

# Delivering on the promise of digital

How traditional firms are  
successfully going digital

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## Introduction

Uber. Facebook. Google. AirBnB. We're all familiar with the poster companies of the digital generation – who seamlessly harness huge volumes of customer data with advanced analytics, cutting-edge technologies, easy-to-use interfaces and a relentlessly customer-centric outlook in order to transform our expectations and seemingly reinvent the art of the possible.

These firms are rightly lauded for identifying new opportunities and raising the bar across every industry, not just their own. But what about those firms born before the advent of the digital age? For these organisations, digital doesn't always come naturally. And moving to a digital business mindset – one that not only embraces digital technologies and business models, but that has digital thinking and ways of working built into its very DNA – involves a significant amount of disruption.

For traditional firms, going digital means transformation. And that can sometimes be a painful process. The journey is often long and winding. False starts – and false horizons – abound. Mistakes happen. But the opportunities for those who get it right are significant.

According to research from MIT, companies that have embraced digital transformation are 26% more profitable than their industry competitors and enjoy a 12% higher market valuation. Improvements in operational performance and customer experience can bring meaningful rewards.

And being seen as a digital leader is critical for attracting the next generation of talent to the workplace. Learning from those who've already taken those first steps is an important starting point. Which is where this ebook comes in. Oracle recently hosted a series of roundtables with senior executives from some of the world's leading brands to ask them how they are approaching digital transformation.

Each roundtable represented a 90-minute deep dive into the challenges they face and the opportunities they see, from the perspective of the executives themselves.

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This ebook gathers the highlights, challenges and learnings from those discussions: over six hours of conversation with 20 senior executives on the impact of digital transformation. What does business really think?

## Creating a digital culture

Where do you start on the transformation journey? And what are the main challenges?

Few buzzwords have received the same levels of hype as digital transformation in recent years. According to everyone from journalists and business leaders to analysts and academics, transformation is essential for firms looking to tap into new markets, become more customer-centric and adapt to rapidly changing business environments.

But it's not easy. Change of any kind is hard. So where do the main challenges lie?

For many, it's about getting that initial buy-in for transformation. “The challenge is that initially nobody wants to try. Everybody knows it's a good thing to do, but they're apprehensive about putting money and time into it,” explains Piyush Gupta, Senior Executive Vice President in charge of Business Transformation at India's Reliance Industries.

Kaz Kempers, Head of IT at ABN Amro in Hong Kong, agrees. "I think as IT heads we all want to be innovators and we all have great ideas. However, often when you try to push an idea, it's met with scepticism: it's going to cost too much or it's too risky."

Overcoming that initial resistance is key to success, however. And that means getting the support of your senior team is critical. Research from the Project Management institute shows that up to 43% of project failures can be linked back to insufficient executive sponsorship – and this is particularly true in a transformation program that will likely touch multiple (if not all) aspects of the organisation.

"It absolutely has to be a top-down initiative," argues Damion Howlett, Customer Engagement & Digital Transformation Director at insurance giant AXA. "This is a big bet for the company; we're going to invest significantly, and we're not going to worry too much about whether we can see a business case because it's more about business survival. We can't just be talking about incremental revenue or cost savings; it's about survivability."

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ABN Amro's Kempers holds a similar view – but feels that merely getting executive approval is not enough. "The driver has to be the board," he says. "But you need to go further than just getting management buy-in. You need a management mandate. We shouldn't be fighting for buy-in, we should be getting a mandate to change. It's why a lot of companies have problems embracing the digital future."

Indeed, whilst tools, talent and skills are all critical pieces of the digital puzzle, they mean nothing if you do not have the desire to change in the first place. "There's a cultural aspect to digital that goes way beyond the technology," says Neil Sholay, Head of Digital at Oracle. "It's a mindset change."

And while finding that mandate is key to driving the internal transformation needed to make a success of digital, the catalyst for that change is universal: improving the customer experience across the board.

"You need to make it seamless and easy for people," insists Citi's SVP and Head of Digital Marketing for EMEA and APAC, Aman Chawla. "Everybody is trying to push out new ways to get their clients to easily engage with them," agrees Kempers. And for Italian-headquartered global banking giant Unicredit, customer-centricity is central to its digital transformation roadmap.

"You have to take a customer-centric approach," says Arnaldo Transirico, the group's Head of Business Strategy. "This means that we try to understand what customers might need in the future, and we try to find solutions that are technology and data-driven." The customer experience needs to change because expectations are changing. "We need to start thinking digitally, because the expectations that our clientele have from us as a bank are changing," suggests Bala Nagaraj, Digital & Technology Officer at Commerzbank. "We need a change in strategic perspective from the way we currently do things."

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And in this regard, the Holy Grail for most firms is when digital becomes second nature rather than an initiative in its own right. When people stop talking in terms of digital transformation and instead start talking about business outcomes, that's when you know you're making real progress.

"A lot of what started as digital transformation from a program perspective is now absorbed into the organisation as business-as-usual," explains AXA's Howlett. "We've stopped talking about transformation, and it's now just how we incorporate digital as part of those everyday business processes: customer engagement, product development, etc. It's evidence of progress, but there's still a long way to go."

