

“Why Digital Transformation requires CIOs to learn New Skills”

Digital Transformation – something that can easily be achieved by having a fancy new website - or paying a developer in India to build a company app, right?

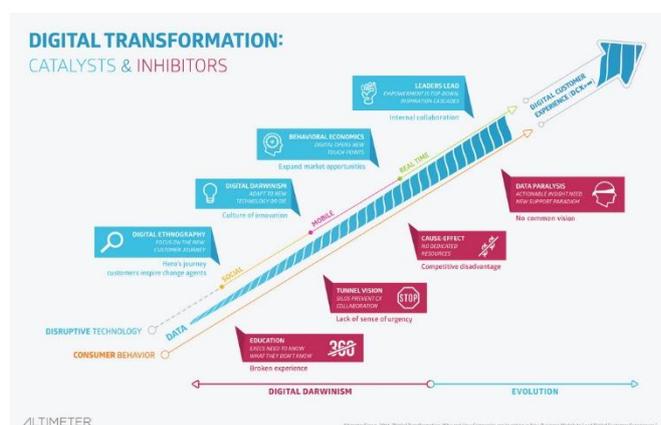
Actually, no! It goes quite a bit deeper than that – variously described as *“the use of technology to radically improve performance”* – a predictably enterprise-centric definition from Harvard Business Review, or *“changes associated with the application of digital technology in all aspects of human society”* – a wider definition from Wikipedia.

So this kind of transformation seems to be replacing the traditional Business Transformation projects that kept the Management Consulting firms so busy in the noughties. Indeed this had fallen to just 4% of fee income in 2013 (according to the Management Consulting Association), with further 5% on “Change Management” – compared to a whopping 25% on “Digital and Technology Consulting”. As the MCA puts it *“More than a quarter of consulting in the UK is now Digital. This is the largest and the fastest growing part of the consulting industry.”*

So why are organisations embarking on digital transformation? Customers now expect a higher level of service from those who serve them. While mobile technology has created a need for an “always on” service, online search has put the competition just a click away.

The price of “missing the boat” in digital is now higher – and more public - since social media has now given customers a voice, whether we like it or not. The key technical enablers for digital transformation - social, mobile, analytics and cloud – are now widely available, and the focus has now moved to people and organisation. You can’t “do digital” in a piecemeal fashion - it must permeate every aspect of your organisation - people, processes and strategy. And since people have now become the biggest obstacle, the best way to drive adoption is to make insights “self-service” to facilitate the widest take-up by non-specialists.

More than two thirds of digital transformation projects fail to meet expectations, according to a new study from Genpact. Difficulty in aligning communication between IT and business teams is cited as the central issue for implementation failure, with legacy integration and talent identified as other major bottlenecks.



However, large companies are throwing away roughly \$400 billion (£258 billion) a year on digital and analytic business transformations that fail to deliver what they promise. .

Despite this, role models for digital transformation can be found — Burberry and American Express - to name but two. Burberry is well known for its success in combining digital operational excellence with a customer experience focus. Central

to its ongoing long-term turnaround, Burberry's digital transformation has been building incrementally since 2006. An illustration of the "big-bang" approach more popular in the US is Disney, which recently completed a \$1bn operational and customer-facing transformation with the MagicBand initiative, through which DisneyWorld connected the entire end-to-end park experience using a sensor-enabled wristband.

A survey recently conducted by the Altimeter Group found that organisations who invested in new technologies, people and process to compete in digital markets saw a return which included greater profits, margins and market share as well as talent and a number of other factors. Companies that fail to navigate this transition will rapidly become disadvantaged in this new environment. The top 5 performance orientated benefits were:

- Improved customer engagement (75%)
- Improved customer satisfaction (63%)
- Higher digital traffic (53%)
- Increased lead generation (49%)
- Greater conversion rate (46%)

But how should IT departments themselves change so as to be able to play an active part? First, the arm's-length, transactional relationship between business and technology teams must change. Designing new architectures, moving to iterative delivery, and forming the collaborative culture of a DevOps operation demand that technology management leaders adopt new ways of working, according to CIO Magazine. And "Marketing is so inextricably linked to technology that, by 2017, chief marketing officers are projected to spend more than chief information officers on information technology and analytics", according to a recent report from Accenture.

CIOs must take more responsibility for the ongoing implications of technology choices to help reduce complexity. They must learn to trust their customers and listen to their feedback if they are to see the benefits of design thinking and Agile software development. They must work closely with each of their executive counterparts across all functions to co-create their digital business through their transformation agenda, rather than mandate it through a requirements specification.

For many CIOs this represents a transformation in itself - for them to become a respected partner for functional heads - and to be proactive rather than just a cost centre. It requires that they understand better the business context of the decisions they take, and that they communicate in the language of business, not technology.

There are thus two elements that are necessary for successful Digital Transformation. The first is to start collaboratively with the business requirement and work back towards the definition of technology requirements. The second is to accept that "Big Bang" transformation is risky, and that in any case Digital is best adopted via smaller, iterative initiatives that require an entirely different project approach compared to the monolithic deployments of SAP and other corporate applications in the past. Both will require new skills of CIOs, but those that can demonstrate results will have a dazzling choice of roles.



Mike Fish is former Director of a technology venture capital firm and an accredited executive coach. He is Chief Executive of [BigData4Analytics](#) – the leading UK's independent Management Consultancy for Big Data - and can be reached at: mike.fish@bigdata4analytics.com

References: Management Consultants Association:
http://www.mca.org.uk/library/documents/uk_consulting_statistics_2014_summary_brochure.pdf