The Fusion of Business and Technology in the Age of Digital Transformation

A Central and Eastern Europe and Sub-Saharan Africa Perspective

IDC
Analyze the Future

Executive Summary

Central and Eastern Europe (CEE) and Sub-Saharan Africa (SSA) are two rapidly developing regions in which digital transformation is serving as a major economic driver. Across all industries, organizations in these regions are undertaking digital transformation to become more customer-centric, to improve the quality of products and services, and to develop new revenue engines.

"[Digital transformation changes] the way we run the business and innovate new business ideas."

Head of IT, Oil and Gas company, Nigeria

To gain insight into specific digital transformation trends in CEE and SSA, IDC conducted a study based on interviews with business and IT executives in over 250 large organizations across the two regions. The research found that the widespread adoption of cloud, mobile, social, and big data technologies is driving significant changes in the way companies are doing business. In the words of one of the participants, digital transformation is all about "… embedding technologies in the organization's processes and leveraging the insights gained for improving operations and deriving better business models. Digital transformation changes the way we run the business and innovate new business ideas."

Moreover, the IDC study shows that, perhaps for the first time ever, business and IT alignment is finally taking place, breaking down the traditional barriers between the two sides. This alignment goes far beyond consistent coordination between separate business and IT entities. According to the IDC study, an increasing number of organizations in CEE and SSA are establishing dedicated groups that bring together business and IT personnel and resources to lead and execute digital transformation initiatives. These new structures and the cultural change they introduce represent an evolutionary step toward business and IT fusion, which is essential for surviving and thriving in the 3rd Platform era.

The Shifting Roles of Business and IT

The pace of digital transformation is accelerating in emerging markets, driving economic growth in developing regions by creating new business opportunities and revenue engines. For organizations in CEE and SSA, digital transformation is no longer a futuristic vision. In just a few years, digital transformation has become a reality for organizations of all sizes and across all industries in these regions, impacting various aspects of everyday business.

Digital transformation plays an important role in the current economic growth momentum in CEE and SSA.

Recent IDC research of 251 CEE- and SSA-based enterprises indicates that IT and line-of-business (LoB) executives alike perceive digital transformation as an enabler of new business models, products, and services. In particular, digital transformation represents an opportunity for companies to redefine the customer experience and achieve new levels of productivity. As such, it plays an important role in the current economic growth momentum in CEE and SSA.

According to IDC research, most organizations in these regions will increase their IT spending in 2016 compared with 2015. The expanded budgets will primarily be used for digital transformation and the closer alignment of business and IT. IDC's recent survey reaffirms this point as respondents highlighted the importance of continuous business and IT alignment as a cornerstone for successful digital transformation.

This understanding is driving significant changes in organizations in CEE and SSA. The survey results indicate that business and IT alignment, which has long been a desired but somewhat vague goal, is finally taking place. This development is evident not only in the importance that survey respondents attached to business and IT alignment; it is also apparent in the views expressed by executives from both sides regarding the new roles they should play in the digital transformation of their organizations. For example, IT managers increasingly see their role as addressing the needs of the organization's customers rather than justifying IT value in terms of service efficiency, lower costs, and system availability.

A Change of Mindset

According to IDC's study, customer-facing objectives, such as improving the quality of existing products and services and customer experience, are the top business priorities in CEE and SSA for the coming year. These are ranked as most important among both IT and LoB managers. At the same time, back-office objectives, such as improving operational efficiencies and internal collaboration, are ranked as lower priorities.

Top Business Priorities for the Next 12 Months

Priority	%
Improve quality of existing products/services	81%
Improve customer experience	72%
Improve business agility	65%
Improve internal operational processes	63%
Improve business communication and collaboration	63%
Develop and launch new products/services	60%
Enhance client insights	57%

Note: % of respondents who selected "very important" and "extremely important"
N = 251

Reducing costs has been replaced by improving quality of products and services as the top business priority.

This set of top priorities reflects a shift in the mindset of decision makers. In a previous survey conducted by IDC in CEE in 2014, the effects of the global recession, along with the euro crisis, were still highly apparent. During this period, organizations were primarily focused on reducing costs, shoring up business processes, and eliminating programs and projects not directly connected to the bottom line. In accordance, the top business priorities back then were business-process improvement, product-quality improvement, and cost reduction.

CEE and SSA organizations now focusing on enhancing the customer-facing side of the business rather than streamlining internal processes to improve productivity and cut costs points to a general trend of growth. In this regard, IDC's recent study shows that business and IT managers alike realize the importance of IT in developing new revenue engines and meeting growth targets. To a large degree, this is what digital transformation is all about.

