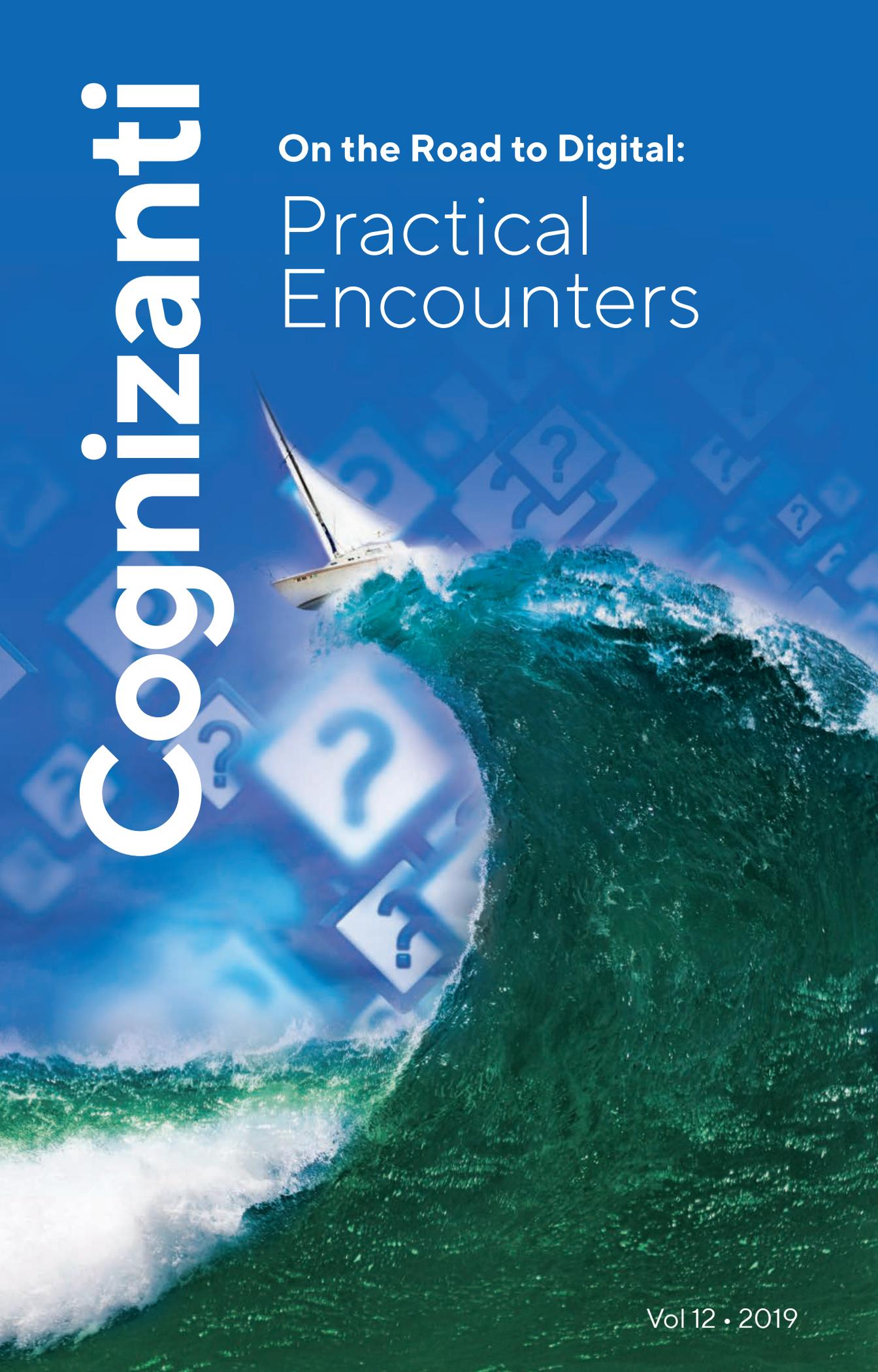# Cognizanti

On the Road to Digital:

Practical Encounters

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By Bruce J. Rogow

Even with digital initiatives entering the mainstream, many business and IT leaders are still encountering headwinds. Here are the five most common challenges organizations face and potential workarounds that can help captains of industry more quickly and effectively digitally enhance their businesses.

