Digital Transformation – The New Business Era
Enabling Future Proof and Future Ready Digital Enterprises

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Foreword from Dr. Rishi Bhatnagar

It is estimated that 40% to 50% of Traditional Enterprises will sunset within the next 5 years. Traditional Enterprises have already started experiencing difficulty in conducting business based on their existing business models, business processes and business operations. The focus today is rapidly shifting from being a Traditional Enterprise to become a Digital Enterprise. Digital Enterprise is a Future Proof and Future Ready organization that leverages the benefits of technology to achieve operational excellence through the enhanced ecosystem conditioned through technology.

Every enterprise has to embrace disruptive technologies to survive and the key question for them is to understand is, “how to digitalize” their business in a holistic and effective manner? Tech Mahindra has created a “Digital Transformation Framework” based on Six Characteristics of a Digital Enterprise namely Predictability across business value chain, Digitally Intelligent Product/Services, Millennial Culture, Customer Experience, Collective Intelligence and Real Time or Any Time Anywhere.

This framework assesses digital readiness of an enterprise and the starting point for this to take our “Digital Enterprise Quotient” survey. Based on this quotient, we come up with the ‘As-IS’ state of digital readiness of an enterprise and then can create a roadmap to help them reach the ‘To-Be’ state by applying our Digital Transformation framework.

In this newsletter, we have made an attempt to help you understand how organizations can reap the benefits of our Digital Transformation Framework in their Digital journey.

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Tech Mahindra
The New Business Era of Digital Transformation

Enabling Future Proof and Future Ready Digital Enterprises
Digital Enterprise Services (DES) group of Tech Mahindra offers innovative and customer-centric services and solutions integrating technology with business. It strives to answer today’s issues, anticipates tomorrow’s needs and creates Future Proof and Future Ready Solutions using seven technologies namely Networks, Mobility, Analytics, Cloud, Security, Social and Sensors (NMACS).

Digitalization of business value chains significantly impact business and IT ecosystem of the enterprises. Enterprise Applications Providers, Technology and Infrastructure vendors have realized and capitalized on the power of disruptive technologies like Cloud, Big data, Mobile, Social, Sensors etc. Owing to this next-gen solutions are being developed with the nexus of these forces.

Next Generation Enterprise has a geographically distributed workforce, innate ability to embrace innovation both inside and outside the organization’s boundaries. It renders flexibility in business processes to include customers, suppliers and partners, a culture of openness and shared ideas honed from a lifetime of digital exposure including social media and always-on web access.

The converging NMACS technologies and the Internet of Things (IoT) are creating the digital business era. Enterprises need to embrace and lead this transformation by blending new thinking with excellence in operational delivery and developing capabilities at all levels of this digital transformation.

Digital enterprise CIOs need to lead decision making and governance in three critical areas:

- Identifying digital opportunities and threats
- Assessing digital capabilities and gaps
- Orchestrating digital integration

These areas are beyond the purview traditional enterprise. They need agile decisions in a manner so as to handle the unavoidable ambiguities associated with digital business development.

This market is still emerging and expected to mature over the next 3 years. The word ‘Digital’ in our parlance means products like Whatsapp, services built on capabilities, IP driven solutions etc. To illustrate it further, if a bank wants to transform its business to digital, we provide advisory to execute integration services for their front offices covering customer acquisition, churn and retention by using a combination of NMACS offerings. Similarly, if an energy company wants to go digital, we provide integration services for networking their meters through mobile and smart metering, load the data on to a cloud big data instance and provide insights on energy consumption patterns using analytics.

Digital Transformation Roadmap
Transformation is a journey in a service led environment, driven by innovation and with a sharp focus on customer needs. Our transformation methodology primarily aims at real time customer engagement, any time anywhere any device experience, driving operational efficiency through agile delivery model to create analytics led, cloud enabled and mobile delivered MAC solutions.
We conduct Readiness Assessment for any enterprise to assess the Digital Enterprise Quotient in terms of measuring the readiness of any enterprise to become digital. This involves deriving the As-Is state from the Six Characteristics of a Digital Enterprise and working towards the desired or industry standard benchmark state. Readiness assessment is done from both business and IT perspective. Based on the readiness assessment and gaps, we identify portfolio of digital solutions to be implemented for the customer to improve their Digital Enterprise Quotient.

