How to Win with Digital
A Playbook for Successful Digital Transformation

Only about 30% of digital transformation efforts actually succeed. Mostly because going digital is a complex process with many internal and external pressures. Organizations need to understand what transformation entails, avoid the pitfalls and carefully consider each facet of digital transformation. Only then can they turn ambition into achievement.

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Introduction

Many organizations, especially large ones, are struggling to implement and drive their digital transformations. In fact, only about a third of large-scale digital transformation efforts succeed. No wonder, considering the multitude of external and internal pressures and complexities that have to be addressed. External pressures snowball at the rapid pace of technological progress and corresponding changes in customer behavior. Internal legacy, complexity, stakeholders and the organization’s cultural identity often feel like a static, solid hindrance that desperately needs to be broken down and put in motion.

The right skills for digital transformation are difficult to master. You must stay on top of the latest, most significant technology. You have to keep pace with customer insights, and understand how and where they (could) influence and amplify each other into disruptive scenarios. You need to translate these scenarios into a vision and a business strategy that is enabled by digital. You must design an organization that is able to execute on this strategy. And, you have to find, train, and retain the required skills and competencies.

The result is a complex construct of activities, structures, capabilities, skills and competencies that have to be aligned and coordinated to reach specified objectives. From the many transformations we have initiated, planned and executed, clear patterns for success and failure have emerged. In this playbook, we have identified the nine traits of companies that win at digital transformation. We will see what defined their success and how they achieved it. And we’ll discuss how we can help companies reach their digital transformation goals.
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What is ‘being Digital’?

We are often asked to define what we understand being digital to be. ‘Being digital’, in itself, doesn’t have a single, clear definition. It can be interpreted in different ways. Therefore, it is important to start with our view of what digital means.

To begin, we should divide the business model into two parts: the market model and the operating model. The market model is customer-facing. It includes the products and services a company offers, the customer segments it serves, and the relationships it builds with these customers. The operating model should be organized to fully support the market model.

Being digital means **disrupting the market model**, accelerating growth platforms and **transforming the operating model**
In order to stay relevant in the digital age, traditional companies should disrupt their old market model. Companies should not only look within their own market to recognize any potentially disruptive forces. Forces causing disruption in one industry can also easily disrupt others. And some forces might not be disruptive for other industries, but can still disrupt your own. Signals for disruption might be emerging technologies, changes in the nature of supply and demand across the value chain, or competitors that cease to exist. So, it is important for companies to be aware of this and, if such forces occur, assess what benefits they could bring.

Acceleration means being able to respond quickly to changes in the market. So, how do you keep up with an ever-evolving market? By maintaining a flexible and open market model. This will also enable companies to work together, maybe even with competitors. In the end, it is most important that customers are being served in the best possible way. To achieve this, companies should be looking outside of their comfort zone.

A good example can be found the Retail industry. There are many different companies, each with its own distribution network. How cool would it be if retailers would work together, utilizing each other’s networks? This would lead to great benefits, like better delivery times, lower carbon footprints, and more. Two non-competing companies that have joined forces are Intersport and Alibaba. Intersport not only used Alibaba’s digital capabilities to improve the in-store experience, but it is also leveraging Cainiao, Alibaba’s logistics service. So, Intersport doesn’t have to reinvent the wheel. Instead, it uses Alibaba’s infrastructure to offer ultra-fast delivery. Customers within a range of five kilometers can get their products delivered within two hours of ordering.

The only way to achieve a flexible and open market model is to have an operating model that can support it. And to empower the operating model, you need to transform it. This is all about having the right capabilities and modernizing these capabilities for the digital era. This means a shift from focusing on business requirements to focusing more on customer journeys. From BI to proactive decision-making. From process efficiencies to Robotic Process Automation (RPA). From a risk-averse culture to a fail-fast culture, and from a rigid structure to an ecosystem of partners.

What defines a digital winner?

Based on our experience and research, we have identified nine traits of winners at digital:

1. **Taking a Human-Centered Design approach**
   
   *Leave your company out of the equation*
   
   The most common question we get when talking to (prospective) clients is: “Where should we start our digital transformation journey?” To find this answer, you have to start with a designer’s perspective.

