



Beware the Digital Dip

Four Hacks for a Successful Digital Journey

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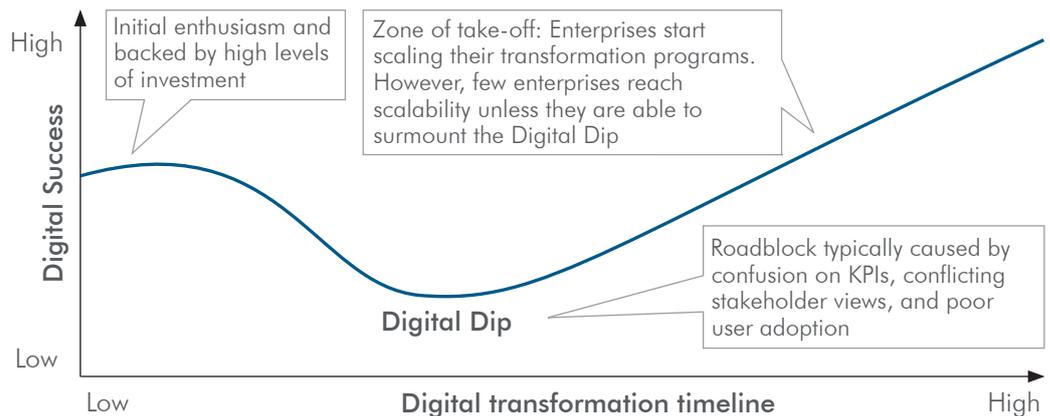
Executive Summary

While most enterprises are running digital initiatives at varying levels of scale and maturity, not all of them succeed. Everest Group research suggests that more than 40% of the enterprises are currently facing roadblocks in scaling and reaping benefits from their digital initiatives. Only a third have moved beyond these challenges, and are successfully running scaled digital programs with appropriate benefits accruing to business.

EXHIBIT 1

The Digital Dip

Source: Everest Group



The Digital Dip represents a fundamental need for digital initiatives to be more closely aligned with business requirements. Our research suggests that the early optimism is largely the result of foundational work in technology implementation.

However, the Dip starts making itself felt when technology initiatives fail to take into account subsequent process alignment and change management requirements.

Inability to deal with the Digital Dip can lead not only to failed implementations, but a longer term investment crisis and stillborn digital transformation.

The Digital Dip is the phenomenon of digital initiatives stalling after initial early successes.

Research with over 200 global enterprises indicates that the Digital Dip happens because of one or more of the following factors:

- **Using traditional IT methodologies for digital projects:** Big Bang projects run a higher risk of failure and enterprises need to keep testing “minimum viable” solutions with live audiences in an agile manner
- **Lack of clarity on strategic objectives behind digital programs:** Most enterprises going through the Digital Dip have multiple, and often conflicting objectives, attached to each project
- **Inability to engage a wider set of stakeholders:** Inability to engage meaningfully with a wider set of stakeholders during the development phases can lead to poor UX and low adoption
- **Inside-out process definitions:** Traditional enterprise-defined processes do not allow for the outside-in view of the user. Inability to break process silos inevitably raises Digital Dip risks
- **Missing change management:** Thinking of digital projects as one-offs, rather than an ongoing change mechanism leads to subscale impact. Eventually, digital programs fall by the wayside as the initial excitement is lost in the absence of meaningful follow-through

This report examines these issues in greater detail and also, what organizations looking for successful digital implementations need to plan for.

Digital Hack #1: Get Agile

In 2014, Marks and Spencer launched its new e-commerce website. Unfortunately, the website suffered from a number of problems related to poor user experience, technical defects, and inaccurate product-price details hampering functionality. To the extent that online sales fell by 8% in the first quarter following the launch.

Our analysis suggests that Marks and Spencer's strategy was deficient on two counts:

- **Not agile:** Instead of introducing incremental changes in its existing website, Marks and Spencer spent significant time and money for a Big Bang launch. Such a strategy precluded any fail-safe litmus tests to assess course correction. For a digital consumer business, failure to incorporate real-time customer feedback represents significant risks
- **Confused objectives:** Marks and Spencer moved away from its existing Amazon platform because it sought greater cost flexibility with sales fluctuations. However, cost reduction was never the primary objective - it was about delivering a superior customer experience, attracting greater volumes of online traffic, and, thereby, driving business growth. Taking eyes off the "Why are we doing this?" question, or overloading the primary objective can lead to compromised technology and design choices, thereby, compromising user experience

The good news is that you probably knew it already. The bad news is many do not realize the profound downside of not doing it as a mindset, as opposed to an application development methodology.

