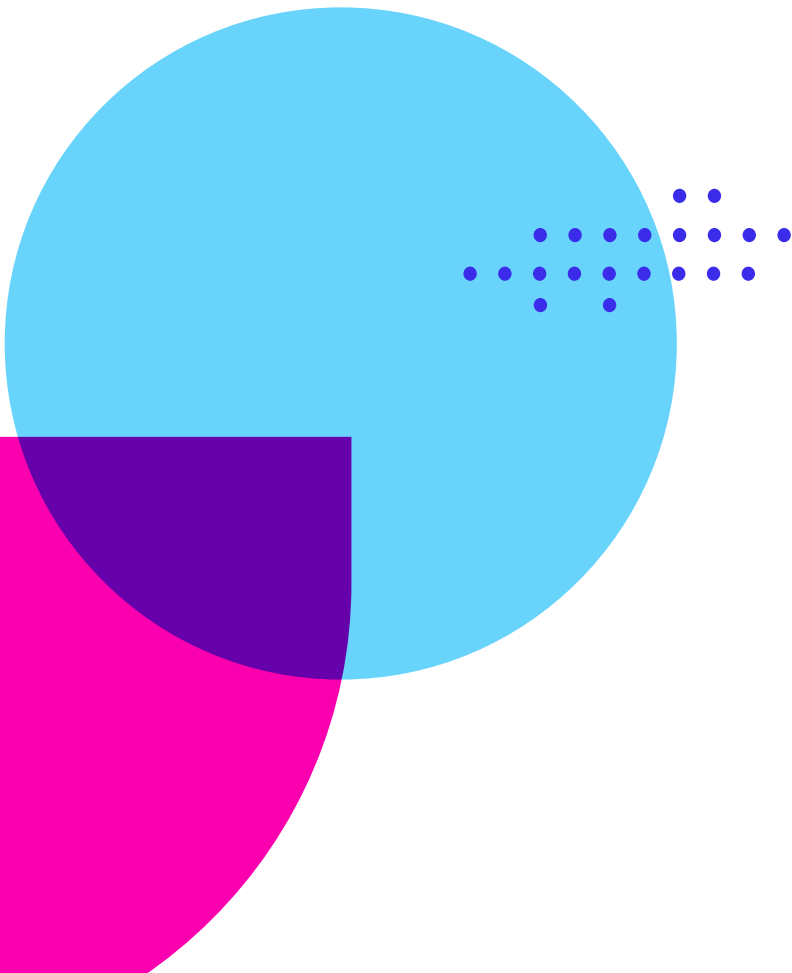




Digital Transformation and You: Key Considerations



Digital transformation is driving business change around the globe. It brings challenges across the board – and challenges for the board. This white paper gives a brief overview of how boards can help ensure their organisations' transformation projects deliver solid results and measurable business improvements.

But first: what are we talking about when we talk about 'digital transformation', or DX as it's often called? It's all about using digital technologies to improve your organisation or business. IBM defines it as:

A customer-driven, digital-first approach to all aspects of a business, from its business models to customer experiences to processes and operations. It uses AI, automation, hybrid cloud, and other digital technologies to leverage data and drive intelligent workflows, faster and smarter decision-making, and real-time response to market disruptions. And ultimately, it changes customer expectations and creates new business opportunities.

The critical point is that DX is more than simply having services or apps available online. It means transforming how your business operates and engages with staff, stakeholders and customers. It can involve changes to work processes, business rules, corporate culture, workforce composition, market position, and more.

Here are some ideas and suggestions to help make your DX project(s) a success.

DX: incremental or all-in?

A key question is whether to adopt an incremental or an ‘all-in’ approach to DX. The simple answer is: it depends. A graduated approach makes more sense for a large, multinational business with various business groups. A well-considered all-in approach might be better for a smaller, less diversified operation.