   Traditionally (funny to use this word, when referring to digital…), digital and digital transformation has been about improving customer processes. Digital improved the experiences of millions of customers who interact with large corporates.

   But we found that when companies improve customer processes, they consider their customers only in the context of their own organization. A lot of companies with customer-centric ambitions fail to zoom out to see the larger picture. By taking your organization out of the equation, you will see your customers in the context of their daily lives. This broader, independent and unbiased point of view will help you find rich opportunities for creating customer and business value.

   Human-Centered Design is a process of understanding people’s needs in context of their daily lives, and then finding a solution: a product, a service, or an experience that addresses their unmet needs. The approach lets you learn directly from the people for whom you are designing. Through ethnographic research, you immerse yourself in people’s lives and come to deeply understand their needs. Next, you make sense of what is learned, identify opportunities for design, and prototype and validate possible solutions. Finally you’ll bring your solution to life, and eventually, to market as a Minimal Viable Product (MVP). In an iterative process supported by feedback-loops and further research, the MVP will be optimized and extended to maturity.

   Human-Centered Design helps take the wider perspective to find a starting point that truly matters. It also keeps you on the right path for a successful digital transformation journey, because you have kept the very people you are designing for at the heart of the process.

2. **Coping with emerging technologies**
   
   *Address the organization’s way of working*
   
   Continuous product and service delivery methods are required to support a responsive business model. A model that anticipates and adapts to changes in customer demands and behavior, and to technological advancements.

   To remain relevant, it’s important for an organization to be familiar with emerging IT trends: cloud infrastructure, robotization of processes (RPA), new development frameworks, new SDLC trends… the list of technological innovations is endless.
For organizations that sell products, keeping up with the latest technologies helps maintain and improve the products, which better serves customers and meets their changing needs. For organizations that sell services or provide service advice, keeping up with the latest trends becomes a part of their added value.

Staying relevant in the technology arena is an ongoing challenge. Here are a few tips on how to stay abreast of emerging technologies:

- **Establish a technology committee**
  Identify individuals within the company who are passionate about technology and enjoy staying ahead in the tech game. Empower those employees to assemble a technology committee and task them to provide briefings on the latest technology trends. This committee can work in conjunction with the Research & Development department and set the stage for new product or service ideas that will help the organization grow. This also benefits the organization by making everyone aware of emerging trends. Employees will be informed, which can generate enthusiasm for new initiatives.

- **Make room for research budgets**
  Briefings from the technology committee, combined with observed changes in human behavior, can help identify trends or scenarios worth pursuing. A set budget will eliminate any red tape when pursuing projects, and will reduce time-to-market as well.

- **Provide proof-of-concept**
  Before making significant changes across the organization, implement small changes, a little at a time. Measure, in real time, the trials with one team on a specific project or on a particular module before it’s rolled out to the entire organization. Proof-of-concept provides all the involved stakeholders with the needed confidence about impending changes. It will also identify any challenges that need to be addressed before a full rollout.

- **Attend trade shows**
  Trade shows can be a useful platform for gathering information on competitors’ technological stack or help secure information on ‘the next big thing’.

- **Be aware of competitors**
  Keeping a close eye on what competitors are working towards can provide insight into new technologies, and offer a sneak peek at emerging trends.

- **Hire new talent**
  Employing individuals from outside the organization’s sector can provide insight and fresh perspectives on emerging technologies or human behavior. This helps increase the gamut of technologies a company can gain exposure to.

It should not be too difficult to keep your company ahead of new technologies and consumer needs if you employ a few of these strategies. When exploring prospects, keep an open mind and don’t be afraid to think outside of the box.
3. **Not embracing a digital strategy, but digitizing the business strategy**

*Focus on doing business differently using digital*

Since the digital agenda touches upon all aspects of the business model, there is a need for a holistic view. But first, let’s put the development of digital on a timeline.

We distinguish three waves of digitization:

In the first wave, companies implement point solutions: a website, a mobile solution, or technology to improve a particular working process. Not integrated from a technology perspective or data perspective, and working as a standalone solution.