**Prerequisites:**
- Insights into customers, workforce, stakeholder data & information
- Data driven predictability & decision making
- Technology driven enterprise - simple agile & lean process
- Digitally enabled products, services, marketing & sales
- Customer experience management

- Connected Eco-System
- Anytime, anywhere access to enterprise information & services
- Improved operational efficiency & lower operating cost
- Improved product & service utilization
- New business channels, products & services
- Gen Y aligned strategy

**Digital Transformation Framework:**
**Build-Grow-Mature-Transform-Hyper Connected**

1. Assess Internal Forces by assessing maturity and identifying problems
2. Assess External Forces by identifying market disruptors, new possibilities and new opportunities
3. Identify NextGen Digital Features through active collaboration with customers and employees
4. Filter initiatives by prioritizing portfolio of initiatives
5. Conduct Benefit Analysis by aligning features & initiatives with strategic objectives
6. Design Operating Model and assess regulatory, cost & technical feasibility for implementation
7. Deliver through right mix of internal capabilities and innovative partnerships

Please visit our website for further information:
http://www.techmahindra.com/services/NextGenSolutions/DES/default.aspx

Source: Tech Mahindra
Market Insight: Business Consultancies Must Shape – Not Merely Enable – Digital Business Transformation

Digital business transformation is a rapidly emerging market opportunity. Business consulting service providers are best placed to define and shape this market through business model innovation.

Key Findings

• New approaches and methods are required for tackling the digital business transformation services if business consulting firms want to capture a larger portion of this market opportunity.

• Business consulting service providers will need to rethink traditional linear approaches to business model innovation or lose valuable market share in the business transformation market.

• Digital business transformation leads with business model innovation and not technology to support sustainable client relationships and to increase market share.

• Business consulting service providers are well-placed to capture larger portions of this market opportunity by including strategy, operations, risk management, human capital management, and marketing and customer management in their digital business service offerings.

Recommendations

• Market leaders for digital business consulting services must develop a go-to-market approach that leads with business model innovation and leverages the diverse set of services they offer.

• Practice leaders and client-relationship partners must define the “right” questions to get business leaders and CIOs to understand the power and importance of digital business transformation.

• Practice leaders must use a nonlinear approach to dynamically sequence how they address the responses to the “right” questions to enable delivery on the promise of digital business transformation. They must avoid rigid linear approaches.

• Practice leaders and executive leadership must invest and develop a flexible, dynamic framework to deliver digital business consulting services or use the Gartner Business Model Framework to avoid a completely ad hoc approach for these services.

Analysis

Innovating the Business Model Is Key to Digital Business Consulting Services

Digital business is the creation of new business designs by blurring the physical and digital worlds (see Note 1). The promise of digital business transformation is to usher in a convergence of people, business and things to create new engagement and revenue opportunities. What makes digital business different from e-business is the presence and integration of multifunctional “things,” connected and intelligent, with people and business. Examples might include the incorporation of greater intelligence and sensors into jet aircraft engines to improve passenger jet performance and to reduce the need for aircraft maintenance. In retail, digital business could involve providing retail fashion customers a world with seamless integration between the digital and physical that blends the boundaries between the two. Another example would be the ability to reassess loan portfolio risk for a bank with real-time reporting directly from financed physical assets.

Digital business will disrupt all industries. Business executives, CIOs and technology providers will need to think and act differently to help their businesses avoid disruption. This is a new world in which people, business and things are not only connected, but also transacting and even negotiating with each other directly. Business executives who understand the digital industrial economy of 2020 will play a leading role in helping their organizations win in this new era.

In late 2013, Gartner asked CEOs “What do you mean when you think about ‘digital business’ in the context of your business and industry?” Their responses covered a range that includes all the older ways of doing business, different ways of doing e-business, and finally, areas
of digital marketing and digital business. No single definition emerged from their collective responses (see Figure 1 and "The 2014 Gartner CEO and Senior Executive Survey: ‘Risk-On’ Attitudes Will Accelerate Digital Business"). As is evidenced in Figure 1, there are many different understandings of digital business, which range from vague to targeted, and the misleading perception that digital business is really nothing more than a few bells and whistles for e-business.