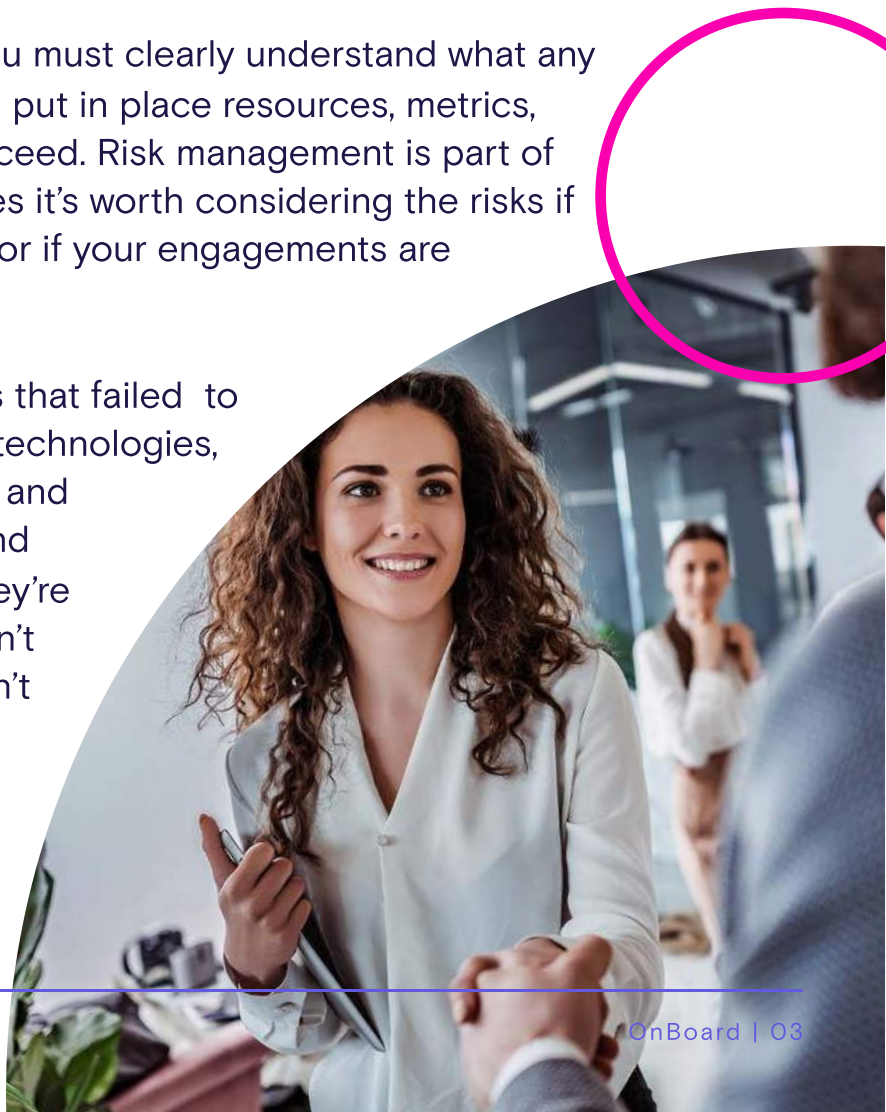
Cloud-based services are integral to many DX projects, as they allow ‘anytime, anywhere’ access to data and business processes. You can adopt them across your organisation (adapting as needed to meet particular requirements).

Budgets, competitors and market changes may also dictate the pace of your DX. If you’re falling behind your more technologically advanced competitors, you should consider moving quickly.

Risk management and DX

As always, strategy is the key: you must clearly understand what any DX project aims to achieve, then put in place resources, metrics, and processes to allow it to succeed. Risk management is part of any project, but with DX initiatives it’s worth considering the risks if you don’t engage with DX at all, or if your engagements are unsuccessful.

We’re all familiar with businesses that failed to adapt to changing markets and technologies, such as Kodak (digital cameras) and Blockbuster Video (streaming and video-on-demand services). They’re examples of companies that didn’t see the world changing and didn’t see that things for their markets would change.