During the second wave, companies learn that there is inefficiency between solutions. There is no data exchange and no integration at company level. So the company recognizes a need for a more enterprise wide perspective, and a corporate approach to digital.

These first two waves apply to what we call ‘legacy companies’: organizations that have developed over the past decades. They’ve implemented legacy systems, and built business models upon functional operational efficiency and siloed responsibilities.

The third wave belongs to the digital companies. They have built their business model on technology and insights. They embrace the fast pace of innovation and can change where needed. Their culture is about finding new ways of doing business, and an Agile way of working.

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**You don’t need a digital strategy**

**You need a better strategy enabled by digital**

Focus on doing Business differently using Digital
Legacy companies need to change. If they don’t, digital companies will bypass them, sooner or later. In order to change, legacy companies need an enterprise perspective on digital: the Digital Enterprise.

The Digital Enterprise Model: A comprehensive perspective on the digital agenda

This framework represents all of the elements a company needs to take into consideration when transforming into a digital company. If they are considered, using the specific, defined approach, they will help the organization become digital-centric. Leave any of the elements out, and you will remain vulnerable to disrupters. Creating a perspective like this will require specific capability from leadership.

Legacy companies have an extra burden and challenge to transform their organization to a digital enterprise. But all companies – no matter their background – need an externally oriented concept of how they will achieve their strategic objectives. They need a strategy. In today’s fast-changing world, customers have the power. Companies operate in a dynamic, networked, post-industrial model distinguished by participation, collaboration and agility.
So traditional, deliberate strategic planning is losing relevance. Emergent strategies, instead, are about learning what works in practice and changing to meet those needs. They arise informally at any level in an organization.

Experimentation, innovation, and driving growth by moving into adjacent areas has proven to be successful for a large number of companies. Research and studies\(^2\) show that growth outside the core is more successful when it builds on core capabilities, assets, culture, offering and brand. And considering trait number 1, taking a Human-Centered Design approach, this experimentation should start with the customer. Ask yourself:

- Which customers do we serve and want?
- What are their needs?
- What ecosystems exist to meet those needs?
- What could we offer?
- What business model would create defensible profits?

4. Obtaining full support from leadership

_Establish a strong vision, objectives and strategic alignment_

Digital needs to be fully adopted throughout the organization – not just in some teams that are trying only to improve their own domain. Digital transformation requires full support from leadership. Leadership should have a strong vision, rooted in a customer-centric mindset, and corresponding objectives. To achieve these using digital, it is not enough to develop an isolated digital strategy. The digital strategy needs to be interwoven into the business strategy. This is obviously only possible if senior leadership supports it. Their support and leadership should cascade down into the organization. Employees should be empowered to make decisions without a cumbersome approval process, and only (digital) initiatives that are in line with the overall strategy of the organization should be executed. Empowerment will create recognition among the employees and leads to higher engagement.

But support is not just a one-off for leadership. They should be involved throughout the journey. If leadership is fully aware of the digital opportunities and initiatives, this will inspire the employees and give leadership the credibility they need. Inspiration should also come from leading by example. In order to adopt a new digital culture, employees need to change their behavior. It is important that leadership demonstrate these behaviors as an example. They can, for instance, introduce new routines or be the first to use collaboration tools that should be used throughout the organization.

To ensure that the support for digital and customer centricity is safeguarded, someone from the leadership team should be made responsible for it. This could be a CDO/CXO, but it could also be the CIO, if he or she has a strong business focus. It could obviously also be someone else in the leadership team, but it should at least be clear who is responsible, and who will provide guidance to employees.

5. Making data-driven decisions

*Harness the power of data to drive the business*

Ten or twenty years ago, a company made many decisions based on (relatively) limited knowledge of the market and the internal organization. This has changed in a major way, as there is an ocean of data available. If used properly, organizations can adapt their products and services according to data generated by their customers. But it is now also possible to buy data from other parties. The organization can make better analyses based on this extra data.

But data doesn’t only impact the customer-facing part of your business. Data can also be used for performance measurement. If certain goals and targets are set, real (tangible) data can be used to measure performance.