IDC defines digital transformation as the continuous process by which enterprises adapt to or drive disruptive changes in their customer and market environments (external ecosystems) by leveraging digital competencies to innovate new business models, products, and services. Digital transformation enables enterprises to blend digital and physical business and customer experience while improving operational efficiency and organizational performance.

This definition aligns well with the main conclusion that can be derived from the IDC survey: Organizations are now in a growth mood and are looking to improve the quality of their products and

customer-facing services through the use of technology. In order for digital transformation to take place and propel this effort, business and IT must align meaningfully.

Business and IT Alignment — No Longer Just Hype

30% of organizations have established an independent digital group.

Most of the organizations that participated in IDC's survey have achieved high levels of business and IT coordination. When asked which statement best describes how LoB and IT units are aligned when it comes to the coordination of digital initiatives, 30% of respondents' organizations have established independent digital groups to support new operating models. Only 7% of the respondents stated their LoB and IT investments are highly fragmented and the organization units siloed.

The Shift from a Siloed to Digital-Driven Organization

7%

30%
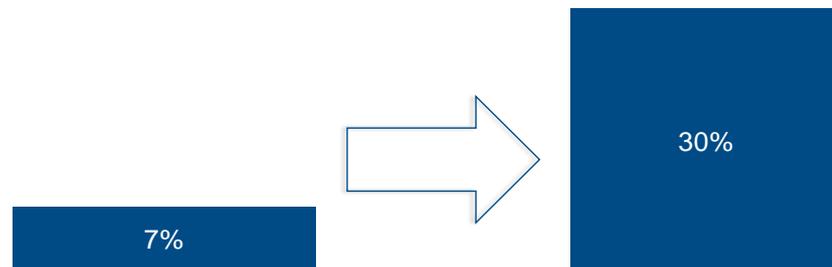
Line-of-business (LoB) and information technology (IT) investments are highly fragmented, and the organization's units are siloed.

The organization has an independent digital group to support new operating models. IT has become a technology advisor to this group, and the LoB is an information consumer..

Note: % of respondents
n = 218

On the other hand, as LoBs increasingly look to leverage digital transformation to grow business, they set high expectations that might not always be feasible. When asked to assess the importance of IT in meeting various business priorities, LoB managers cited significantly higher rates (very important or extremely important) than their IT peers across a variety of business priorities.

The Importance of IT in Meeting Business Priorities

	IT	LOB
Improve quality of existing products/services	60%	61%
Improve customer experience	57%	66%
Improve business agility	59%	66%
Improve internal operational processes	57%	63%
Improve business communication and collaboration	61%	67%
Develop and launch new products/services	54%	60%
Enhance client insights	48%	60%

Note: % of respondents who selected "very important" or "extremely important"
N = 251

These results point to a certain disconnect between IT and LoB units. As organizations evolve from a structure of siloed units, LoBs are enthusiastic about, but may also be overestimating, the potential of using technology to advance business. Setting reasonable expectations is therefore a key requirement for ensuring effective business and IT alignment.

Overall, IDC's research shows that digital transformation turns the IT organization into a business asset. When asked which statement best reflects how the role of IT is seen by senior management, most of the participants reported a positive perception of IT as a strategically important part of the organization. In fact, 41% of respondents stated that IT is seen as an enabler of business efficiency, and an additional 40% reported that IT is seen as a driver of competitive advantage and/or revenue growth. Only 18% responded that IT is seen as a necessary cost.

Some 40% of respondents see technology as a driver of competitive advantage and/or revenue growth.

Senior Management's Perception of the Role of IT

IT is seen as a necessary cost.	IT is seen as an enabler of business efficiency.	IT is seen as a driver of competitive advantage and/or revenue growth.
18%	41%	40%
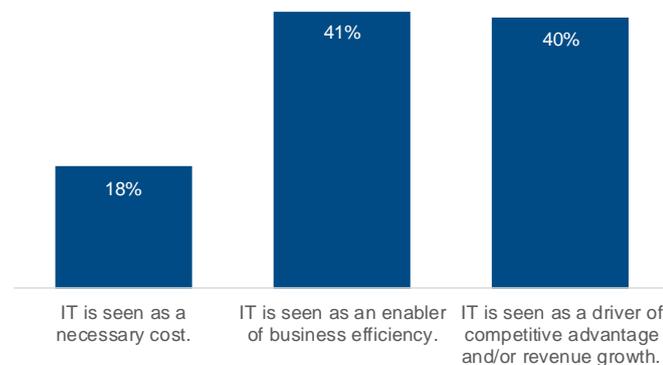
Note: % of respondents; single choice; *don't know* excluded
n = 235

