To successfully plan and manage a digital transformation, companies need to understand the maturity of their digital strategy and capabilities, beyond just technical factors. A diagnostic tool can help align their digital initiatives to the “true north” of desired business outcomes, and keep them there throughout the transformation. This paper explores how such an instrument can lead organizations towards a more effective form of digital transformation: Lean DigitalSM.
WHY WE ARE MEASURING the maturity of digital transformation

The journey to digital transformation is fraught with challenges. Most organizations still don’t derive sufficient impact from their digital initiatives. According to our research, about two-thirds of digital initiatives will not be fully satisfactory.

Most organizations tend to see those challenges as technical, such as lack of technology expertise or funding. However, field evidence shows that the root cause of insufficient return on technology investment often lies in the inability to manage enterprise change from both a strategic and organizational perspective. Hence the need for a measurement mechanism that helps large and complex enterprises benchmark against peers and track progress over time. A specialized diagnostic that covers the why, what, and how of a transformation can support the strategy’s formation and governance.

KEY measurement areas

Our research shows that three areas help drive positive change, discriminate between low- and high-performing organizations, and pinpoint what requires attention. This requires asking:

1. How complete is the strategic vision for digitally enabled transformation?
2. What capabilities does the company have?
3. What impact is being achieved?

How complete is the strategic vision for digitally enabled transformation? Companies need a thorough understanding of the business outcome they seek. Most companies tend to focus their digital efforts on front-office transformation, but operations, decision-making, and innovation are also areas that can attract deliberate strategies.

What capabilities does the company have? The most common mistake here is to only take a technical focus.

Our research indicates that successful adoption of today’s technologies relies on sharp business acumen at least as much as it does on technology prowess. Specifically, many modern technologies are more agile in terms of technical realization but require more careful business design and planning—such as design thinking and process engineering. While capability gaps are unavoidable, they are fairly readily filled (particularly in less vertically-integrated organizations) through partnerships with an external partner ecosystem. This strategy enables companies to continuously monitor the art of the possible with technology while maintaining enough internal muscle to operationalize and evolve the organizational processes that turn technology into positive change.

What impact is being achieved? Most organizations feel that digital can revolutionize their engagement with end clients and help accelerate growth in market share, or at least prevent the competition from taking market share from them (this is the position traditional financial services or consumer products companies are in today). Others see digital as a means to create new markets. GE, for example, is trying to do this with the industrial internet of things and asset analytics by making their industrial assets smarter, more effective, and better utilized. Improved pricing is also a sought-after benefit from being able to connect granular data with actionable insight to drive actions throughout the enterprise. And clearly, digitization can also help organizations cut costs or comply with regulations.

Last but not the least, an increasingly sizeable group of companies is using digital to increase business agility. This is a complex endeavor for established players. While it often receives limited attention from mid-management, it is a necessary activity for many CEOs in industries caught in volatile and unpredictable business cycles.

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WHAT ANALYSIS is most helpful?

Measuring key transformation metrics enables successful digital strategies and governance. The value of this exercise is strong both at the beginning of the journey and throughout the never-ending cycle of transforming and running operations with continuous improvement.

Importantly, the answers to key diagnostic questions vary by stakeholder, and these granular measurements are very useful. Comparing results between industry peers in specific functions, such as chief finance or risk officers, can generate a sense of urgency, while the performance of other industries can provide innovative ideas and illuminate traits (such as agility) that may not be found in directly comparable peers.

A particularly intriguing set of findings, however, can emerge when observing the perspectives of stakeholders within the same organization. For instance, comparing the views of the chief information officer group to business or functional leaders; or the opinions of middle managers, who constitute the “backbone of the change,” compared to the view from the C-suite. The latter, in particular, can generate findings that are both disturbing and enlightening.

CONCLUSION:

Digital transformation diagnostics can enable competitiveness

Crafting and performing diagnostics for a digitally enabled transformation is key to ensuring the effectiveness of new technologies. It is a necessary milestone and first step towards the creation of a continuous feedback loop. Over time, executives will be able to determine which capabilities translate into concrete impact.

As part of our Lean Digital™ research, we consistently noticed that the capability build for the middle and back office is neglected when compared to the front office, which has negative consequences on the business outcomes delivered. This is particularly important given the unprecedented speed of technological change that

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is forcing organizations to continuously reimagine the way they run. Explicit ownership of the design and improvement of an end-to-end digitally enabled process, ideally in a centralized center of expertise, and access to an ecosystem of partners and experts are two necessary conditions for tangible positive outcomes in a world where digital technology is a necessary but insufficient condition for being able to compete through digital. To access a practical digital diagnostic, start using Genpact’s Lean Digital Ratio at http://ratio.genpact.com/ or get in touch with one of our experts at www.genpact.com/leandigital.

About Genpact
Genpact (NYSE: G) stands for "generating business impact." We architect the Lean Digital™ enterprise through a unique approach based on our patented Smart Enterprise Processes (SEP™) framework that reimagines our clients’ middle and back offices to generate growth, cost efficiency, and business agility. Our hundreds of long-term clients include more than one-fourth of the Fortune Global 500. We have grown to over 70,000 people in 25 countries, with key management and a corporate office in New York City. We believe we are able to generate impact quickly and power Intelligent Operations™ for our clients because of our business domain expertise and experience running complex operations, driving our unbiased focus on what works and making technology-enabled transformation sustainable. Behind our passion for technology, process, and operational excellence is the heritage of a former General Electric division that has served GE businesses since 1998. For additional information, visit www.genpact.com. Follow Genpact on Twitter, Facebook, LinkedIn, and YouTube.