

OPTIMIZATION OF IT AND DIGITAL TRANSFORMATION: STRATEGIC IMPERATIVE FOR CREATING A NEW VALUE DELIVERY MECHANISM AND A SUSTAINABLE FUTURE IN ORGANIZATION!

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ABSTRACTS: *The ‘quest’ for creating and maintaining relevance in the competitive world is acting as a driving force of innovation and transformation. Recent research reveals that technology-as-business-driver is going to play a mission critical role in driving organizational transformation. Digital Transformation thus gets the priority in the strategic agenda of the organization towards creating a new paradigm in value delivery mechanism. Digitizing is no longer an option for but a must choice for futurising the organization to create competitiveness, sustainability and the growth. The strategic imperative of any futuristic organization is to achieve enduring customer relevance and sustainable customer value at scale through a customer-centric digital transformation. Whether companies perceive digitalization as a threat, a challenge or an opportunity, those that ignore it do so at their own peril. Author has used case analysis as a research method to analyze and zero in to the key objectives. Therefore author’s thought process is focused on presenting a research perspective along with practical ideas and steps towards information technology optimization and digital transformation to accelerate growth overcoming issues, challenges and critical problems with undiluted focus on FUTURIZATION. This article will ignite academic interest and debate in the area with a new outlook on strategic imperatives of organization for technology adoption and application and will foster further research on technology optimization, digitalization for organizational renewal, relevance and repositioning in the value equation of the industry growth curve.*

KEYWORDS: Digital Transformation, Optimization, Customer value, Relevance, Futurization etc.

INTRODUCTION

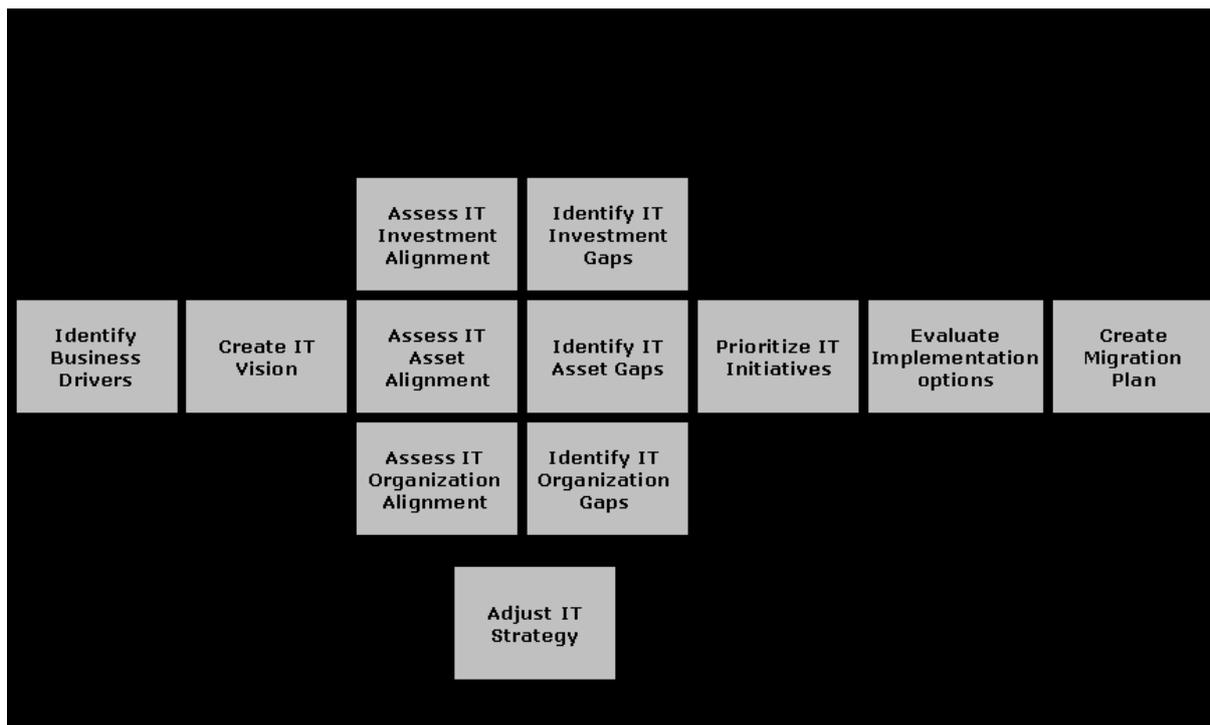
In a Technology driven economy, technology plays the role of differentiating factor between mediocrity to superiority in terms of value creation, competitiveness and sustainability, optimization of Information Technology (IT) application has become imperative for IT Managers. It has become a critical challenge for all Information Technology Managers to create value for the organization by doing more with less resources Information Technology makes the necessary platform for organisational interaction with customers and logistics