Traditional technology initiatives, be it deploying a new accounting system or creating a new website, focus on linear deployments. The system is made live, post go-live support (PGLS) is provided, and incremental functionality is developed over a period of time through a slow process of user feedback documentation.

Digital initiatives need to march to their own tune.

- **"Minimum viable solution vs. end state definition":** The most successful digital leaders ask "What is the minimum viable solution?" rather than "What is the end-state?" The reality is that user expectations are not only for "now", but also evolving constantly – *users often simply do not know how their own work environment and the corresponding use cases will evolve*. By trying to define the end state, digital leaders risk suboptimal outcomes, as the user expectation typically moves on by the time the product or service is released
- **Test with live audiences:** Successful digital leaders do not try to double-guess the user. They test incremental pockets of design change directly with live user audiences. Often, the process of feedback generation is instrumented into the design concept to be real-time
- **Cross functional is key:** Getting agile requires teams to be designed differently. Instead of business handing out requirements, and technologists developing and implementing a system in sequential fashion, A-list digital teams involve designers, business owners, process experts, technologists, and user experience specialists working together from project conceptualization through to launch. This, in turn, requires a shift towards a more collaborative culture and a gamified project environment

Digital Hack #2: Why are We Doing This?

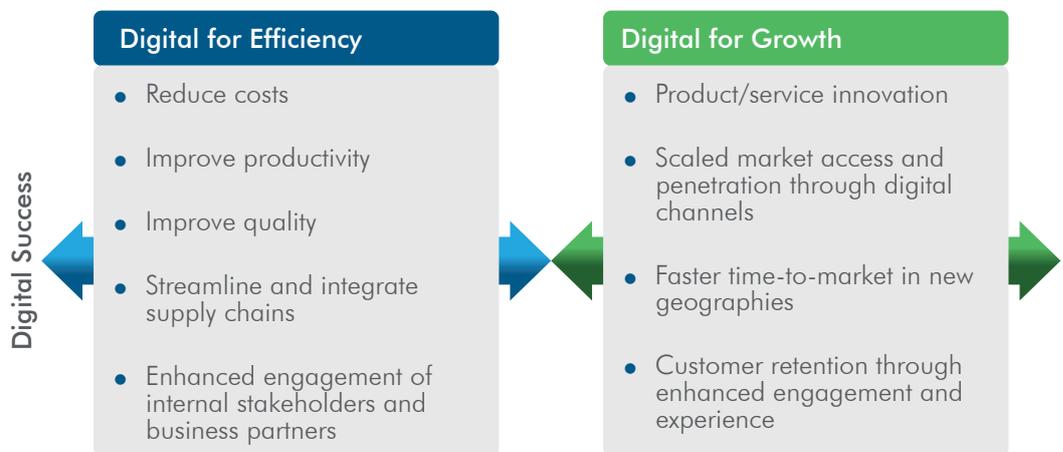
On postmortem, stalled digital initiatives reveal a startling lack of clarity of strategic objectives. Successful digital transformation requires an obsessive focus on a limited set of objectives.

Everest Group research with over 200 digital leaders reveals that enterprises with successful implementations are able to distinguish between efficiency (Digital for Efficiency or DfE) and growth (Digital for Growth or DfG) functions, and stick to those aims throughout the transformation lifecycle. The distinction is critical to instrument the right set of project KPIs, staff project teams with the right set of experts, and select the best-fit technology.

EXHIBIT 2

DfE and DfG priorities

Source: Everest Group



The Digital Dip is often the result of succumbing to the temptation to over-engineer KPIs. Growth or innovation objectives are often clouded with what start out as secondary objectives of cost reduction – and then assume center stage.

In the absence of successful facilitation and executive sponsorship in a complex multi-stakeholder environment, enterprises are at risk of compromising the “strategic purity” of their transformation agenda.

Digital Hack #3: Design Outside-in

In a pre-digital context, processes are defined inside-out, i.e., from the enterprise point of view. All digital initiatives leverage technology innovation – but successful ones take a hard look at how business processes are built and leave space for significant reengineering.