These analyses are required to make factual decisions. Situations can be predicted better and organizations can act accordingly. If something goes wrong, it can also be traced back more easily to discover where things went wrong.

Crucial to the success of data-driven decision-making is that the quality of the data is assured and the analyses and interpretations are executed effectively.

Besides data generated by millions of touchpoints, or big data answering the ‘how much-question’, there’s data available to organizations we refer to as ‘thick data’. Thick data is data that is generated by ethnographers, anthropologists and others adapting observation of human behavior and its underlying motivations: understanding why people do what they do. To many organizations, this is still new grounds to discover and to date, these two worlds of data have been promoted and employed by very different people. Big data has lived and still is promoted by people with analytics degrees, often residing in IT functions, while ethnographers and anthropologists live in the world of social sciences. We see the dialogue between these worlds as essential to fully harnessing the power of data to drive the business.

6. Having an Agile organization

*Prepare to be in a state of constant change*

As previously mentioned, because all markets are changing faster than ever, the operating model should also be transformed to support the ever-changing market model. The governance model and the way of working within the organization are very important elements. Companies that continue to work according to the old standards won’t survive. It is no longer sufficient to have rigid processes that process input ‘A’ simply into output ‘B’. Organizations need to be flexible and responsive. That also means that the workforce should be adapting accordingly, making the organization Agile.
One of the most important aspects is that innovation should be continuous, and development cycles short. As changes are required on short notice and at a high frequency, it is not enough to think of innovation as something to do every once in a while when the market changes. It should be at the core of your business. And by having short development cycles, it is possible to adapt faster. We used to gather requirements, develop and deliver, but that is not sustainable anymore. With this old method, by the time new functionality is delivered, it is already outdated. Short cycles enable companies to embed flexibility into the process. If the stakeholders don’t like what they see after the first cycle, the requirements need to be changed and the direction is shifted.

An Agile organization:

• has a common vision across the company, so the workforce knows what overall goal they are contributing to.

• has a flat structure and an empowered workforce, enabling rapid decision-making and more engaged employees.

• is transparent and has standardized processes with clear output.

• is not held back by legacy systems and tools. Its IT landscape should also be capable of supporting the required changes.

• is capable of bringing innovation to market quickly.

7. Having a digital culture
Adopt a culture that accelerates the change

The new digital era also asks for a different mindset. Organizations that stick to their old habits and are reluctant to change will not survive. This might sound like a bold statement, but we are convinced this applies to all (larger) companies. The speed of change differs per industry, though. Good examples of rapidly changing industries are Retail and Retail Banking. Industries changing more slowly include specialized manufacturing and Transport & Logistics. So, if the mindset needs change, behavior and culture should enable this. Again, the leadership team should be responsible for bringing this across. They need to lead by example and show the desired behavior. Additionally, it should be made very clear why changes are required. There should be a clear picture of the target culture, which is in line with the organization’s vision, goals and purpose.

A culture that enables digital transformation, or a ‘digital culture’, has a couple of must-have characteristics. First of all, risk-taking and an entrepreneurial spirit should be stimulated. There should be conditions in which failure is an acceptable outcome. The market is changing very rapidly and the only way in which it is possible to keep up or stay ahead is by having the ability to adapt quickly. Therefore, employees should be stimulated to come with new ideas and to be empowered to make decisions on the spot (at least, to a certain extent).
Customer centricity, and having a customer-centric mind-set, is also very important. You must always consider your customer’s end-to-end journey, and encourage all functions to focus on their customers. Tying senior management and development staff bonuses to customer satisfaction and user ratings, in addition to revenue- and profit-based measures, is crucial to encourage different behavior and change company culture.

Today more than ever, there is a tendency for organizations to work more and more together with other organizations. It is not enough to only focus on your own organization. There should also be an outward orientation. Not only a search for partnerships, but also research in other companies. As mentioned earlier, digital organizations are more transparent, so there is more information available from which to learn.

There are more characteristics that support a digital culture, but these are important examples. Appendix 1 explains more about the challenges you need to overcome to create a culture of innovation.

Just like with new concepts, a new culture can also be first piloted before embedding it throughout the entire organization. Headed by a strong leader, the culture can be tested and iterated. If successful, the same leader can be made responsible for rolling it out in the rest of the organization.