Given that only a small portion of CEOs have understood that digital business involves changing or innovating their business model, it is imperative for business consulting service providers to lead clients, to help them avoid the pitfall and perils and subsequently miss the digital business movement. Client organizations that fail to get started on the right path with their digital strategy will incur costs, time and expense and rework; the worst case scenario is that they may be displaced in a market where digital-savvy competitors will win. Business consulting firms with their extensive knowledge of industry, relationships with business leaders, and the diverse types of services they provide, must play an instrumental role in helping client organizations understand the significance of digital business and its impact on competitive advantage.

Moving From Linear to a Nonlinear Approach

One of the critical success factors for digital business transformation is both business and IT adaptability and agility. Digital business requires nonlinear thinking, an insightful understanding of the subtle and not-so-subtle changes in the business world, the right mixture of skills and talents, and an outside-in approach innovating existing business models.

But this is easier said than done. Many organizations are not ready for this kind of change. After years of doing business, developing products, marketing and selling them, the kind of change required to move from linear to nonlinear ways of thinking mandatory for success in the digital age may not come easily to all organizations. Current organizational structure may also be an obstacle to this kind of innovation. A recent survey of organizations asked them to characterize their current

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**FIGURE 1**  CEO Perception of Digital Business

![CEO Perception of Digital Business Diagram](image-url)

*Source: Gartner (August 2014)*

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organizational digital status. Forty-one percent of those surveyed said they were doing digital marketing and only 22% said they were doing digital business (see Evidence section for survey methodology).

Business consulting firms must design fresh approaches and methods for tackling this significant market opportunity if they want to capture this market opportunity. To do this, they have to change the way they think about how these engagements should be structured and executed.

Background and Context
If You Don’t Shape the Digital Business Market, Your Competitors Will
There are significant opportunities for business consulting firms to differentiate the way they help their clients do digital business transformation. Many service providers are saying they are focused on innovating business models for their clients but Gartner finds that this is not always the case (see Evidence section). Many are still being led by the latest and greatest technology hype or a profitable software solution while missing the fact that this is the prime time to help their client organizations become digital leaders and change the way they do business.

The market currently is made up of many kinds of providers in this space, some of which have the skills and background to lead business model innovation and some of which are focused primarily on technology with only a cursory approach to innovation in the business itself. This market will be shaped by a few leading providers that grasp that the real opportunity here is to help client organizations innovate their business. They will understand that digital business means the convergence of people, process and things and use technology as the enabler.

Business Model Innovation and Operating Model Change — What’s the Difference?
Digital business drives a different type of innovation than has been experienced in past IT innovations. The term business model innovation continues to be used in different contexts, which only adds to confusion for clients and service providers alike. Gartner has distinguished business model innovation to include the following characteristics. Note that there are no absolutes even in these characteristics:

- The innovations are often less related to automating and improving internal business processes, and more about digital products, channels, communities and business strategies.
- The innovations often go beyond enterprise boundaries, and require innovation across the ecosystem, including customers, partners, regulators and other stakeholders.
- The innovations often play less within the existing model and industry boundaries, and instead play with, blur and change the boundaries, with companies using digital capabilities to create new markets and/or cross-industry boundaries.
- The innovations are often win-win-win-win, for the customer, the supplier, the ecosystem and the environment — unlocking new forms of value for all, rather than a supplier simply getting a bigger share of the pie (see Note 2).

Some experts disagree on the concept of business model innovation and, as a result, have created more confusion by saying that it is possible to innovate the business model while using existing technology or merely addressing one aspect of change such as determining new channels for existing products (see Note 3). However, Gartner believes that this is, in fact, an operating model change and not a complete business model innovation. There are no new products involved in this scenario. It does not include innovation across the ecosystem, and there is no new market.

