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Defining Digital Transformations for the Board and Beyond

In boardrooms, transformation is one of the most common words of 2020. Many management teams are eyeing digital transformations as an essential route to growth and efficiency in what remains a highly volatile environment. But that does not mean these transformations are always approached in the right way. “Even though the big leaps forward prompted by COVID-19 have been impressive, responding to unique circumstances by investing in technology is not the same as a thoughtful and deliberate digital transformation process,” says [David Moss](#), Managing Director at Alvarez & Marsal (A&M).

Many boards and executive teams fail to grasp that ‘digital’ is not the sum of an organisation’s technologies, systems and infrastructure. Digital is rooted in understanding the customer. Mainly, successful digital organisations leverage data to generate insights into customer behaviours and buying patterns that in turn shape the product mix. Digital is able to make these traditionally reactive practices far more proactive.

Another misconception when embarking on a digital transformation is that it can simply be left to the technology-facing teams to execute. This is far from the case. The best examples of digital transformations are highly cross-functional and driven from the top in a structured fashion. Mr. Moss says, “Digital transformations are just as much about people – employees and customers – as they are about technology, probably even more so. Digital shouldn’t be deployed by the tech team, and distributed to the rest of the organisation. It means every department working harmoniously together.”

Appropriately, strong collaboration is at the heart of well-executed transformations. Collaboration was key to one U.S. organisation discussing their digital transformation with A&M. Teams and departments were exploring innovation in siloes on an ad hoc basis, failing to share knowledge around the business. Here, transformational change came about by inventing better ways to work collaboratively, which in turn enhanced internal digital capability.

Communication issues like these are indicative of the challenges facing a CEO before and during digital transformations. [Jean Hill](#), A&M Managing Director, says, “The CEO has to take responsibility for the human capital element of a digital transformation. If a business is bringing new technologies and processes on board, particularly into the back office, the executive team will need to articulate how the roles and expectations of employees will need to change. Securing buy-in to these changes is a key driver of success.”

To help spearhead digital innovation and lead wide-ranging transformation initiatives, CEOs and boards may look to a Chief Digital Officer (CDO) as a solution. Ms. Hill suggests that a CDO can occupy one of two roles: as a principal driver of the transformation process itself, or as an enabler who adopts an ‘internal consultant’ role to foster and strengthen digital capabilities within functions and business units.

Whatever the parameters of the role, the strength of the CDO’s mandate is key. A CDO leading a digital transformation must have a license to transform the whole business, not just a single function or service proposition.



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While a CDO is a vital hire for organisations taking digital seriously, a new face is not sufficient on its own. To Ms. Hill, “The CEO and their lead transformation agent – whether it be a CDO or a Chief Transformation Officer – have to drive the project in partnership.” The CDO’s mandate must be supported and legitimised by the CEO and board. “Boards can’t appoint a CDO and promptly wash their hands of everything digital. CDOs can be used by boards as a way to abdicate responsibility and to have someone to blame when a transformation doesn’t work out. All parties have to know what the organisation needs going in, or the project won’t work out,” adds Mr. Moss.

Understanding what the organisation needs also dictates the pace and scope of the transformation. If an organisation is suffering from a clear competitive disadvantage, it makes sense to proceed with urgency and potentially kickstart an objective assessment of products and services. If the existing business is viable but behind the curve – or if there are financial or operational issues in play – the approach might be more incremental, adopting a ‘minimum viable’ attitude and testing within individual functions before driving change through the whole business.

Ms. Hill says, “Digital is part of a business solution, not just a tech solution. As such, it can be helpful to approach transformations with a restructuring mindset and ask yourself the following questions: Which business assets are value-adding? Which are deemed value-neutral? And which detract from overall value?” These decisions involve many stakeholders – the board, functional leadership, suppliers and customers. Digital cannot be restricted to technology and left to a few ‘experts.’ It’s simply too important.

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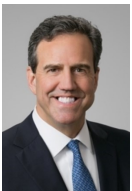
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