Key to the reengineering process is the ability to develop an end-to-end view of the process from the user’s point of view. *Everest Group research suggests that enterprises that integrate digital investments from front-end consumer-facing interfaces through to core operations are likely to enjoy better outcomes, and face fewer hurdles in seeking executive buy-in and sponsorship.* (Exhibit 3)

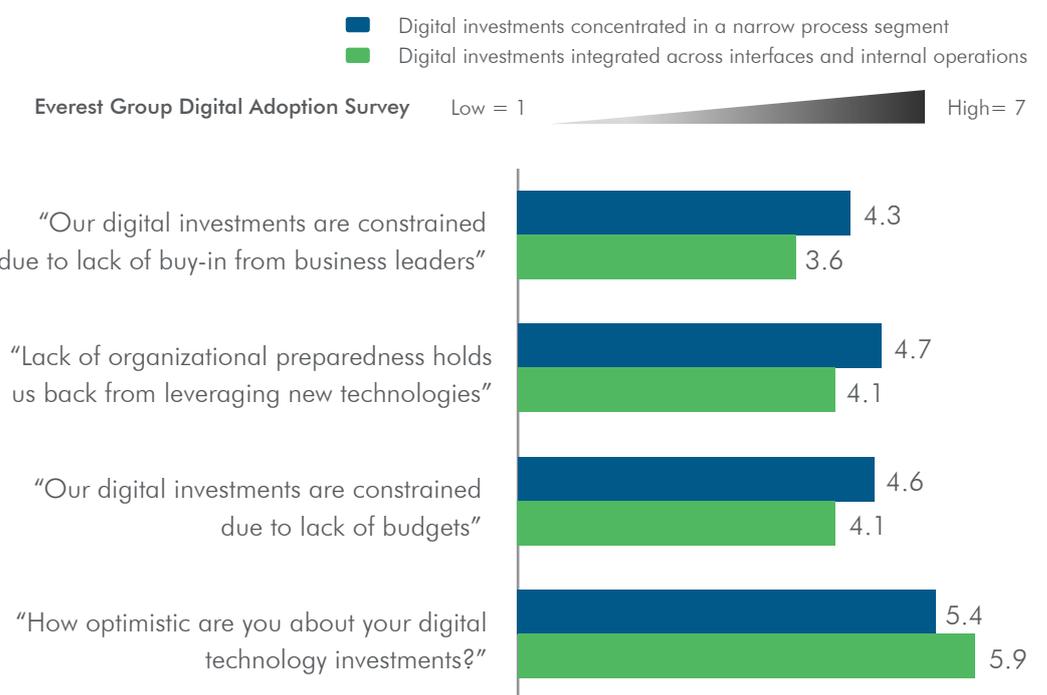
EXHIBIT 3

The importance of digital process integration

Source: Everest Group

The Meander Medical Center in Netherlands successfully adopted a mobile app for noting down patient information within a user base of over 1,000 nurses. Key to successful adoption was their involvement and engagement in the design of the app itself. Also, this influenced the app design critically – not only did the app have to be compatible with the hospital’s EMR system, among other things, it also had to be optimized for a device that would fit inside the pockets of the nurses’ uniforms.

By designing the app outside-in from the point of view of the end-user, Meander was able to provide a superior user experience and preempt adoption challenges.



The ability to do this successfully involves:

- Holistic process view:** Digitalizing the front-end customer interface is a no-brainer. However, most businesses require successful completion of a series of downstream internal processes for the customer’s view of the experience to count as complete. For instance, designing a digital mortgage application interface can still lead to long processing times, if not integrated internally with the bank’s approval, compliance, and disbursement processes. Alternatively, a retail experience is “complete” in the eyes of the customer when he or she receives the goods. Digitalizing the shopping and payment experience, in the absence of integration with back-end supply chains, can still create a suboptimal customer experience
- Immersive end-user involvement:** The best examples of successful transformation engage the end-user in an immersive experience throughout the process. End-user feedback is sought not only at the beginning and end points, but throughout the process

Digital Hack #4: Invest in Change Management

As a corollary of the “Get Agile” hack, enterprises need to plan for, and invest in an ongoing change management mechanism. The key challenge of driving adoptions and ensuring adherence to reengineered processes involves significant time and energy spent on user education. *Enterprises with stronger strategic commitment and executive buy-in are more likely to be successful with their digital initiatives, and are likely to face fewer investment bottlenecks along the way.*