In virtually every enterprise I visit, major plans and efforts are underway to digitally enhance the business. Frankly, most execs are tired of hearing how they'll be disrupted by digital natives. They resent being told – again – about how Uber and/or Airbnb, which are wholly based on new digital technologies and data-driven business strategies, have remade markets and industries.

The latest McKinsey Global Survey suggests companies are making little progress in their efforts to digitize the business.[1] Most likely, they're stymied by trying to overcome the practical issues that are slowing their progress, narrowing the digital scope/scale and limiting their success.

My previous *Cognizanti* commentary[2] presented six challenges that were hamstringing five enterprises early to the digital bandwagon. But in recent visits with C-suite execs, it appears that digital efforts have become mainstream for many organizations.

Identifying and then managing the pace of digital change is now cited as the most critical practical challenge. In a recent blog post on Digitally Cognizant,[3] I identified the key elements of a pace-based approach and highlighted the approaches companies have taken to stay in sync. I'm now seeing five practical issues that businesses large and small are encountering in their push to become digitally

enhanced.[4] Based on these scenarios, I see potential remedial approaches that span the gamut from the pragmatic to the potentially game-changing.

Don't fall for the reengineering trap again – deal with legacy renewal

Heading into the 1990s, most enterprises had formal processes for application renewal and maintenance, as well as adequate IT management. Then, with their promises of a bold new world around the immediate corner, the reengineering pundits told them to stop application renewal and cease wasting money on keeping the lights on. Within 12 to 36 months, pundits promised, they would be totally reengineered and have new systems to support the new utopian enterprise.

Unfortunately, reengineering proved daunting, and while good steps were taken, most companies awoke to aging, under-maintained legacy application portfolios and no-longer-effective IT management processes. Twenty-plus years later, the majority of companies I visit are hitting a brick wall that's limiting digital progress: the age, quality, fragmentation, inconsistency and dysfunction of their run-the-business application portfolios and databases.

"We were promised a digital-first elixir by our vendor partners to ignore our 'keep the lights on' legacy foundation and directly embrace digital," noted a newly installed CEO of an oil field service company. So the company pursued Internet of Things (IoT), big data business analytics, robotic process automation (RPA), cloud infrastructure and software-as-a-service (SaaS) application suites. But after three frustrating years, it found it had dug a deep hole for its legacy parts inventory and work assignments data, applications and technology. "Almost every digital initiative collapsed without a healthy legacy foundation," the CEO lamented.

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Almost every digital effort cited by C-suite execs in my travels is either rooted in or must eventually tie back to legacy systems, technologies or, most critically, data. Rather than shifting resources to digital, the cold, hard need is to dedicate additional resources, plans, funding and formal programs to remediate the applications, technologies and data that can be associated with the overall digital effort. The usual suspects include inconsistent customer, inventory, parts and sales data; incompatible ERP systems; obsolete technologies; security risks; and the cornucopia of Excel spreadsheets used to run the business and provide reporting.

"We had to stop deceiving ourselves," the CEO of a global medical device company told me. "We had shifted resources to Agile and digital efforts, and constantly found they were built or relied upon a legacy base that was quicksand."

As an example, the CEO said his company had used AI and speech recognition to support web-based support of regional reps and customers. The ensuing mess impacted the company's product database and resulted in total inconsistency of support practice systems, which drove users crazy.