If done properly, this culture change can also be used for marketing. A good example is ING. It adopted the ‘Spotify model’ into its team structure and way of working. This model is well known in the market and proves ING’s innovative capability to transform and adapt. Among other things, this also attracts talent.’
8. **Acquiring the right capabilities**

*Close the skill gap and prepare the fundamentals*

Acquiring the right capabilities, tools and talent is paramount to successful digital transformations. Yet many organizations still struggle with the best way to set up their IT groups and develop the tools. They can’t seem to hire the talent required to facilitate and manage the transformation, maintain service levels and automate processes.

While few would argue the importance of the right digital talent, the correlation with successful digital transformation is often not seen. In the coming years, large organizations will continue to invest millions of euros to transform their business to digital. Top engineers, designers, product owners and full stack architects can foster and accelerate the change and productivity tremendously. Of course, such talent is hard to come by, and we expect the demand for talent to continue to significantly outstrip the supply.

What most organizations don’t properly acknowledge at the outset is that many of the critical resources required to facilitate this transition will not be available in-house. This requires, first of all, an understanding of what capabilities digital businesses need. While those will vary from one organization to the next, successful digital businesses share some common characteristics: they’re customer centric, operate swiftly and smartly, are responsive and agile, and create proprietary insights.

The skills required for digital transformation probably can’t be sourced or developed entirely from within. If you had all the talent you needed in-house, you likely wouldn’t need a digital transformation. Organizations must be realistic about the collective ability of their existing workforce. We see leading companies take a look at adjacent industries to attract digital talent. That’s because, at least in the early stages of transformation, specific skills often transcend industry experience. This ‘lateral hiring’ can create a pool of talent required to fulfill an ambitious digital agenda.

Besides the skills for digital, we also see key technology capabilities as essential in digital transformations, but not all of these simply reside in the IT department:

1. **Platforms**: Having a digital platform with appropriate integrated data and processes is one the most fundamental technology enablers for successful digital transformation. While many large companies struggle with siloed operations, digitally ‘native’ or web-based companies have unified data and processes, putting them in a position to gain advantage more efficiently from analytics and personalization and generating a common view of customers or products.
The cloud is crucial to enabling the flexibility and scalability required in digital transformation. In essence, the cloud is an abundant pool of computing and storage resources; ready to be consumed by anyone, at any time, for any period of time, on a pay-per-use basis. In addition, public cloud vendors (like Amazon with AWS, Microsoft with Azure, and Google with Google Cloud Platform) have developed a layer of automation to request, implement and manage these resources. The ability to request and operate computing and storage resources enables you to incorporate the infrastructure and systems required into your software development stack.

2. **Solution delivery**: Digitization requires effective methods and strong skills for solution delivery. While most companies have solid development methods in place, most of these seem not to be geared towards emerging digital technologies and practices. These require iterative approaches and specific knowledge and mindset that most typical IT developers do not possess.

DevOps integration is a key component of solution delivery. ‘Infrastructure as Code’ is the main driver for setting up DevOps teams. Both development and operations employees are developing software: development to code functionalities for your customers, and operations to code resource implementations to support these functionalities. The traditional Development-Test-Acceptance-Production (DTAP) environment used to be the way to build, test and run applications. But with DevOps, you can now fully automate the creation of software environments, from infrastructure to application and even data. It’s now possible to create a new environment in a matter of minutes – a huge difference compared to the weeks or months it took not so long ago.

3. **Analytics**: As mentioned earlier in this paper, it is time for companies to harvest the data and turn it into strategies. Easier said than done, perhaps, but combining integrated data with powerful analytical tools can be a way to gain strategic advantages over the competition. The combination of both big data and thick data is essential in the new digital era before. This also requires the right skills and cultural change in addition to the – sometimes significant – investments in technology.

