DEMYSTIFYING DIGITAL

Five Pillars for Digital Transformation Success

Five key factors to keep the digital journey on-track

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THE BEST RUN SAP

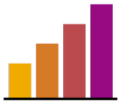
5 Pillars Of Digital Transformation Success

Three to five years ago, many companies took the lead in digitizing their processes and business models. However, less than 20 percent of these companies1 have achieved their desired outcomes, and are therefore now adjusting their strategies.

In this document, we highlight five key factors to keep the digital journey on-track and maximize the return on digital investments:

1. ENSURE EXECUTIVE COMMITMENT TO DIGITAL JOURNEY

Senior executives must be fully engaged and educated throughout the transformation process to direct initiatives and evaluate new opportunities. They must also build strategic partnerships that bring in the necessary capabilities to drive digital innovation.



2. FOCUS ON TANGIABLE AND SUSTAINABLE RESULTS

Digital initiatives should have significant and sustainable impact on the company's performance during its transformation journey. Focus on PoC's that can be scaled.

3. ALIGN ON BUDGET AND RESOURCES

Free up resources and budget from existing operations to provide necessary funds for the digital journey to change your business and the market.

4. FOSTER CULTURE OF INNOVATION

Recruit diverse talent, invest in creative innovation spaces, and encourage a risk-taking culture across the enterprise to sustain the momentum through the digital journey.

5. BUILD DATA PLATFORM AND SKILLS

Create single view of data, build big data skills, and adopt a real-time platform that connects data and enterprise applications, to become an 'Intelligent Enterprise'.

1- KPMG, 2016 Global CEO Outlook

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Ensure Executive Commitment to Digital Journey

Senior executives must be fully engaged in the company's digital journey to redirect and reprioritize initiatives, and be continually educated on emerging technologies and their potential.

Digital innovation is a journey without a destination. The company sets lofty objectives and embarks on a journey to achieve them, while accepting that there will be wins and losses along the way. Innovation requires full commitment from all executives throughout the process, and cannot be outsourced or run by one digital champion.
It can be difficult for a company to deliver the desired innovation on its own, and it should therefore build strategic partnerships that brings in the necessary capabilities to drive digital innovation. For e.g. with smart homes, smart cities, and connected cars ecosystem two or more companies have come together to deliver a new and better customer experience, which requires even more strategic commitment from executive leaders.

TRAPS TO AVOID

This is where the 'Run vs. Innovate' conundrum becomes very evident. Often, the necessities of running the business is prioritized over the digital innovation agenda. The leadership team spends a lot of time addressing operational issues of the current business model, and as a result the innovation workstream loses momentum. Executives need to 'walk the talk' and spend considerable time and effort understanding innovation priorities and evaluating new opportunities.

#1

Factor in successfully executing a digital transformation is Executive alignment

Source: Mckinsey & World Economic Forum

1- KPMG, 2016 Global CEO Outlook

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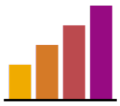
Focus on Tangible and Sustainable Results



Digital initiatives should have significant and sustainable impact on the company's performance during its transformation journey. Wins along the way will validate the strategy and inspire the organization to continue to embrace 'digital'.

No company can sustain an innovation journey without significant wins along the way. Innovation needs to be practical by nature where good ideas can quickly go from small proof of concepts (POC's) to large scale implementations.

TRAPS TO AVOID

Innovation leaders **need to avoid too much evangelism** and focus more on execution and internal collaboration. 2-3 years can go by very fast before companies begin executing and creating value, which force companies to realign, reorganize and relaunch with significant loss of time and money.

70%

Of companies are yet to scale iot pilot projects even after 2 years

Source: Mckinsey & World Economic Forum

1- KPMG, 2016 Global CEO Outlook

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Align on Budget and Resources

Companies need to free up resources and budget from existing operations to to provide necessary funds and talents for the digital journey.

No company can sustain an innovation journey without significant wins along the way. To survive and thrive, companies need to use digital technologies to reimagine business models and cost structures. Successful companies have mastered the art of stopping many existing initiatives to fund the future. They allocate significant resources and budget to their digital transformation initiatives, with a strong governance around prioritization and value-based budget allocation.

TRAPS TO AVOID

Typically, resources and budgets are distributed among multiple divisions/line of businesses, and innovation leaders spend much time on evangelizing and convincing to gain access to such funds and talent. **Most divisional/LoB executives are not willing to stop existing projects**, which puts pressure to arrange funds for new initiatives, and creates friction for accessing top talent.

54%

Organizations feel that the digital talent gap is hampering their digital transformation programs

Source: Capgemini & LinkedIn

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Foster Culture of Innovation

To sustain the momentum through the digital journey, companies should encourage an innovation and risk-taking culture across the enterprise.

Digital is not just about technology; it is multi-faceted and should be diffused throughout the company. Successful companies are recruiting diverse talent and embracing an empathetic approach like design thinking. Cultural improvements, like creating a dedicated space for employees to be more creative and collaborative, can go a long way in changing the culture and maximizing innovation.

TRAPS TO AVOID

This is where the corporate cholesterol hurts the most. Promising ideas are crushed early in the cycle and multiple organizational layers, processes, and policies slow down the execution on innovation. Executives need to lead by example by allocating enough time and resources to incubate innovative ideas.

80%

Of companies that focused on culture as part of digital transformation sustained strong performance

Source: BCG

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Build Data, Platform and Skills

In the digital world data is will fuel innovation. Companies need to have single view of data, data science skills to exploit data, and a stable platform that connects data to intelligent enterprise applications.

At the center of digital transformation is the vision of 'Intelligent Enterprise' which relies on data-centric approach. Data will drive intelligent insights; these insights will trigger the right actions automatically; and autonomous processes will significantly reduce cycle times. Companies need to build strategic partnerships with technology companies that can help them adopt faster innovation cycles, build the right architecture, and commit to a long-term co-innovation model.

TRAPS TO AVOID

Companies have **complex data storage process, lack data science capabilities and miss a strategic technology partner**. They might get initial success with multiple PoCs on different open source technologies, but in the long term, platforms will become more complex and slow down innovation.

2 of 3

Executives indicate that business adoption of data initiatives remains a major challenge

Source: NewVantage Partners

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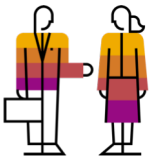
How SAP Can Help?

SAP has made significant investments and changes to its solution portfolio over the last few years, while keeping a sharp focus on digital transformation. Our market leading solution portfolio, services offerings, and partner ecosystem can help our customers embark on their digital transformation journey:



Our engagement model starts with executive alignment. Depending on customer needs and commitment, we engage as a strategic partner to help them on their transformation journey.

Our packaged innovation like 'Leonardo Industry innovation kits' can help companies secure quick wins along the journey.

SAP has the largest cloud solution portfolio. Our cloud offerings can help free operational IT budget to focus on innovation.

Our proven design thinking approach has helped companies foster a culture of innovation by focusing on three pillars people, process and place (innovation space).

The Intelligent Enterprise framework is based on common data platform and user experience layer. Companies can leverage the same technology platform to drive innovations across the enterprise.

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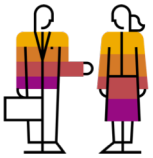

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