DX presents a similar dilemma: businesses are transforming how they operate, and those that don't engage and take advantage of it risk falling behind. If you can't keep up with your competitors (in terms of process efficiency, service accessibility, workforce flexibility, or customer responsiveness), then you're at risk.

These risks are partly generational: young adults today are 'digital natives.' Digital tools and devices have been present throughout their lives, rather than being innovations they've experienced as modern technologies. They're comfortable with digital interfaces and transactions, and they want to engage with businesses through them.

On the execution side, as noted at the outset, you must do more than simply build a web interface or a mobile app. Transforming your business implies fundamental changes, not merely adding new digital services (which is more properly called 'digitalization'). Work environments, team compositions, processes, organisational and operational models, culture, workflows, and work practices may need to change.

Failure to do so will put your DX projects – and even your business – at risk.

DX: ROI and measurement

Every project needs a strategy and a business case so its return on investment (ROI) can be measured and evaluated.

As with any new project, be wary about DX proposals with high ROIs – 'optimism bias' may have set in. Have realistic expectations for your projects. Ask business partners for case studies and examples of similar projects, ideally with the ability to speak directly with some of the people involved.

In other cases, ROI might not be a strong project driver. If you need to deploy brand-new software, business processes or products, you should still keep an eye on ROI, but it might not be the decisive factor in approving a project.



That said, it's possible to see business margins increase through a good DX project, mainly due to decreased costs, increased productivity, and growth.

ROI won't be immediate simply because a project is digital. As with any other business-transforming endeavour, it can take years to see the financial return begin to flow. That's partly because DX projects, as noted, aren't only about technology. They're also about transforming 'analogue' parts of the business.

Finally, adopting a graduated approach to DX can help you monitor ROI closely, learn what works and what doesn't (through project planning, implementation, and continued operations), and apply those lessons to future projects. Even running a pilot project or two can teach you a lot before you go all-in.

Boards and management

A clear understanding of your DX strategy means the process can be broken down and progress reported. Understanding what the scope is for the transformation's components.

This isn't about technology per se. Instead, it's about people and management. Change management remains a vitally important skill and discipline, regardless of the changes' nature.

Simple things are critical, such as ensuring the reporting is sufficient and tracking milestones. The board plays a vital oversight role here, as does the nature of its engagement with management.

Skills and skills disclosure

Boards must ensure they have the skills to understand and implement DX processes. Many companies are already disclosing more about skills, expertise, and subcommittees. This may be partly due to pressure from institutional investors, but regardless, it has spotlighted skills' importance as businesses transform themselves.

Establishing a skills matrix is a practical first step, but it's not enough. For example, a Chief Information Security Officer (CISO) might regularly report to the board and audit committee – but do those reports have the skills to understand and interrogate the CISO?

One solution could be to get internal experts to 'buddy up' with board members, helping them gain new skills and better understand modern technologies. When feasible, it's an excellent system, as it preserves the directors' valuable, existing skills while complementing them with new knowledge.

On another note, skills disclosures are also coming to the fore in cybersecurity insurance. Since 2018, there has been a significant increase in disclosures about skills. Companies are disclosing new measures, such as tabletop exercises, response readiness tests, certifications such as ISO 27001, the information security standard, and SOC 2 audits. Businesses must be ready to provide the needed information – and to have the personnel on board to make them a success.

Boards, transformation and innovation

Digital transformation is a form of innovation, but more importantly, DX initiatives typically make organisations more agile and thus more able to innovate and respond to emerging opportunities (and head off emerging challenges).

At the board level, innovation is about thinking outside the box, looking to the organisation's future and ensuring it will be well-placed to succeed in the medium- and long-term. That requires board members to watch what other organisations are doing elsewhere in the world, know what ideas are current and glean insights from the broader context.

In short, board members must think more broadly about how the business operates now, its basic strategy and approaches.

