Crafting Digital Enterprises

Building future proof and future ready digital enterprises is the need of the hour

We have transitioned successfully from agrarian to industry to service economy. Today, we are embracing ‘experience economy’ after successfully crossing four generations of technology—mainframe to mini computers to client/server to internet. We are now in the era of the 5th generation technologies like networks, mobile, analytics, cloud, security, social, sensors (Internet of Things (IOT)), etc, which we call NMACS—The Digital Technology Stack.

5th generation technologies have transitioned the world from partially connected (people-to-People) to hyper connected (people-to-people, people-to-things, and things-to-things). In hyper connected world, customers, employees, partners, and other stakeholders have become digital natives and they expect superior experience not just limiting to products or services. This is the ‘experience economy’!

In today’s experience economy, customers are getting adapted to digital lifestyle which means they expect immediate response and personal attention; they want to make purchase decisions based on online research; they want contextual information and complete their job from anywhere, anytime, and through any device.

On the other hand, because of IoT maturity, it is esti-
mated that near 50 bn things (cars, equipment, machines, plants, trees, etc) will get connected to internet by 2020. This is another major disruption minimizing the human intervention in business and impacts the business processes, operations, etc. Also, the hyper automation due to IoT is helping to provide better experience to the customers.

According to a report from CISCO, the number of connected devices per person is increasing by the day. In 2003, there were 0.08 device/person and in 2015 it is estimated 3.47 device/person and by 2020 it will be around 7 device/person (For eg: PC, tablet, phablet, mobile phone, TV, etc).

Traditional businesses whose business models, business processes, products, services, capabilities built for partially connected world will not survive in the hyper connected world and experience economy. There is a greater need to re-imagine and re-design the businesses... Emergence of Digital Enterprises!

DEFINE DIGITAL ENTERPRISE

Digital enterprise has six key characteristics as shown in the following picture. Enterprises which fail to embrace these six characteristics will sunset in the hyper connected world and experience economy. Enterprises have to assess their current state against these six characteristics and establish a transformation program to craft digital enterprises.

Digital enterprise should provide anywhere, anytime business transactions and contextual information. Today, customers, employees, and partners expect to complete their transactions now. Customers are connected to gadgets almost 24X7. Digital enterprises provide context-based real-time information, and enable them to complete a transaction or task from anywhere, anytime or through any device.

Digital enterprise has predictability in the business value chain. Enterprises must be able to predict their businesses at various points of their business value chain. The key is to see the future of business and take right decisions at right time.

Digital enterprise offers intelligent solutions & services leveraging digitally intelligent products, machines and things. Enterprises must be able to develop and offer digitally intelligent products (eg: cars, ATM machines, jet engines, medical devices, etc) to enable monitoring predictive maintenance and provide superior customer experience. Enterprises must also be able to develop and offer digitally intelligent services (mobile wallet, online commerce, in-store experience in retail store, etc) to engage and provide superior experience to customers. Digitally intelligent products and services are built using digital technology stack (NMACS).

Digital enterprise must align with Gen Y culture of employees, partners, and customers. Enterprises must establish the policies, procedures, practices, and systems to deal with Gen Y employees, Gen Y customers, and Gen Y partners.

Digital enterprise should provide real-time customer engagement and superior customer experience: Enterprises must be able to understand the behavior, mood, and sensitivity of customers in real time from various channels like...
Help desk, social media, emails, and CRM systems and provide superior experience by engaging them in real time.

Digital enterprise should leverage collective intelligence of employees, partners, and customers: Collaboration and harnessing the collective knowledge pool are becoming an increasingly important methods to resolve problems, solve issues, create or co-create products/services with teams, partners and customers.

**CRAFTING DIGITAL ENTERPRISE: THE BUILDING BLOCKS**

Crafting digital enterprise is very complex and requires a major change in the enterprises. There are seven business building blocks which needs change to transform a traditional enterprise to a digital enterprise. Following diagram depicts the same:

The above diagram is illustrative and provides proper perspective. The RED circles show the BENCHMARK state (Digital) and the GREY circles shows the CURRENT STATE. For example, current state of ‘business culture’ is represented by grey circles and is in TRADITIONAL zone (refer to the horizontal axis). Another example: The current state of ‘business process’ is in ‘ADHOC’ zone. A lot of effort needs to be put in by the enterprise to reach the BENCHMARK state.