EXHIBIT 4

Strategic commitment and digital success

Source: Everest Group

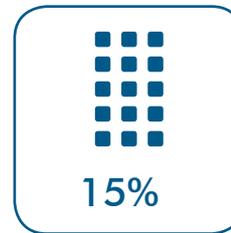
Everest Group Digital Adoption Survey

“Our senior management places strategic priority on using digital technology to differentiate from competition”

Average  Top quartile

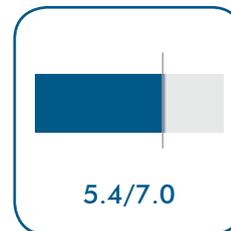


Digital spend
% of technology spend



“How optimistic are you about your Digital technology investments?”

Mean survey ratings
(Low=1 – 7 = High)



Enterprises with successful, scaled digital transformation stories typically drive a common set of cultural tenets from the boardroom down:

- **Digital is everybody’s business:** Successful enterprises adopt digital within the fabric of “how we do things here” across functions. Successful enterprises not only staff cross-functional teams across digital transformation initiatives, but also hold them accountable for a common set of business outcomes
- **Speed is the new currency:** When digital transformation initiatives are driven successfully by executive leadership, enterprises typically speed up. Business decision-making becomes more decentralized over a period of time as collaboration patterns are deeply internalized, and the technology focus shifts from traditional cost-control metrics to faster time-to-market
- **Customer-centricity is key:** Successful digital enterprises tend to be more passionate about the impact of their actions on customer experience. Customer experience is treated on an equal footing with cost and associated efficiency metrics for business decisions across functions

Digital Transformation Spotlight: Grupo Acir

Grupo Acir is a leading Mexican radio broadcasting company, with over 60 radio stations. As part of its digital transformation journey, Grupo Acir focused on digital enablement of the existing business model, as well as creating new, innovative business opportunities:

- **Digital enablement:** Grupo Acir undertook a strategic review of its existing broadcasting operations with a focus on incorporating digital tenets. This involved leveraging social media and analytics to build better connect with listeners, improve brand recognition and loyalty, and drive more tailored content through traditional channels
- **Business model transformation:** : Alongside strengthening traditional operations, Grupo Acir also realized the potential for enabling new digital business models for incremental revenue streams. As part of its ongoing transformation, Grupo Acir enhanced parallel businesses of event marketing through digital platforms, digital advertising for its partners, and expanding beyond the terrestrial broadcasting model into a full-fledged digital content business

Grupo Acir's successful transformation is underpinned by the tenets of agile thinking, focus on objective functions, outside-in design, and change management:

- **Digital enablement:** Grupo Acir initiated a phased, highly pragmatic transformation roadmap by looking at incremental improvements in existing operations to fund investments in broader, more ambitious plans. By adopting such a strategy, Grupo Acir was able to demonstrate early returns on investment, which paved the way for subsequent initiatives, and reduced the risks inherent in transformation
- **Focus on the objective function:** Grupo Acir was not a troubled business. With over fifty years of successful operations, the broadcaster realized they needed to embrace the digital revolution to stay ahead of the pack, and stay relevant for the next fifty years. Further, as part of the transformation, each initiative had a clearly articulated focus on outcomes. Improved customer engagement was pursued through the fine-tuning of content strategies. Analytics initiatives were meant to help advertising partners. The sharp focus on a finite set of objectives enabled Grupo Acir to drive faster decision-making, realize benefits more quickly, and move on to the next initiative
- **Design outside-in:** When evaluating the potential for new revenue streams, Grupo Acir looked at its own business model, those of its business partners, and the broader entertainment needs of its customers. Such a broader view of the ecosystem allowed Grupo Acir to identify additional revenue-generating opportunities such as event marketing and digital advertising and to devise associated business initiatives to achieve these
- **Change management:** Grupo Acir made their digital transformation a part of the CEO agenda. According to Grupo Acir's CEO, Antonio Ibarra, "As a traditional, family-owned company, Grupo Acir had some internal cultural and budgetary challenges". As part of a transformation readiness exercise conducted at the front-end of its planned transformation, Grupo Acir explicitly assessed the organization's cultural quotient for accepting and driving change. This enabled the organization to identify potential inhibitors to success and to address them proactively at the front-end of its transformation journey and beyond

About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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