"As other users joined on, we found our underlying ERP did not support many key languages," the CEO noted. "What should have been a wonderful differentiator turned into a nightmare. Once we launched formal programs to rejuvenate our targeted legacy first, digital progress and success dramatically increased."
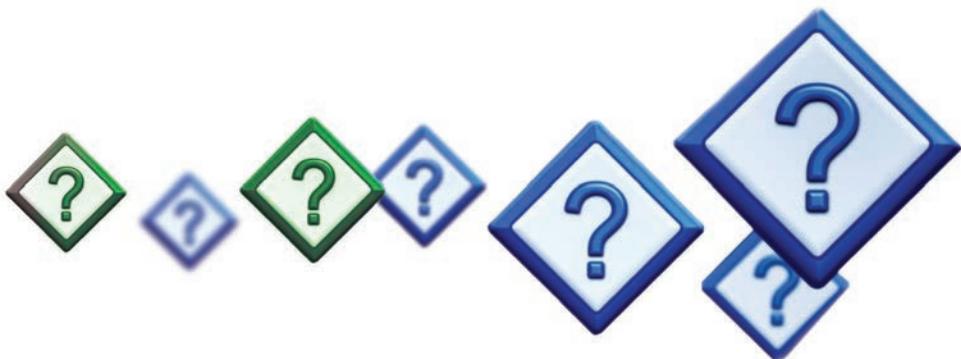
2 Tackle the holistic coordination challenges

"We can't seem to get beyond initial, limited forays with digital," reported the chief digital officer of a medium-size U.S. commercial finance business. "The functional-ity and use of our customer loan underwriting and support has been limited solely to our high-tech unit and customers. No other markets and units are adopting it."

This is still the most common response I get when the question of digital progress comes up. While many of the C-suite execs I speak with say they view digital progress as a key goal, few organize, staff or establish ongoing processes for the holistic transformation needed to go beyond initial digital forays.

According to the CEO of an industrial supplier, a formal, four-pronged endeavor was required to accelerate digital progress:

- **Take a holistic view:** While this CEO wants to see in advance how a specific problem will be resolved by a digital effort, she feels it's more critical to understand how the effort fits into the business and what else must be changed – not just impacted. She then wants detailed plans and resourcing for all the changes to sales, front office, manufacturing, distribution, customer acceptance, culture, business model funding, resources, skills, supporting applications, technologies, data, etc.

- **Move from bimodal to trimodal IT:** Several years ago, this company adopted Agile and moved to the Gartner model of bimodal IT,[5] in which IT efforts are divided by quick, minimal viable products and Agile vs. a core industrial backbone. Both seemed to work well indepen-dently. However, little grew or benefited from one mode to the other. The company learned that a third mode of very unique skills, temperaments and processes was required to bridge the gap in both directions.

  - **Mode 1** typically has heads-down, highly consistent, procedural, risk-averse, very formal, and highly siloed and focused staff, management and processes.

  - **Mode 2** requires more experi-mental, risk-tolerant, flexible staff and loose processes. Mode 2 folks are more about invention than the long road of adaptation and institutional-ization. They wish to move on to the next innovation.

  - **Mode 3** staff, skills, temperament and processes are excellent at identifying which Mode 2 innovations can be of institutional value, adapting them, promoting

them and introducing them to the Mode 1 world. Mode 3 also has the skills and interpersonal temperament to identify where Mode 1 could use innovation and then work with the Mode 2 group to create those innovations.

Since adding Mode 3 skilled staff, the industrial supplier has realized great progress and increased sharing among its groups.

ı **Stop admiring cultural resistance and start dealing with it:** Initially, almost every digital effort slipped, failed or had limited impact because, as the CEO says, "culturally, the dogs weren't eating the dog food." To offset this trend, the company established a very activist culture and behavior function under the chief operating officer. Rather than just a touchy-feely, rah-rah approach, formal programs were dispatched, such as targeted Hersey–Blanchard Situational Leadership structures,[6] objection clinics, competitive workshops, incentive and compensation adjustments, reward programs and gaming mechanisms.

Very clever marketing, promotion and mentoring programs were put in place for staff, management, channel partners and customers. These programs quadrupled the number of digital functions used, and tripled the community of active users within the first year.