Some are taking it a stage further. "We're largely dropping the word 'digital' in Oracle now," says Oracle's Neil Sholay. "But not because it's not important. We're not using it because it's starting to become integral to everything we do. The concept of digital as a separate thing has become a bit – dare I say it – passé."

But regardless of the different approaches being taken, the appetite for change amongst both senior executives and organisations in general is clearly there. "We're going digital. We know that digital disruption is here. It's happening. There's no choice about that. So we're changing our model," asserts Reliance Industries' Gupta. "It's a new way of thinking for us."

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## **Harnessing digital tools**

Once you have that mandate for digital change in place, what tools, technologies and ways of working can help you on your transformation journey?

Legacy is an issue for all but the shiniest of start-ups – and for most large organisations with significant legacy environments, transitioning to digital is easier said than done. Many see those existing systems and architectures, some of which are now decades-old, as incompatible with the more open, agile, flexible ways of working required by the digital age.

Nevertheless, overcoming these challenges is key to unlocking the potential of digital – as Zurich's Head of IT Transformation, Daniel Teague, explains.

"We have systems that have been around for 25-30 years, supporting policies that were sold that long ago. Bringing those systems up-to-date so that they are digital-capable is a massive challenge for us," he says. "You see that in the types of products that we are able to sell: they're shaped by the administrative systems they sit upon."

It's a common complaint and, in response, many firms are moving to new, cloud-based architectures that offer greater scalability and flexibility. Others are embracing APIs and micro-services in an effort to open up their internal business applications and stimulate innovation.

"The reason we're talking about APIs, microservices, clouds, analytics, etc. is because those are the technologies, the lightweight architectures, that support becoming built for change," says Oracle's Neil Sholay. "How do you build a business that embraces change and plans for it rather than avoids it? It's not about technology. It's about having a culture that is very fast, very agile, and built for change."

One way to introduce speed to your digital transformation journey is by introducing agile development methodologies. An increasing number of firms are using agile processes to improve the speed at which IT projects are rolled out – and the executives we spoke with were no exception.

“About 98 percent of our developments are agile,” says Kaz Kempers from ABN Amro. “About a year-and-a-half ago we decided that everything new should be developed using agile.” Alejandra Leon Moreno, Director of Digital Architectures at healthcare giant Philips, tells a similar story. “Agile is pretty much our only framework for development; we don’t use waterfall anymore,” she says.

### 30% to 50% of applications are typically built using agile methodologies, according to Oracle research

And whilst not everyone is at the same levels of maturity when it comes to agile – most firms are taking a more hybrid approach, with an average of between 30-50% of applications currently being built using agile methodologies – it is a critical piece of moving towards a faster, more digitally-savvy organisation.

Nevertheless, there are challenges with applying agile thinking. “I think one of the biggest things is training stakeholders to work in an agile way,” says Kempers. “It requires a shift in mindset – and that goes for senior management too – otherwise you end up with the same problems you have in normal waterfall developments: scope creep, deadlines not being met, budget over-runs, things like that.”

Enrico Conte, Head of Digital Transformation at BNP Paribas, is taking things a step further. For him, agile extends far beyond the scope of the IT teams: it’s an organisational imperative. “We are using agile methodologies – not just for developing software, but in a wider sense,” he explains. “We are changing buildings, we are completely changing the workplace. It is much different to the ways we have worked before, more flexible. Everything is changing. Going digital is not just about having cool mobile apps or faster IT. That’s a necessity, but it’s not the whole picture.”

Indeed, for Conte and others, digital is more about being smarter about your decision-making and the way you operate as a business. And for that, data becomes key. “Data is an existential threat,” says Teague. “Those companies that manage to harness the data that’s out there – not in their own books of business, because actually a lot of that can be old and not very useful, but the wider sphere of social data and other data sources – I think that’s the real opportunity.”

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According to Sholay, how you leverage data to develop information-based business models, products and experiences will define success in the digital age. “I think we need to start looking at going beyond just how we manage information to how we apply it,” he says. “When I come across organisations and boards who are obsessive about data and information, they don’t just manage it and store it. They actually assign an economic value to their information.”

The best firms, he says, go beyond the technology and use data to create entirely new information-based business models and services. And for most organisations, that’s an entirely new way of looking at things. As Citi’s Aman Chawla puts it: “Data is pretty much what differentiates you as a company that’s more predictive as opposed to reactive.”

## Implementing digital change

You've got the buy-in, you know the tools you want to use. But successfully executing on your digital plan requires a number of additional steps...

Blockbuster. Kodak. Blackberry. Borders. The past is littered with well-intentioned firms that failed to react quick enough to the digital revolution – and more importantly, the overwhelming need for change. Avoiding a similar fate is the number one strategic priority for every organisation. So what are the best firms doing well in order to capitalise on the digital opportunity?