4. **Integration of business and IT**: Companies who have made successful transformations have established a strong relationship between business and technology executives and teams. Creating trust and understanding, supported by clear governance, puts companies in a position in which business and IT can align their goals and programs, and business executives value innovations suggested by IT without feeling threatened.
9. Managing performance

Share a single vision and approach holistically

Digital transformations are taking place on a large scale, with trillion-euro investments in cloud, IoT, and other technologies. So, maximizing return on investment is a critical point on the agendas of CEOs, CDOs and CXOs. Optimizing digital performance is essential to business success. Companies must be able to rely on applications and digital services to deliver the best digital experience not only to customers, but also to employees and partners.

In an era when users or customers expect instant gratification, millisecond response times or ultimate convenience in apps and services, the tolerance for error is close to none. However, the rapid change in IT environments and ecosystem-driven IT landscapes put significant pressure on the respective teams to deliver on these expectations. This implies that to succeed, there is a need for IT and business leaders to share a singular vision of digital performance. This vision should include service delivery and service health that are strongly correlated to user experience, ultimately leading to business performance.

Business and IT leaders need to form a holistic approach to digital performance management, which combines a set of the right technologies, skills, capabilities, processes and KPIs to stay ahead of the game.

The digital winners of today have identified people within their organization who are tasked with performance management. These individuals provide the mandate to ensure service availability, have the ability to resolve issues quickly as they arise, and are empowered to continuously look for ways to improve. Business leaders in these organizations can view and use smart and on-demand dashboards to quickly make informed decisions, ensuring the direct connect between service health and user experience. In terms of processes, well-documented workflows – without rigid policies for revisiting and optimizing, put winners in a position to make sure digital service performance can be delivered faster and problems get solved more quickly. These same winners also have overcome the challenge of monitoring across former point solutions. They leverage unified data through an integrated platform, providing coverage across applications and services.
How to start becoming a winner at digital

The Cognizant Digital Transformation Strategy focuses on human-centered research, insights, advancements of new technologies and pathways to new business models. We identify how we can derive value from both the customer and business, while assessing existing complexity such as technology and organizational challenges. The Digital Transformation Strategy is potentially the beginning of a long transformation journey, but it also addresses feasible and relevant digital innovations that can happen more swiftly. A realistic look at a company’s innovation constraints (regulatory, existing internal governance, resource capacities, market access etc.) ensures the strategy creates tangible short- to mid-term results. These might include front-end product and service design and development programs, as well as back-end transformation initiatives that support the digital business.
Our approach consists of five individual key stages, which lead to the implementation of the defined strategy.

1. **Problem Framing**

The process starts with taking a step back, reframing the problem and making sure there is a full understanding of what the actual problem is. This can be very difficult, as most companies don’t know what the core issue is. They see the effects, like customers moving to their competitors, but don’t know what the cause is.

A shared working model and approach for the project needs to be defined, including the number of workshops required, the team, etc. Hypotheses that will be validated during the Insights stage will be developed, and a research plan is established that details the required activities. In this stage, we will facilitate workshops with our key strategists, industry and subject-matter experts and lead technologists, and define a holistic vision for transformation. We use human sciences to solve your toughest business problems.

2. **Insights**

Through insights gathered from intensive research, we reimagine what the future could look like and define how to capture value from it. Our research approach might include deep human research executed by anthropologists, and methodologies such as strategic design thinking. We make an assessment of readiness and capabilities (competitors, skills, IT, etc.). We assess the available data and capture opportunities to leverage it as much as possible.

To gain a better understanding of where the company is coming from, we perform a Digital Maturity Assessment. This will provide an overview of the current digital initiatives and the gaps that need to be filled to reach the digital ambitions. In this phase, we also define the opportunity space. What advantage does your company have over your competitors? This could be a good area to focus on in order to take advantage of its full potential.

3. **Strategy Ideation and Development**

We live in the age of algorithms. But what happens when number crunching fails to solve a company’s problems? We argue that many of today’s biggest success stories stem not from ‘quant’ thinking but from deep, nuanced engagement with the culture, language, and history of customers. He calls this technique ‘sensemaking’, and illustrates how business leaders, entrepreneurs and individuals can use human science tools to innovate and solve their thorniest problems.