partners, competitors with the most effective and innovative IT infrastructures possess bigger advantage towards delivering better value to customers and therefore creating certain amount of sustainability.

Therefore, the critical challenge before any Chief Information Officers (CIO) is to align the IT with Business needs and to address the issue of optimisation and Innovation. Innovative approach towards IT application and optimisation helps to bring out the required incremental value addition and differentiating factors against the competitors. It clearly reflects that organisation achieves sustainability by adopting the prudent approach to optimisation of Information Technology with innovative mindset.

Alignment of Information Technology with evolving needs of business is easier said than done although it has become mission critical for any IT head or Chief Information Officer to understand the business variables, eco-systems so as to design the IT strategy, application and optimisation map. Following diagram can make the concept and understanding more clear towards application.

Fig :1- Steps in alignment of IT with Business Drivers & Goals



Source:2013StartsmartConsulting-<http://www.cioindex.com/cio-toolkit/it-strategy/article/articleid/18/7-steps-to-business-and-it-alignment>

IT Heads of any forward looking organisation is facing the increasing heat of optimisation and transformation. The critical question before them is how to balance optimisation and innovation and fighting the combination of cost pressure and technology-as-business-driver. Technology as business driver makes it more important than ever to focus IT resources on

innovation rather than maintaining infrastructure. A Hybrid model of IT optimization as a strategic option is gaining the currency. Organisation is investing towards creating hybrid infrastructure where outsourcing of regular IT maintenance and administration is playing a critical role in reducing the cost, optimising the application and investing organisational energy and focus towards creating incremental technology driven value additions. This will create a new paradigm for the value creation in the competitive landscape of the organisation.

The major benefits of adopting the hybrid approach does free the internal resources to focus on business technology innovation. Various Research in industry has reflected that adopting hybrid approach of cloud based and non-cloud based activities coupled with effective outsourcing of routine activities like general maintenance of IT infrastructure, network and administrative significantly enhances the investment opportunity and focus towards innovation-led IT activities. Optimisation of cost has enhanced the impact of innovation in a big way reflecting in incremental value addition and products and service differentiation.

Research showed that many Chief Information Officers (CIO) of various forward looking global organisations have recommended outsourcing of IT has enhanced the scope and ability to focus on those critical areas where the organisation can create a differentiating factor and can be truly great in value delivery compared to competitors. So the cost optimisation through outsourcing create big impact on innovation growth and sustainability. Organisation need to be careful in selecting the outsourcing partner and co-creating the collaborative platform as otherwise it may become counter-productive in terms of value addition and reputation loss.

Having done the design of IT architecture in alignment with present and future business requirements, CIOs main task is to futurise the organisation by creating organisational awareness towards digitising the organisation as popularly known as Digital Transformation. Although IT does not play exclusive role in digital transformation alone but certainly play a major role in the whole spectrum of technology that drives the transformation.

Digitising the enterprise for making it more customer centric and revenue generating, competitive and sustainable over longer time frame has become the chief agenda of many global corporations. This has become one of the major determinant towards creating sustainable future for the organization. Thus digital transformation is not an option but a must to drive. It is not only imperative for any organization to understand customer experience but re-imagining the customers' future expectations and re-designing of value delivery mechanism is extremely critical.