A New Business Era for Business Consulting Service Providers — What’s Driving Digital
The business world has changed dramatically and client organizations must move from being inflexible to adaptable or agile to be able to flourish during the next three years. Digital business ushers in a new business era caused by consumer, technology and sociological changes that demand that organizations and their consultants be adaptable to changing business models and roles. Figure 2 represents the major business changes driving digital business. Business consultancies must be prepared with new and innovative ways to facilitate change in the business models of their clients.

Now consider how the Nexus of Forces has enabled some of the changes in this business era. How have mobility, social media, cloud and big data impacted these business drivers? Some might argue that the technology came first while others may say the changes have been sociological and generational. In either case, the change is here to stay.
The Impact

Ask Your Clients the Right Questions

Business consultancies must define a list of the right questions of their clients to get them to understand the components of a digital business strategy. Since we have already shown that many CEOs and business leaders do not have a consistent definition of digital business, these questions need to originate from several perspectives to facilitate the engagement of business consulting service providers with their client organizations. Simply asking if they have a digital strategy or telling them they need one is not sufficient. Gartner believes that business consulting firms must probe other aspects of impact. Below is a sample of the types of questions they must be asked by business consulting service providers of their clients:

- Do you think your biggest or most feared competitor is ahead of you in leveraging digital processes and technologies? Why?
- Can you afford to lose more than 15% of your market share to a relatively unknown digital competitor in the next 18 months?
- Do you think your vertical business will be disrupted by a new digital service model within 24 months?
- What organizational changes would you have to make (skills, talents, teams, management structure) to make a digital business transformation successful?
- Do you have the information to understand what your customers want, how happy they are with your products and services or what products they might prefer?

The responses to these questions and others will lead business consulting service providers to understand how they should then dynamically sequence their approach to address the client challenges. Because of the convergence of people, process and things, the approach cannot be statically linear. For example, consulting firms must no longer think they must always start with the business process when the responses to these questions point toward an information problem. Consulting service providers must develop agile processes, information management and rapid iterative approaches in their organizations to enable them to provide the guidance organizations will require.

Dynamic Sequencing Is the Nonlinear Approach Consulting Firms Need

The path for providing services for digital is a multivariant one. It is based on context and the business challenge. Dynamic sequencing could
be the most important change in how business consultancies work with their clients to select the best approach in building a digital strategy or executing on one.

Dynamic sequencing involves understanding the business challenge or problem and addressing how that problem might be best solved; consultancies that have structured linear approaches to delivering services will be challenged by this. In the past, many consultants and client organizations focused on a business process first approach to solving any and all problems. Digital business forces business consulting providers to change that approach. There is no predetermined way to start digital business transformation. Everything depends on asking the right questions and identifying the best place to start based on the responses provided.

In Figure 3, any starting point might be correct. The most important thing business consulting service providers must do is to define the right questions, ask them, and then use the responses and ensuing discussion to understand the best place to begin.

Define a Framework to Innovate Business Models or Use the Gartner Business Model Framework

Dynamic sequencing is the key to business model innovation but this may cause many business consulting service providers and their client organizations to take an unstructured or even ad hoc approach toward innovation of the business model. Business consulting service providers that want to shape this market and call it their own need to define a flexible, adaptable framework that leverages the responses to the right questions.

In 2011, Gartner introduced the Business Model Framework as way of including technology in business model innovation. This framework exposes a company or public sector agency business model in six parts to think about opportunities and risks: ideate, create, engage, offer, monetize and adapt. The Gartner Business Model Framework can be used after the dynamic sequencing step to put some structure around the specific type of client problem providers are trying to address. Many consulting service providers will define their own frameworks and methodologies to do this. The point is that they need some kind of adaptable and agile structure and must not take an approach that is completely ad hoc.

FIGURE 3 Dynamic Sequencing: the Key to Digital Business Transformation

<table>
<thead>
<tr>
<th>Structure</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you need to develop a new profit pool or optimize costs and need a new business model to do this?</td>
<td>Are you trying to implement multiorganizational processes or functions to redesign your current business model?</td>
</tr>
<tr>
<td>Is your business challenge primarily information-based? Do you have the information you need to know the right products for your customers?</td>
<td>Are you trying to differentiate yourself from your competition through multichannel customer experience?</td>
</tr>
</tbody>
</table>

Source: Gartner (August 2014)
An example of the business model framework is illustrated in Figure 4.