ı **Identify the digital "hyper-coordinators":** As I've suggested in previous *Cognizanti* articles,[7] the CEO acted upon the need for two levels of digital coordinators. At the highest level, she appointed a digital strategist whose role was to determine the potential for digital, continually educate/update the management team, establish and reinforce what needed to be changed or done, set priorities, fight for resources and be accountable for progress/outcomes. A candidate for future CEO was selected for the role.

The current CEO also realized that with literally hundreds if not thousands of moving parts on the journey to being more digital, there was greater need for month-to-month, week-to-week and day-to-day coordination. High-performing managers with operating experience were placed in these roles. Generally, they were organized by value streams such as business opportunity, engineer and manufacture to market, distribution and support.

3

Mold the digital circus to the proper clowns

As I've suggested in previous *Cognizanti* articles,[8] digital is just a different circus with different clowns. I'm now hearing that each digital circus requires and involves different types of clowns. The most common digital circuses and corresponding clowns cited are:

▐ **Enhancing the customer or end-user experience:** This requires resources with the patience to discover and deliver what engages and thrills end users. Design skills, creativity, a familiarity with the end-user perspective and a sensitivity to different classes of users are all key.

▐ **Increasing the business's operational efficiency or a smarter enterprise:** This requires human resources with a desire to dive deeply into how enterprise functions and processes work, interact and are structured around silos. Working knowledge of business swim lanes, capability maps and value streams, as well as RPA, IoT, analytics, learning engines and narrow AI,[9] is hypercritical. And if the project requires IoT, registered engineers are likely needed.

▐ **Building the smart or "informated" product or service:** This requires resources that understand and can deliver products or services to the market that solve a customer need, are marketable, can be profitable, are sustainable and are clearly differentiated. Avoid the clever toy builders. Ask whether this is a feature, product or business for which customers will pay real money.

▐ **Establishing new markets or channels:** The resources needed here can envision and then execute on how an existing product or service may be sold, promoted, marketed, delivered and supported through new channels or to new markets. What's also required is a way to establish how the product must be changed to be successful in a new digital channel or market.

▐ **Becoming an ecosystem or industry platform:** Resources are needed that can see the big picture related to establishing a platform, populating it, supporting it and ensuring it can be a profitable venture – and who can then deliver that platform. It helps if these resources have broad industry connections and knowledge.

Too many enterprises approach digital as though the skills, experiences and pathways are fungible or nearly the same. Each of these circuses needs dramatically different, highly skilled clowns.

▪ **Establishing a new business model:** These resources need to not just conjure up a new business model enabled or built on digital; they also need to know how to identify all the enabling effort and can make that happen. These people need to tackle the financial, competitive and legal aspects, as well.

Too many enterprises approach digital as though the skills, experiences and pathways are fungible or nearly the same. Each of these circuses needs dramatically different, highly skilled clowns. This practical reality argues for taking focused forays into digital rather than broad efforts. Increasingly, digital efforts become more complex and nuanced, involve more than one digital circus and demand the clowns play together.

4

Complete the massive transformation from project to product

I keep hearing bumper sticker phrases such as, "With digital, we're moving from projects to products." "Our success with MVP has been great." "We're moving toward a subscription-based rather than a product purchase revenue model." These all sound promising, but when I probe whether the organization has made the business model changes needed, the responses aren't encouraging.

Enterprises and their IT functions are wed to a project-like, one-and-done model. Thriving beyond an MVP or subscription model demands a broad-based, holistic set of changes and enhancements to the business operating model. This requires ongoing, year-after-year funding, and continual refresh and support of that product/service. Competent brand, marketing, support, refresh and service managers must, of course, be *dedicated*. Overall, product/service portfolio management must be commissioned, and proper processes deployed. A formal go-to-market and product evolution plan is mandatory.