However, digital transformation requires a cautious approach to prevent getting into counterproductive and value declining curve. Therefore it is hyper important to design a digital ecosystem which will create a customer loyalty and brand recognition apart from other business fundamentals. The success of transformation will also depends on the effective alignment of organization, process and technology to create a system of captivating ever changing customer needs.

The journey towards digital transformation can be started with the assessment of organisational readiness to embrace and drive the same. As researched by a leading global IT & management consulting firm, an organisation need to assess the readiness by understanding the following four factors:

- Organisation
- Leadership
- Competition
- Customers

LITERATURE REVIEW

Author feels that it is better to introduce to the readers the dictionary meaning of the word 'Optimize' before starting this section. Merriam-Webster dictionary defines "optimize" as making something as "effective or functional as possible," and "assess" as to "determine its importance or value."

Therefore Optimisation of Information Technology depends on the development of right attitude of the management to see the technology as a customer value driver and understand the constant changes happening to that technology area. Based on the developed understanding, management of any forward looking organization need to initiate some steps in alignment with business goals and needs

K. Scott Proctor (2011) observes that Optimisation of Information Technology (IT) involves a step-by-step process whereby various aspects of IT are evaluated to generate an accurate and reliable assessment of a company's IT operations and identify areas on which to focus to optimize IT.

He suggested that "the processes of optimizing and assessing IT involve a small number of important step".

These eight steps include:

1. Define the goal: Visualise and define the end state of the IT function.
2. Assess the situation: Assess the current IT function against the desired end state in terms of augmented value delivery to customers.
3. Quantify the situation: Translate the assessment of the current IT function into quantitative terms.
4. Identify the gaps: Determine where gaps exist between the desired IT end state and the current situation utilizing the quantified IT assessment

5. Determine a plan to bridge the gaps: Build a plan to bridge the gaps between the current situation and the desired end state of the IT function.
6. Quantify the benefits of bridging the gaps. : Translate the plan to bridge the gaps into quantitative terms.
7. Execute the plan to bridge the gaps: Move forward and implement the plan to fill the gaps
8. Repeat these steps: Reassess the IT function in the future and begin the optimization process again

However the criticality to optimisation is highlighted by Sourabh Hajela , a management consultant & trainer, his article at CIO Index.Com that “No business will ever reach the goal of “business and IT alignment” . Because of the dynamic nature of business, it is difficult to achieve perfect alignment. He also highlighted that the ecosystem of any organisation is affected by the forces at play in it. Economy, industry, competitors etc. are all players in this ecosystem who are continuously evolving. Similarly, knowledge and tools – such as information technology - are also continuously changing. To remain competitive i.e. maintain differentiation, every organization must adapt in response to the actions and activities of others in its ecosystem.

Therefore the bottom line is organizations that do not adapt to changing circumstances lose their competitive edge over time and disappear. Corporate history is replete with many a cases to quote but the debacle of NOKIA from the telecom brand supremacy is a classical case in point.

Regardless of the fact that quest for perfect alignment is hardly achievable and therefore sometimes act as a deterrent to take initiative to drive the same but hard reality is that organisation who does not pursue the business alignment with Information Technology, it fails to optimise the cost and application towards recreating value delivery mechanism.

With so much at stake, most of the forward looking rather future savvy organisation is driving and or adapting to the transformation process by optimising application of technology as a business value driver.

Therefore the importance and significance of digitizing the enterprise is coming into the fore.

“Digital transformation is application of digital technology in all aspects of human society. It goes beyond digital competence and digital literacy to change every aspect of our lives” Mark Baker (2014)

The importance of digital transformation is aptly said by many global first league industry leaders and one of them is the Mark Parker, President and Chief Executive Officer of NIKE Inc,

“Digital’s potential is enormous. It is changing how we conduct our business, tell our stories and engage consumers. It’s a rapidly changing landscape and a big part of our future.” Mark Parker, President and Chief Executive Officer of NIKE, Inc

Indeed, there may soon come a point where the choice of being digital savvy is no longer will be in the hands of the organisation but in the hands of the customers whose demand will come from new products, services, experiences etc., Our research suggests that all organisation having desire to have future sustainability has started moving towards bringing digital transformation and therefore created organisation wide awareness campaign to drive the required change in mindset and actions.