The Meaning of Digital Transformation

The term "digital transformation" can mean many things to different people and organizations. While most stakeholders interpret it along the lines of a technology-driven change, it is also quite loosely defined in terms of its actual manifestation. IDC's survey tried to look into the different meanings that business and IT users associate with the term digital transformation. Not surprisingly, although users share the same grasp of the transformative power of using new technologies, business and IT stakeholders typically focus on the benefits that digital transformation brings to their own side. For example, a senior IT manager noted that, "Digital transformation is simply about making known the IT services that are available – creating awareness of the services." On the other hand, many business managers perceive digital transformation as making business decisions based on data analysis using IT tools.

Among organizations that have not started their digital transformation journeys, understanding of the necessity of such initiatives is clear. For example, a sales manager in a large retail organization in Nigeria noted that, if he were given unlimited resources and decision-making power, his first step would be to influence the board to acknowledge that digital transformation is needed for his business model: "We would be able to innovate our product designs and provide our customers with what they want. I want to see my company grow so that I can start to utilize the technologies required for the modern era."

Digital Transformation as a Strategic Endeavor

IDC's survey found that, in general, most organizations perceive digital transformation as a strategic endeavor – something that influences various aspects of the business rather than merely a tactical initiative aimed at specific goals. When asked which statement best represents what digital transformation means to their organizations, 31% of the respondents acknowledged that their initiatives focus primarily on the back office and creating an open and agile technology infrastructure. "Organization-wide strategy that will enable us to redefine our business models" was selected by 26% of the respondents, followed by "Initiatives are focused primarily on the front-office aspects of the business, including the improvement of customer experience," which was chosen by 25%. Only 10% of the respondents stated that digital transformation is currently not a focus within their organizations, and 8% perceive it as a marketing initiative focused on the creation of new revenue streams.

What Digital Transformation Means to Your Organization
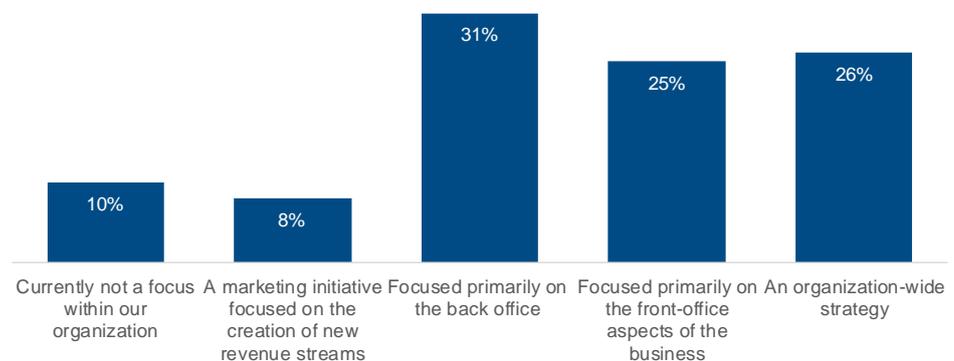
Note: % of respondents; single choice; *don't know* excluded
n = 155

Interestingly, quite a few organizations from the survey depict digital transformation as a transition "from analog to digital" or "from paper documents to an electronic form," as described by some respondents. Overall, though, most organizations currently engaged in digital transformation describe it in more strategic terms, such as: "transformation of business activities, like processes to leverage the changes and opportunities of digital technologies" and "moving from point solutions to integrated process and technology solutions." Or, in the words of a sales and marketing executive in a large CEE-based financial services entity, "Organizations need to be proactive and adapt their internal processes. Customers' requirements today are different from what they were a few years ago, and organizations need to adapt."

According to the survey, business and IT stakeholders are practically of one mind in their strategic perceptions of digital transformation. The differences between the two sides become more apparent when drilling down in their assessment of the extent to which the adoption of new technologies is transforming the organization. Overall, as mentioned above, business managers assume a greater degree of influence than IT managers and assessed the impact of digital transformation on a variety of domains more highly.