We also use a methodology called ‘future mapping’, which is a scenario-based planning process that helps your organization build your strategic vision and an actionable roadmap. It allows us to consider an array of alternative, strategic possibilities and envision new futures to provide context for decision-making. It offers a ‘safe zone’ environment, in which teams can think broadly, quickly and critically in the absence of hard data or certainty about tomorrow.
4. **Prioritization and Definition**

Shaping a strategy is one thing. But successfully executing it requires a solid framework of performance guidelines. Financial modeling is used to assess your organization’s financial health and plan for creating efficiencies. Investment models and business cases are used for roadmap execution. Based on the identified opportunities and their logical prioritization, a roadmap is established. It shows the path towards the company’s digital vision.

The business case is set and shows the required investments and the expected benefits. The future-state architecture is defined, and illustrates the to-be architecture that enables the transformation and ensures the organization is fully capable of keeping up with the (digital) developments in the market.

5. **Execution Planning**

The rollout plan for the transformation is agreed upon. This includes a new governance model that supports the organization of the future. It also includes a full change management program to ensure that the transformation is embedded in the organization, and that employees are fully aware of what is changing and what’s expected of them.

And as the organization changes, management needs to change, as well. Mandate and authority should not just be concentrated at the top level, but should be distributed throughout the organization. These structures should be defined and incorporated. Last but not least, the Target Operating Model (T.O.M.) sets out how all departments are linked together, how processes are organized, and how functions are utilized.

**What happens next?**

After these five stages, the actual implementation starts. Only then are the plans and strategies that have been established in the previous steps actually put in practice. Want to learn what Cognizant can do for you? In Appendix 2, you’ll find a brief description. And on the last page, you’ll find our contact details. Reach out to us and we would be happy to stop by for an introductory conversation.
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Appendix 1: Creating a culture of innovation

To accelerate digital transformation, there is one key aspect of company culture that is critical. And that is a pivot to innovation as a core function. Here, innovation is not seen as a necessity addressed by a specific innovation team, but as a core company function to reduce cost, increase revenue and create new business models.

While most companies acknowledge that innovation is key for long-term relevance in the market, we often see the following issues:

• **Diffuse innovation:** Lines of Business (LoB) and leaders have siloed innovation. There is not a holistic approach to digital innovation being leveraged across the organization. Innovations remain small, have an unclear impact on the business, and are difficult to scale up.

• **Unidentified problems:** Your organization’s digital innovation efforts are not focused on a specific user or business problem. What we see often is that innovation is focused on a specific technology, without proper understanding of customer/employee needs. You need to focus on gaining a depth, rather than a breadth, of insights – bringing clarity to the mechanisms and causalities that drive behavior. Do you really understand why people do what they do? You need to know this before generating more innovative ideas.

• **Undefined importance:** Knowing the actual problem and customer needs is a great start, but you also need to be able to prioritize. We encounter many organizations that don’t struggle with idea generation, but do not know how to take those ideas forward, because prioritization is unclear. It is important to get this clarity for opportunity areas based on viable (i.e. addressable market), desirable (i.e. user needs) and feasible (i.e. complexity) metrics. Finally, this prioritization will continue to evolve and change over time, which requires you to continuously manage your list of priorities.

• **Misguided MVPs:** How do you lead the process of validating, designing, building and testing before an initial market launch (or pilot)? Many organizations, even those that have Agile development practices, do not have the cross-discipline teams that can create digital experiences quickly and validate them with users. This results in poorly defined MVP definitions that do not make an impact in the market: they are just not right. You need to support your MVP definition with both qualitative design research and quantitative research outcomes. Features critical to initial consumer uptake become part of the MVP, while other features are built into a roadmap for subsequent releases. Epics and user stories are used to communicate the various features and functionality within the MVP definition, Backlog and Product Roadmap.

• **Slow pace:** Finally, a big innovation hurdle in most organizations is the time needed from initial idea to market pilot. It is too long, and often too difficult to make if the innovation happens to cross an internal boundary. You will need cross-functional, high-performance teams, along with supporting tools, efficient processes and end-to-end platforms to pick up the pace.