Business success will continuously depends on how well an organization is creating enduring customer value through enhanced relevance by pursuing customer focused digital transformation. As the research shows that the process begins with the identification and selection of a superior and relevant customer experience, and doing the alignment of process, systems, technology in the organization to give it a momentum. Accordingly, following three essential elements become critical to deliver enduring customer relevance and value at a given scale:

Delight Customer

Know and understand your customer to design delightful omnichannel experiences and services which are ‘Relevant’, ‘Elegant’, & ‘Simple’

Re-orient the organization’s Business

Transformation of the business and operating models toward customer-centricity and agility while infusing innovation and analytics into the core culture for making organization effective & agile which delivers ROI

Flex organisation’s platform of value creation and delivery

Empower the business and customer experiences by optimizing the marketing, content, and commerce technology and operations—scaled as needed to perform. Robust, Scalable, Deployed Fast

It is an established fact that digital transformation journey varies dynamically because customers needs are always evolving and accordingly customers demands are emerging. As it is evident that digital transformation is must but cannot be done as a quick fix. Every digital transformation journey will be different and dynamic because captivating customers means constantly and swiftly adapting to their changing needs. In other words, while Digital transformation brings tremendous opportunity, digital transformation is never a quick fix. “With so much at stake, getting started can be overwhelming. But there are specific actions that companies can focus on today to jumpstart a meaningful digital transformation—keeping the customer experience front and centre at every turn”- Maxi Schmidt-Subramanian(2013)

Digital Transformation suffers from silo approach. Many organisations just regard it as a prerogative of IT department is to be seen from the whole organisational perspective and

focus must be given to create a shared purpose and collaborative mindset. Research reveals that there are five building blocks to enabling digital transformation (see Figure 3). The digital business must be hyper focused on customers. With data management at the core and fueled by expert analytics, insight and content management, a digital business provides fully integrated services for seamless, 360-degree customer experiences. Organizational and cultural changes and the right operating model must underpin these building blocks, and are often the most challenging elements to tackle.

Mindset: Mindset is the key to successful transformation. The problem is many companies see the digital transformation with the blinders on as a result it get confined to a section of the organization instead of creating a shared mindset, purpose and collaborative approach which in turn helps to create a much wider context and platform and build an ecosystem comprises of People, Processes and Technologies. For example, A leading retailer in United Kingdom gone digital by launching five year transformation plan to reposition themselves as a digital retail leader . The interesting thing was that the design encompasses not just marketing or sales but also improved business intelligence capabilities, a multichannel platform, cost-efficient supply chain and a new business operating model

Connection: The determinant of a successful digital transformation depends on understanding the customer's mindset very well about their love and affiliation to the concerned organization's product & services. Mere mapping of competitor's capabilities and benchmarking does not always provide the right insights and results. Organization need to understand the relevance of their offerings to connect with the customers and what's the satisfaction level! Relevance includes rational and emotional appeal.

Leadership: Leadership plays a critical role to build momentum in the designing and driving successful implementation of digital transformation process . Entire leadership spectrum must be highly committed and should work in a collaborative spirit and mindset focusing on shared goals and purposes. Sincere approach and high commitment of the top leadership with inclusive mentality is pre-requisite to digital transformation successfully.

Teamwork: Collaboration is key to success and therefore leaders need to make changes in organizational structure in order to facilitate the process. Management should set digital key performance indicators for people, process, systems etc., in all areas of the organization—and reward high performers with incentives.

Education: It is imperative for the management of the organization to educate all sections of the people about digital transformation and to ensure that it get embedded in the organization across all levels. Continuous efforts to educate organizational members and stakeholders will have a rich pay back in terms of making transformation highly successful. Recognizing the need for continuous and consistent digital training, Unilever has set up a Media Lab in India and in China to share leading digital practices and emerging approaches and tools. Nestlé's made Digital Acceleration Teams and brought marketing managers together from different regions for an intense eight-month digital training program. The end result of such a productive efforts are reflected in high engagement of customers. Since participants emerge

as digital champions, they are ready to engage with customers in new ways. These programs reflect digital maturity at in-market levels