The Transformative Impact of Using of New Technologies

	IT	LOB
Core business operations and processes	38%	44%
Business models	32%	47%
Employee work processes	43%	37%
Product offerings	29%	47%
Customer engagement	32%	38%
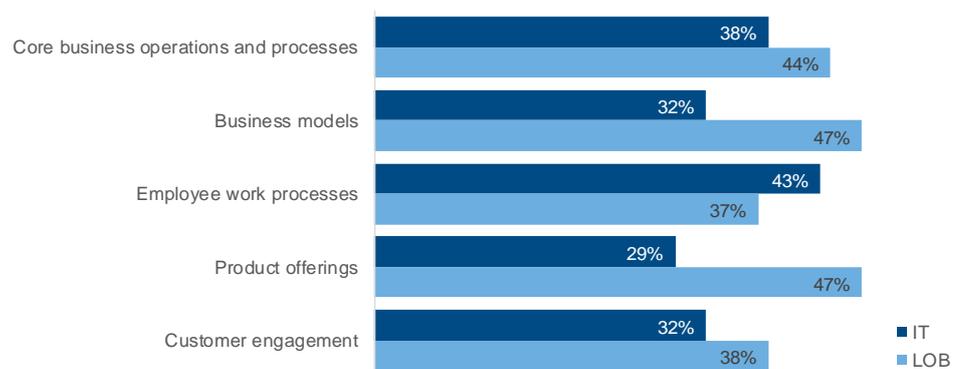
Note: % of respondents who stated "significantly changing" or "completely changing"; multiple choice
N = 251

Digital Transformation as a Cultural Change

Beyond the technology side, the human factor is perhaps the most important aspect of digital transformation. As described by one of the participants in IDC's study, a senior IT manager in a CEE-headquartered retail company, digital transformation is a "radical change of old processes and business models and a cultural change based on the acceleration of digital skills." Another participant, an IT manager in an Africa-based oil and gas company, stated that, "Digital transformation is the application of technologies, with the involvement of man and machine, to fundamentally change the foundation of an organization, from the operating model right through to the delivery of goods and services."

Indeed, digital transformation requires organizations to adapt not only to new technologies but to new business models, operational processes, and approaches to collaboration. Such a profound change cannot be accomplished unless it is accepted and implemented by a company's employees. To a large extent, success depends on the enterprise's ability to create a digital transformation mindset among its employees and to use digital and social connectivity to optimize relationships and collaboration among employees.

Creating an organization-wide framework along these lines involves significant challenges – especially for traditional enterprises. Compared with born-digital companies, traditional enterprises have several disadvantages – perhaps the biggest being organizational inertia and

Success depends on the enterprise's ability to create a digital transformation mindset.

resistance to change. Traditional enterprises are characterized by command and control leadership, unidirectional communication, departmental siloes, and well-trenched beliefs. They have years of investment in employees, culture, and work practices that need to change in order to make the enterprise more entrepreneurial, agile, and capable of adapting to changing needs and conditions. Yet, like massive oil tankers, large organizations take a long time to turn – time that businesses may not have. As continuous change is becoming the new normal, an organizational culture that facilitates agility must be implemented in order to survive in the digital transformation era.

Digital Transformation Taking Off

In practice, digital transformation refers to the applications of cloud, mobility, social business, and big data technologies to fundamentally change the way a business process is executed. Based on this definition, respondents were asked whether their organizations are undergoing, or about to undergo, a formal digital transformation effort in 2016. According to the results, most organizations in CEE and SSA are already on their digital transformation journeys, with 35% of the respondents stating that they are about to start, or are currently executing, related initiatives. Although 34% are currently planning their digital transformation efforts, only 32% stated that they have no such plans at present.
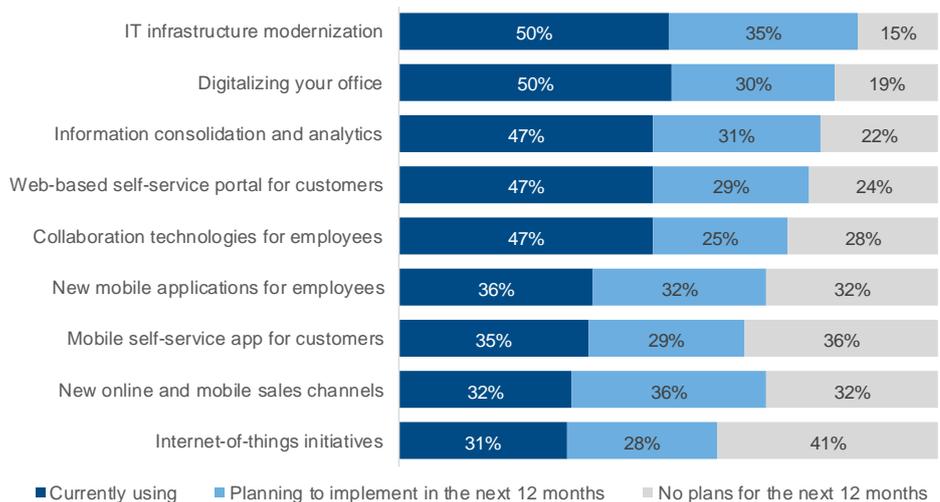
The Digital Transformation Journey