There are many ways to deliver on the promise of digital business transformation but business consulting providers must have a framework and method to work with their client organizations. The Gartner Business Model Framework is only an example. These frameworks cannot be too structured or too loosely defined. They should be flexible enough to accommodate sequencing but not so flexible that they are too ad hoc.

**Conclusion**

Business consulting service providers have a tremendous opportunity to shape the digital business transformation services market. To do so, they need a go-to-market approach that is adaptable, agile and nonlinear, but not completely ad hoc. Finding the balance of defining the right questions for their client organizations to uncover the business challenge they face, using the responses to these questions to drive dynamic sequencing of the business challenges that must be addressed, and then using the kind of framework that allows for flexibility of idea generation, engagement and monetization will go a long way in differentiating the firms that will shape and own this market and those who follow it.

**Evidence**

Gartner fielded 356 surveys in a research study between March and May 2014 to determine how businesses and institutions understand, identify and exploit the new opportunities that digital business represents. Surveys were conducted through a combination of online and telephone methodologies among organizations that use digital marketing techniques or that have implemented or currently plan implementation of some digital business activities.

These definitions were presented:

- Gartner defines “digital marketing” as a set of techniques, enabled by technology (such as social, mobile, analytics and big data), which allows businesses to engage in a dynamic conversation with people who are influencers and buyers, and ultimately, to target, acquire and retain customers.

- Digital business is the creation of new business designs that not only connect people and businesses, but also connect people, businesses and things (physical objects that are active players and contribute to business value) to drive revenue and efficiency.

Examples include the use of sensors, asset tracking, smart machines, smart grids, 3D printing and robotics, smart cities, and drone delivery.

A total of 356 surveys were distributed in the U.S. (203 respondents), the U.K. (52), Germany (50) and Australia (51). Respondents were screened for involvement in their organizations’ digital business activities.

Companies were required to have more than $250 million in 2012 annual revenue, and operate in one of the following industries: manufacturing, retail, government, healthcare provider, banking, insurance or communications, media, and services.

The survey was developed collaboratively by a team of Gartner analysts who follow the executive leadership market and was reviewed, tested and administered by Gartner’s Research Data and Analytics (RDA) team. The results of this study are representative of the respondent base and not necessarily the market as a whole.

Gartner has had numerous briefings and discussions with consulting service providers in the past four months that have provided information about how they are approaching digital business consulting. The results of these discussions have been inconsistent. The majority of service providers are not focused on business model innovation.
For additional information about the digital enterprise, see:


**Note 1**

**Gartner’s Definition of Digital Business**

- What is “digital business”? Digital business is the creation of new business designs by blurring the digital and physical worlds.

- What is the promise of digital business? The promise of digital business is to usher in a convergence of people, business and things, creating new revenue opportunities in its wake.

- Why is this different? Digital business disrupts existing business models — even those that were born of the Internet and e-business eras.

See “Get Ready for Digital Business with the Digital Business Development Path.”

**Note 2**

**Business Model Innovation**

See “Business Model Innovation Everywhere.”

**Note 3**

**Experts Disagree on Business Model Innovation**


*Source: Gartner Research, G00266777, Julie Short, 22 August 2014*
About Tech Mahindra

Tech Mahindra is a specialist in digital transformation, consulting and business re-engineering solutions. We are a USD 3.5 billion company with 98,000+ professionals across 51 countries. We provide services to 674 global customers including Fortune 500 companies. Our innovative platforms and reusable assets connect across a number of technologies to deliver tangible business value to all our stakeholders. Tech Mahindra is also amongst the Fab 50 companies in Asia as per the Forbes 2014 List.

We are part of the USD 16.5 billion Mahindra Group that employs more than 200,000 people in over 100 countries. Mahindra operates in the key industries that drive economic growth, enjoying a leadership position in tractors, utility vehicles, information technology, financial services and vacation ownership.

Connect with us on www.techmahindra.com