Planning: Organization need to keep long planning horizon Organization need to Invest keeping in view long term perspective and gain. Therefore it is critical that organization should show patience understanding well that Digitization is a long drawn process and Digital gains are not immediate. It is critical to plan and draw a customer journey blueprint which is essential to coordinate efforts around all three elements of the customer-relevant digital business. Nespresso has brought this concept and doing this today. The organization has initiated a longer-term transformation program to delight customers and align the business around it. The initiative aim to deliver a better customer delivery value chain by creating a consistent and well aligned interactive platform designed to deliver seamless customer experiences underpinned by agile and flexible business processes faster responsive and adoptive to customer demands and local market needs.

Westerman, George; Bonnet, Didier; McAfee, Andrew.(2014) in their book ‘Leading Digital’ has highlighted how large companies in traditional industries like Finance, Manufacturing, Pharmaceuticals are using digital technology for creating strategic advantage by focusing on the following four key areas :

- better way of engaging with your customers
- enhance operations digitally
- creating a digital vision
- governance structure of digital activities

RESEARCH METHODOLOGY

Considering the nature of the research, Author has adopted case analysis to drive home the critical understanding of the impact of digital transformation in the organisation and adequately answers the implicit key research objectives. Author has researched quite a few consulting cases and adapted the following case from Capgemini Consulting, UK

Case Study of:

BNP PARIBAS : Digital Transformation in International Banking Division

The Challenges:

Rapid growth of International Bank BNP Paribas necessitated the consolidation of its global position so as to create sustainability, competitiveness & growth..

The major challenge was reflected in the following three key areas keeping in view their strategic priorities of internationalisation, process rationalisation, maintaining trust with the customers :

1. Redesigning the customer experience
2. Transforming operating model
3. Innovating the business model

The think tank of BNP Paribas understood that they need to use technology to enhance their reach and support the globalisation and also to deliver value to customers complying with different cultural diversity and regulatory framework in different countries.

The Solution:

1. Using technology as a business value driver, the think-tank of BNP envision the need of the hour is to digitise the organisation process and systems so as to increase reach and enhanced service delivery to the customers by seamless integration of Process, People & Technology. The first leg of transformation was visible in terms of creating reach by adopting a multichannel strategy which includes the Web based banking, Mobile banking etc.,
2. Transformation of BNP Paribas is also aimed to integrate transactions across Channels and build the conversations with clients via IT tools like Customer Relationship Management (CRM) and analytics-based tools. BNP Paribas has developed a new digital platform leveraging the firms various distribution assets into multichannel processes and tools.
3. Major focus of BNP Paribas is to improve customer experience, the firm launched multiple initiatives. Mobile apps provide a substitute to using the internet website. Increased usage of social media enhanced the customer touch
4. BNP Paribas got into a new business model launched new mobile bank services in partnership with a telecom operator. This was more than a simple website substitution. It was a switch from traditional business model to a digital one, with a different cost and revenue structure.

CONCLUSION & RECOMMENDATIONS

Conclusion:

Digitizing the enterprise has become mission critical to win the relentless battle of relevance and creating sustainability and consistency in growth. It is moving rapidly in this direction. Ever increasing focus of organisations on growth investments, requisite technology and effective leadership largely reflects the commitments and sincerity of the organisation

towards the transformation. Therefore, it can be said that digital transformation is the must choice for any forward thinking organisation.

Now the critical question that emerges whether or can digital transformation be considered as a panacea to growth and stability?

Having analysed the given case and also the other success stories, answer is firmly in affirmative but with a caution that Digital Transformation need to be taken as digitalisation of process, systems, functions, management etc., and not just the iteration of Information Technology. New economy companies are already making a giant stride towards it and working hard to ensure that their organizations are squarely on the road to digital transformation but the old economy companies are still struggling to get into the proper understanding, contextualisation and implementation of the same as a future business strategy. The other flip side to it is that many companies without knowing the things get caught in the middle resulting into instead of transformation they focus on improvement.

Digital transformation brings out the different value equation to customers and other stakeholders in the way of enhanced connectivity, automation of manual tasks, improved decision making, and product or service innovation.