| Currently undergoing | Planning or about to start digital transformation | No digital transformation plans |

35% | 34% | 32%
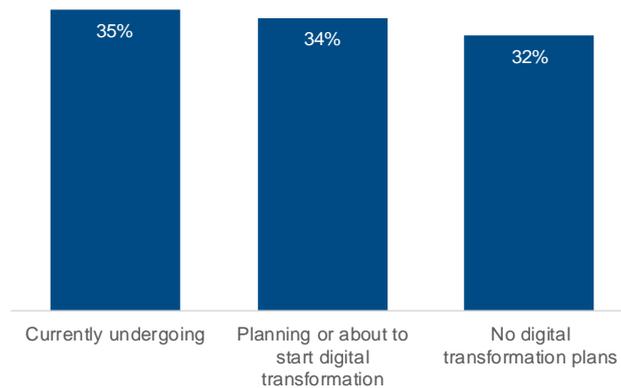
Note: % of respondents
N = 251

IDC's research also looked into the areas in which organizations in CEE and SSA are focusing their digital transformation efforts. IT infrastructure modernization is the most common initiative, currently executed by 50% of surveyed organizations, while 35% are planning to carry out related initiatives. Other popular initiatives include digitization of the office (i.e., internal and external documents and workflows), cited by 50% and 30% in CEE and SSA, respectively, and information consolidation and analytics, at 47% and 31%, respectively.

Current or Planned Digital Transformation Initiatives

Initiative	Currently using	Planning to implement in the next 12 months	No plans for the next 12 months
IT infrastructure modernization	50%	35%	15%
Digitalizing your office	50%	30%	19%
Information consolidation and analytics	47%	31%	22%
Web-based self-service portal for customers	47%	29%	24%
Collaboration technologies for employees	47%	25%	28%
New mobile applications for employees	36%	32%	32%
Mobile self-service app for customers	35%	29%	36%
New online and mobile sales channels	32%	36%	32%
Internet-of-things initiatives	31%	28%	41%

■ Currently using ■ Planning to implement in the next 12 months ▨ No plans for the next 12 months

Note: % of respondents
n = 155

3rd Platform Technologies Driving Digital Transformation

In order to gain insight into how far along organizations are in their digital transformation journeys, IDC's survey looked into the adoption of 3rd Platform technologies such as cloud, mobility, social media, and big data analytics. Overall, organizations in Central and Eastern Europe and Sub-Saharan Africa consider these technologies as key to improving the customer experience, which stood out as the main driver of adoption.

This fact is in line with the abovementioned focus on customer experience as a top business priority: 3rd Platform technologies provide organizations with new channels to communicate with their customers. In accordance, captivating and listening to the customer is critical for providing consistent and improved customer interaction. On the same note, IDC's survey found that 66% of organizations are using customer-experience key performance indicators (KPIs) as part of the corporate performance model and business goals, and 8% are planning to do so within the next 12 months.

The adoption of related 3rd Platform technologies can explain the widespread implementation of customer experience KPIs: Not only do these technologies introduce new models of customer interaction and customer service, but they also often feature different functionalities to

Cloud computing is rapidly moving toward mainstream adoption.

measure the impacts of the usage of these new models. This capability enables organizations to define related KPIs and make improvements in the underlying processes.

Similar to the worldwide trend, cloud computing is rapidly moving toward mainstream adoption in CEE and SSA. Around 74% of organizations in these regions are either already using cloud services (more than 34% of respondents) or are planning/evaluating cloud services (more than 39%). In addition to collaborative applications such as email, which have already reached mainstream adoption, the most commonly used cloud service types are infrastructure and database services (details in the Appendix).

The availability of data from anywhere and simpler maintenance and upgrades are the strongest benefits that organizations have achieved from the use of cloud services, as indicated by a 77% response rate in both cases. Having the latest functionalities was mentioned by 74% of respondents, followed by "paying only for the services we consume" and better scalability and flexibility (71% each).