When I mention this to the executives I visit, they say, "Oh, we *sort of* have that." I then ask to meet the brand or service managers and see the multi-year financial plan/funding for the service. You'd think I'd asked to meet the company unicorn based on their body language response. The digitally enhanced businesses with the most success have made great strides in underlying business operating model changes.

5

Plan on perpetual distractions

My lead question is always, "You've been working on digital efforts for several years now. Why the slow progress?" After they hem and haw, I hear what should have been anticipated distractions. "We've had the merger, the divestiture, the management change, the activist investor demands, a business downturn or side turn, the reorganization, the regulators' responses, the key staff departure, supply chain disruptions, normal day-to-day operating issues." Geez, you'd think these things had never happened before. Who knew?

To progress despite the distractions, the more successful businesses often:

ı **Plan on an estimated amount of diversion** and inject a good deal of contingency in their plans.

ı **While it may impact the P&L, provide dedicated and protected resources** for critical digital efforts and build a protective wall around them.

ı **Use the distraction response as an enabler for a digital initiative.** Rather than a conventional response, one company has a "digital-first to distraction" approach.

Making progress with digital enablement

If digital progress is as critical as companies tell me, they should be evaluating how well they're addressing these five challenges by launching, supporting, adjusting and measuring the success of their programs. This will enable them to:

ı **Refresh** the most critical parts of the legacy base.

ı **Coordinate** digital efforts as part of a holistic, ongoing view of the business.

ı **Ensure** the proper, qualified and appropriate resources are assigned, developed and dedicated to each form of digital effort.

ı **Add** to and change the business model to support products vs. projects, going beyond MVP and subscription revenue models.

ı **Plan** so that business distractions don't impede digital progress.

As I've repeatedly suggested, if you're going to the future, bring money. Too many enterprises I visit are willing to spend on *digital thingies*, but not on the underlying transformational enablements required.

I realize the day-to-day business must be run and be profitable. Not all of these practical challenges and changes can be made at once. However, they should be assessed, priorities established and programs put in place. Otherwise, when I visit next year I'll hear, "Gee, guess we haven't made the progress we would have liked."

Endnotes

1   "A Winning Operating Model for Digital Strategy," McKinsey, January 2019, https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/a-winning-operating-model-for-digital-strategy. The online survey was in the field from May 15 to May 25, 2018, and garnered responses from 1,542 C-level executives and senior managers representing the full range of regions, industries, company sizes, and functional specialties.

2   Bruce J. Rogow, "Lessons From the Digital Frontier," *Cognizanti*, Vol. 11, 2018, https://www.cognizant.com/whitepapers/last-word-lessons-from-the-digital-frontier-codex3479.pdf.

3   Bruce J. Rogow, "When It Comes to Digital, Pace Matters," Digitally Cognizant, Feb. 7, 2019, https://digitally.cognizant.com/when-it-comes-to-digital-pace-matters-codex4335/.

4   Bruce J. Rogow, "What Does It Take to Enable a Digitally Enhanced Business?" *Cognzanti*, Vol. 8, 2015, https://www.cognizant.com/whitepapers/the-last-word-enabling-the-digitally-enhanced-business-cognizanti11.pdf.

5   Bimodal definition from Gartner Group: https://www.gartner.com/it-glossary/bimodal.

6   Wikipedia definition of Hersey-Blanchard Model: https://en.wikipedia.org/wiki/Situational_leadership_theory.

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

8   Bruce J. Rogow, "Lessons From the Digital Frontier," *Cognizanti*, Vol. 11, 2018, https://www.cognizant.com/whitepapers/last-word-lessons-from-the-digital-frontier-codex3479.pdf.

9   Wikipedia definition of narrow or weak AI: https://en.wikipedia.org/wiki/Weak_AI.

Author

Bruce J. Rogow is a Principal at IT Odyssey and Advisory in Marblehead, Mass. Known as a counselor to CIOs and CEOs on IT strategy, Bruce has for the last 25 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.