“For me there are some traits that I see consistently in digital leaders, regardless of the industry, regardless of geography,” says Sholay. “They are very good at designing experiences, business models, processes, identities and services. They use information as a strategic weapon, value it as an asset and they use it to drive the experience, to create new business models and even to sometimes take out their competitors. And they tend to be very platform-centric. They don't think in terms of products, they build a platform and an ecosystem and they go to market from there.”

Not only that, the companies that succeed also tend to push the boundaries a lot more.

“The firms I'm spending most of my time with aren't necessarily start-ups,” continues Sholay. “It's not the cool kids. It's HSBC. It's Unilever. It's governments. Just look at what the Digital India initiative is doing right now, it's really pushing the nation towards digital. The British government too, and the Dutch government. These weren't the organisations that were meant to be poster children for digital. But they are the ones that are leading the pack at the moment, precisely because they are trying new things.”

“If you want to play to win in this space, then you've got to be very clear with the way you want to use information to create more real-time, personalised and enriching experiences for the customer,” agrees Citi's Chawla. Anthony Cabrera from Emery Oleochemicals is even more direct: “The purpose of the business is to innovate more in the products that we bring to market,” he asserts.

And key to that is harnessing both people and technology to deliver that all-important element: momentum. A recent report by Deloitte suggests that those born between 1980 and 1999 – in other words, the first digitally native generation – will make up 75% of the global workforce by 2025. Tapping into the right expertise, regardless of age, will be key to digital success.

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“If you really want to be a digital company then you have to attract the right talent,” says Alejandra Leon Moreno from Philips. “When you don't have the right skillset, it's really hard to do that type of transformation.”

Hesham Rashed, Head of IT Operations at Orange Egypt, takes a similar view. “Having the right skills and the right people to manage digital transformation – having the internal capability to work on big data and artificial intelligence – is key. But this skill is very rare,” he says. What's more, the challenge of developing those skills in-house is often proving a significant hurdle to moving forward with a true digital mindset. “If you have to get a fresh graduate with special skills and teach them, grow them from scratch, it really is proving a showstopper for the transformation process in our region.”

And with the best will in the world, developing those internal capabilities is tough. “People want to learn new things. People want to change. But they have to know what they need to learn, how they can change,” suggests Moreno. “I feel companies waste so much time in that regard; in not providing enough direction.”

But there is hope – not least in terms of the role technology can play in simplifying, rather than adding to, the growing complexity firms face. “My advice is this,” offers Sholay. “Don’t chase those few data scientists and pay a premium. Seek out ways to abstract and simplify the data, using technology, so that your regular staff can use it better. There’ll be maybe 20 percent of use cases where you need the rocket scientists but drive the rest to where you can simplify and abstract, because it’s going to be an expensive business otherwise.”

Without doubt, technology – in the form of new platforms, new tools, new ways of capitalising on the vast swathes of data being generated at every firm – is helping organisations make sense of the digital revolution. But only insofar as it is enabling them to react faster to changing trends and demands.

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Alejandra Leon Moreno, Director & Lead Digital Architect, Philips

“The ability to launch something very quickly is a common thing I’ve seen amongst firms that are being successful in their digital transformation journeys,” suggests Sholay. “Speed is the new essence of business delivery. Organisations that are able to move quickly – and that could mean building a product and getting it to market, or just completely turning their business model around – are the ones that are really pulling away.”

Reliance Industries’ Gupta takes a similar stance. “I don’t think there’s a choice. If you don’t do it fast enough, somebody else will – and then they’re going to take the business and the money,” he says. “You’ve got to decide quickly what you want to do. It’s not just about keeping pace: you’ve got to get ahead and stay ahead.”

The world has never moved so fast – and it will never be this slow again. Transforming your business to take advantage of emerging tools, talent and new ways of working is critical to your success – both today and in the future.

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Piyush Gupta, Svp Business Transformation, Reliance Industries

## What have we learned?

Oracle's Neil Sholay offers his top tips for digital success.

### Take A Design-Centric Approach

Are creative-types finally getting the recognition they deserve? "I'm seeing the ability to design things becoming a core discipline in successful brands. The organisations that are really good at designing things, experiences, products or business models, those are the ones I think that are going to pull away."

### Use Data As A Strategic Weapon

Data is power, say the experts – but only if you understand that asset, place a value on it, and are able to monetise it. "It's no longer enough just to put it into a data lake; you've got to start attaching some kind of economic value to your data."

### Focus On Platforms, Not Products

Old economy thinking says the more products you build, the more you can sell, the more money you can make. With customers savvier than ever, that has to change. "Don't think in terms of products; think in terms of platforms and ecosystems. It's about bringing together users and providers to create a value exchange."

### Push The Boundaries

Changing the organisational mindset is one of the most critical steps. "Those businesses that are highly motivated to change and experiment are the ones that see the greatest success. You change the culture by experimentation. You learn by doing as opposed to fearing."

### Be Built For Change

When disruption hits, are you ready for it or are you running around like a headless chicken? If you're built for change, you can embrace the disruption. "That's why things like digital APIs are incredibly important, because they give you that ability to respond very quickly."

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