If board members see examples of projects – digital or otherwise – that might benefit their organisation, they should be encouraged to raise them. If there are pockets of innovation within the organisation, invite them to showcase their work to the board. Handled correctly, such approaches can energize the board and team members alike.

If you're not seeing such activities on your board, encourage them. Ask how you can think or approach challenges differently. How can you be better than your competitors? Can you leapfrog your competitors and do something new?

Simply asking such questions can set trains of thought in motion, bringing innovation to the fore and giving board members an opportunity to bring all of their skills and experience to the table.

Strategy sessions with senior management can be fruitful forums for such discussions. Allowing time with no agenda, where any board member or manager can bring up anything they want for discussion, can be particularly fruitful. Questions about succession management, innovation or risk can all crop up. Simply having a forum where ideas can percolate and be discussed in an unstructured and safe way can pay substantial dividends for directors and management alike.

It can also be valuable to bring in thought leaders and experts to address the board, even if they're not from your industry. For example, bringing in a scientist or academic to discuss global megatrends can trigger ideas about where your organisation might move forward.

The goal is to look beyond the immediate environment outside your industry and discern what's happening in other industries. Doing so can provide opportunities for you to step outside your traditional operations. This will in many cases involve DX projects of varying scope; embrace these as opportunities to drive strategic change and innovation that will help ensure your organisation's sustainability.

The message? An environment where individuals feel they can bring ideas forward is valuable, as is being open-minded (and even enthusiastic) about considering new ideas in terms of strategy and digital transformation.



Strategy days and site visits to drive DX

Strategy days can be significant opportunities to consider DX and other projects. Try to avoid taking up the entire day with executives making presentations, with opportunities to ask questions at the end of each. These are presentation days, not strategy days, and typically offer diminishing returns as they progress.

Instead, split the day up and have an early unstructured session. This structure provides opportunities for all participants to throw out and engage with new ideas. It gives directors, managers, and other participants the opportunity to put aside their organizational roles and bring their varied backgrounds, experiences, and perspectives to bear. This method makes it possible to discover exciting, unexpected ideas and opportunities.

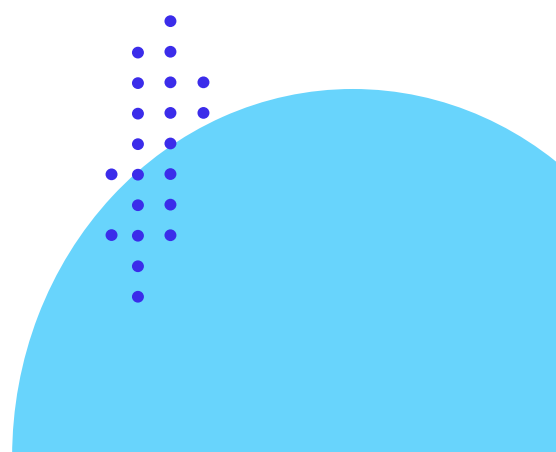
Site visits can also be valuable. Visitors can be exposed to projects and innovations in progress, rather than having to wait for a formal board presentation. They are also good opportunities to engage with team members at different levels and in different positions across the organisation.

Similarly, scheduling quarterly deep dive sessions between independent directors and subject matter experts can reveal new DX opportunities. You might pair a board member with the CHRO and give them time to discuss challenges and opportunities. The board member then reports back on what they discussed and learned, sharing knowledge and broadening the board's knowledge.

Digital transformation – don't be left behind

No matter your organisation's industry, size, or location, digital transformation has something to offer. As board members, it's incumbent to understand what's possible, the challenges you face, and the opportunities on offer.

Digital transformation projects in that sense offer double value. They provide their own 'headline' benefits and improvements, but also make further innovations and improvements easier to implement. Don't be left behind – start thinking about DX today. And if you already have some DX projects underway or completed, stay the course and start thinking about how you might use them to drive your next project.





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