shanghai (China), Toronto (Canada); Chennai, Coimbatore, Kolkata, Bangalore, Hyderabad, Pune, Mumbai, New Delhi, Cochin (India); Bentonville, AR; Boston; Bridgewater, NJ; Des Moines, IA; Phoenix, AZ; Tampa, FL (U.S.).

Regional Offices:
Atlanta, Boston, Chicago, Dallas, Los Angeles, Norwalk, Phoenix, San Ramon, Teaneck (U.S.); London (Canada); London (UK); Frankfurt (Germany); Paris (France); Madrid (Spain); Helsinki (Finland); Copenhagen (Denmark); Zurich, Geneva (Switzerland); Amsterdam (The Netherlands); Hong Kong, Shanghai (China); Tokyo (Japan); Melbourne, Sydney (Australia); Singapore (Singapore); Bangkok (Thailand); Kuala Lumpur (Malaysia); Buenos Aires (Argentina); Dubai (UAE); Manila (Philippines).