Therefore, organisation need to be ready to capture the value of digitisation or transformation with digital technology. Research reflects that it is highly important for some industries whereas mission critical for survival in some business. There are some industries which will be having more transformative effects from the digital transformation whereas others have little choice but to copy the model and implement it in a sustained way to be competitive in the industry.

Thus, capturing the value of digital transformation will be the most important task of organizations' management. Conscious efforts are needed to analyze the organizational value at stake and invest proportionally in technology with enhanced connectivity, automation of process, quicker decision making and innovative products or service delivery.

Recommendations:

Research suggests that radical transformation of productivity & sustainable bottom line and growth can be the raison d'être for embracing the digital transformation. Organisations need to focus on unique opportunities that can be realised on embracing the digital transformation.

Therefore, following steps are recommended for deciding and driving radical transformation.

Organisation need to focus on the value measurement exercises starting with 'what-if' analysis to understand the value equation in terms of potential growth in revenue, profitability, productivity & customer satisfaction. It should be assessed internally and also externally with benchmark to competitors.

Prioritisation is the key to reflect on the ability, resources and risk tolerance to execute on various big opportunities available at a time. Key focus would be analysing the Return on Investment (ROI) and high customer impact while selecting the project or area for transformation.

Visualise the end. it helps to take an end-to-end view to understand critical processes . Overlooking of critical processes on which the value delivery mechanism of an organisation critically depends can eventually land an organisation in the mine field of customer frustration.

Alignment of business portfolio is necessary to understand which business is going to flourish in digital era and which business will slow down because of shift in demand of the customers and therefore need to be hived off. Some companies may need capabilities, resources to build which can be acquired faster through the acquisition.

Digital change is coming fast and this acceleration is going to challenge the existing way of doing the business heavily. Now, the organisational survival and growth will depend on how quick executive leadership of the organisation be ready to understand, analyse, interpret and embrace the transformation and drive it sensibly to create not just improvement but a radical transformation of processes, systems, products or services etc., so as to have a new value delivery mechanism with high amount of customer satisfaction, loyalty etc.,. Therefore, digital transformation will bring a bigger value, higher profit and productivity of the organisation which in turn will contribute to relevance, productivity and growth.

CONTRIBUTIONS TO ACADEMIC DEBATE

These thoughts, facts and analysis will ignite a new vista of thinking and academic exploration to understand as to how IT Optimisation can reduce the cost structure and the waste of the organisation and thereby create a leveraging effect on the investment and return. While optimisation may seems to be the job of Information Technology department but actually it is more of a culture adoption by the entire organisation to differentiate value add and non-value add.

Digitisation is rewriting the rule of competition and sustainability with growth . But this growth can only come to the organization who are efficient in using digital tools along the consumer decision journey so as to gain a reasonably significant lead over competitors. This research creates a picture of the factors involved in digital transformation and how an organisation need to address the challenges emerging in the growing digital business world where consumers are getting more digitally empowered to take buying decision on their own!

Another dimension to academic debate could be how to create futuristic organisation by becoming digital savvy ? Digital savvy organisations are having a bold culture of change management and transformation for their customers. They build the culture of collaboration so that they can make the progress effectively and rapidly compared to their competitors. They not only understand the customer journey from the moment the customer thinks about

the product or service purchasing—through purchase, usage, and repurchase—and how digital technology deployment can enhance all of those experiences but develop organisational capabilities to manage the customer experiences better.

Future Research Implications

Research suggests that some organisations are driving digital transformation and zoom past their competitors by emphasising innovative value delivery and growth model, and made the focus as the main agenda or core assumption of the organisational growth strategy.

Author has tried to demonstrate a clear and lucid understanding of IT Optimisation and digital transformation in organisation in terms of what digitization can do for the business and how it creates relevance and not just a tool for improving the business.

Author hopes it will further sensitize the future researcher to research further on the following areas

How to set the Digital Vision & make digital the linchpin of the business strategy ?

Setting digital transformation process in the organisation

Competitor benchmarking and strategy to leap ahead in the competition.

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