Moving from current state to benchmark state (digital) requires a paradigm shift in all seven business building blocks. Following table provides brief information on the same:

**DIGITAL ENTERPRISE READINESS QUADRANT**

Detailed readiness assessment has to be done against each business building block to assess the current readiness of an enterprise in their digital journey. Tech Mahindra has defined four different states for digital transformation journey as mentioned below:

- **Traditional:** Not ready from both business and IT sides
- **Ad hoc:** Not ready from business but ready from IT side
- **Partially Digital:** Ready from business side and partially ready from IT side
- **Digital:** Completely ready from both business and IT sides

Digital readiness assessment from business side has to be done against the following building blocks:

- Business Model
- Solution/Product Innovation
- Business Process
- Business Operating Model
- Business Skills
- Business Culture
Digital readiness assessment from technology side has to be done against the following building blocks:

- Technology Strategy
- Technology Governance
- Technology Architecture
- Technology Skills
- Applications Portfolio
- Infrastructure

Based on the current quadrant, the enterprise transformational initiatives have to be identified to bring change in the business and technology building blocks within enterprise. This is an evolutionary journey and enterprises need to create 3-5 year transformational roadmap to become digital.

**DIGITAL ENTERPRISES AND IMPACT ON BUSINESS PERFORMANCE**

As mentioned earlier, enterprises have to align with hyper connected world, experience economy and digital natives. Enterprises may need to revise their current business metrics. Possible options are to sunset few of existing metrics which are not relevant, continue with few of the existing metrics and define new metrics. Re-quantifying enterprise business performance after digitization is very essential.

Digital enterprises improves experience with customers, reduces customer churn and also create more advocates from customer community. Digital enterprises leverage hyper automation and reduce human intervention. Hence, operational cost goes down and productivity increases.

Digital enterprises create new solutions, new products and new markets by leveraging digital technologies and hence, the revenue streams will go up.

Digital enterprises build the culture, policies, and structures that will engage the employees and help retain them. Digital technologies (social, mobile, analytics, cloud, etc) implementation within digital enterprises improves real time collaboration, connect, virtual mentoring, sensitivity analysis, and personalizing the response to employees.

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**Table:**

<table>
<thead>
<tr>
<th>S No</th>
<th>Building Blocks</th>
<th>Impact &amp; Change due to Digital Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business Model</td>
<td>New customer segments, new customer channels, new revenue &amp; cost structures, unique value proposition, new partners/suppliers, etc</td>
</tr>
<tr>
<td>2</td>
<td>Solutions Innovation</td>
<td>Unique solutions &amp; services by embracing digital technology innovations (to align with digital natives)</td>
</tr>
<tr>
<td>3</td>
<td>Business Processes</td>
<td>Leverage digital technologies to design smarter business processes by embedding communication, collaboration, insight with real time transactions (embedding digital technologies like mobile, social, analytics into process workflow)</td>
</tr>
<tr>
<td>4</td>
<td>Business Operating Model</td>
<td>Smarter business processes leading to smarter and flat organization structure, simple policies, and low overheads</td>
</tr>
<tr>
<td>5</td>
<td>Business Skills</td>
<td>Leadership and domain skills to align with hyper connected world and experience economy (eg: business storytelling, collaborative leadership, virtual communication, usage of digital technologies in business etc)</td>
</tr>
<tr>
<td>6</td>
<td>Business Culture</td>
<td>New rituals, new digital language, new symbols. Align with Gen Y culture, Technology driven communication, collaboration. BYOD policies, social collaboration policies, predictability &amp; data based decisions, etc</td>
</tr>
<tr>
<td>7</td>
<td>Technology Strategy</td>
<td>Digital technology strategy, technology governance, digital technology architecture, digital applications, digital infrastructure, digital technology skills, etc</td>
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