To tackle these issues, you must execute a focused exploration and quickly figure out where your attention should be in an ever-changing marketplace. Digital transformation experts can help you uncover the real customer problems, distill insights, identify opportunities, quantify and qualify their importance, prototype ideas and then pilot them in the market.
Appendix 2: How Cognizant helps transform your business

The Cognizant support model is deliberately built to combine the broader set of capabilities – strategy, design, domain (industry) expertise and technology – needed to make transformation happen into one tightly integrated model:

- **Deep understanding your current capabilities:** At our core, we understand that you cannot simply make an immediate transition to a digital technology backbone. You will typically build a digital architecture on top of your legacy technology: the integration between these two layers is a critical part of the transformation. Our intimate knowledge of your legacy, combined with our leading-edge digital capabilities, really gives us an edge.

- **Intersection of domain expertise with design and strategy:** Our deep industry knowledge and process expertise enables us to partner with you to transform your businesses into a Digital Enterprise, delivering design and innovation through to global scale and support as digital goes mainstream.

- **Cognizant Accelerator Methodology for Managed Innovation:** We combined several years of executing a managed innovation process internally with start-up thinking such as Eric Ries’ Lean StartUp, IDEO’s human-centered design, and design thinking to create the Accelerator Methodology. It’s an intuitive approach that helps our clients quickly move from ideation through to prototyping and then scale. It is organized around three core phases: Discover, Ideate & Prototype, and Pilot & Scale.

![Diagram showing the Accelerator Methodology]

We have a network of physical spaces (Collaboratories) to help execute this managed innovation process. It is our space for all things digital. Focused on human-first experiences, created for interactive collaboration, carefully designed to generate hypotheses, new perspectives or potential solutions. It’s a place to connect to discuss relevant information on pressing topics and to get perspectives on the future of industries. And it’s also a place to collaborate, given it provides an opportunity to build off each other’s ideas and share knowledge.
It is supported by methods to make sense of the information all around us and spark new ideas. It is globally connected with Collaboratories in New York, Amsterdam, London and Melbourne.

To get innovation to market, you also need to create. We built a Digital Studio in Amsterdam, where we can create solutions that utilize today’s emerging technology. The Digital Studio inspires thought-provoking interactions that spark ideas for business redesign, technology migration, and product/service innovation. It is one of the largest digital innovation and delivery centers in Europe. Interdisciplinary teams of strategists, designers, digital technologists, data scientists, engineers and human sciences experts work side-by-side with clients and partners to reimagine businesses and explore ‘the art of the possible’ with new digital technologies to create superior customer experiences.

The Digital Studio serves as the ‘factory’, in which concepts for digital solutions using Artificial Intelligence, Internet of Things, Advanced Analytics, Virtual/Augmented Reality, Blockchain and other technologies are brought to life as prototypes and refined for digital at scale implementation.

With the help of both the Collaboratory and the Studio, and our cross-functional teams with supporting tools, processes and platforms, clients can go from zero to a functioning innovation ‘lab’ or capability in a very short amount of time. We work with clients as a service for any of the three phases in the accelerator method (Discovery, Ideate & Prototype, Pilot & Scale) but more often work alongside clients to not only deliver the innovation with confidence and speed, but also transfer knowledge and experience and help change the company into a digital enterprise.

For example, we helped a client through each step of its journey as it transitioned to an entirely new business model. Namely, it moved from selling seeds to delivering new products and services that help improve farmers’ overall yield. We started with a Collaboratory session, during which we jointly worked on the problem statement and identified multiple opportunities with which move forward. After prioritization, we selected one, which is all about helping farmers better manage the water in their fields throughout the year. With the help of satellite images, analytics and visualizations, we are able to help farmers better identify what is needed on the field, resulting in 17% less water usage on average, and better and healthier crops. This solution is now live at 30,000+ farms in southern Europe.

We also helped a leading telecom provider better understand in-store behavior with regard to ticketing. Here, we started with discovery to understand the actual issue related to ticketing and the overall store experience. Based on this human understanding, we were able to reimagine the complete flow of the store experience, focusing on human-first interactions and using advanced technologies like beacons, AI-chat bots, and smart devices. This is piloted right now at three stores. It has proven to reduce walk-out rates to virtually 0%, increase up- and cross-sell, and substantially improve NPS scores.
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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 195 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

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