The Benefits of Cloud Adoption

Benefit	%
The availability of data from anywhere	77%
Simpler maintenance and upgrades	77%
The latest functionalities	74%
Paying only for the services we consume	71%
Better scalability and flexibility	71%
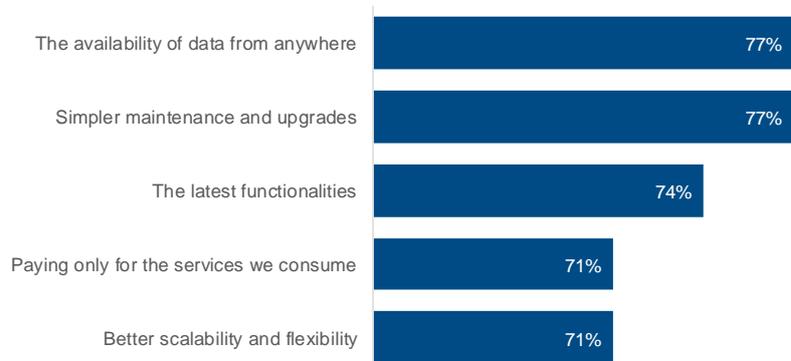
Note: % of respondents; current cloud adopters
n = 69

Security concerns are by far the biggest inhibitor for using cloud services, as selected by 72% of respondents, followed by the somewhat related concern over loss of control (58%). This finding is hardly surprising. Security has always been a barrier for the adoption of new technologies, and cloud is no different. Among other issues, cloud adoption involves moving critical IT infrastructure functionalities and (more disturbingly) sensitive corporate data to the domain of a third party (the cloud provider).

Nevertheless, as the most "mature" technology layer of the 3rd Platform, current public cloud services feature a large variety of advanced security mechanisms that should counter the fear, uncertainty, and doubt around cloud deployments. For many companies that struggle with maintaining in-house security skills, the cloud is an appropriate alternative. In addition, cloud providers today are offering advanced solutions that enable customers to migrate their security best practices and policies to the cloud or to manage a hybrid environment.

With this in mind, cloud can be viewed as an important element in an organization's security strategy, particularly in those organizations with limited or no in-house security resources.

Cloud Adoption Barriers

Barrier	%
Security concerns	72%
Concerns about loss of control	58%
Doubts about potential savings	42%
Legal requirements and restrictions	41%
Inadequate capability/Difficult adaptation to our needs	39%
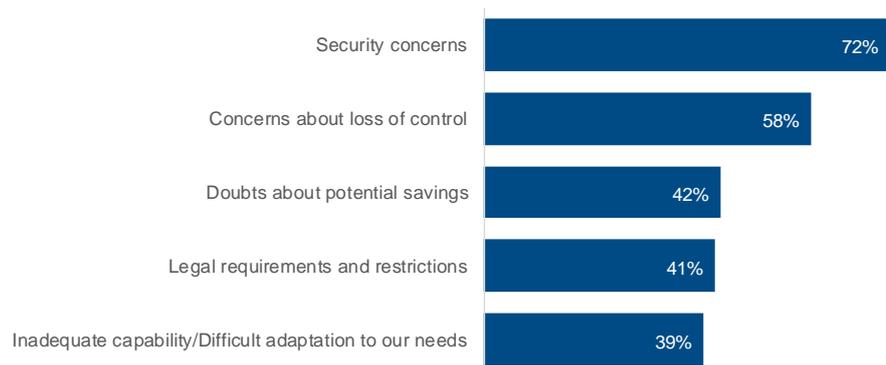
Note: % of respondents
n = 245

As in other regions, the adoption of mobile technologies is on the rise in CEE and SSA. According to IDC's survey, mobility plays a significant role in customer engagements, with 41% of the respondents stating that they are currently using mobile technologies to improve interaction with their customers, and an additional 19% are planning to do so in the next 12 months.

On the same note, improving customer satisfaction and experience is the main benefit that organizations achieve by using mobile technologies as a means of customer communication, as selected by 84% of respondents. Other common benefits include reducing customer interaction costs (66%) and improving competitive advantage or market share (65%). These benefits reflect the growing importance of mobility as a core front-end requirement of the business. Organizations are focusing their mobility initiatives on delivering a compelling user experience across mobile platforms and creating new – mobile-centric – digital revenue streams so as to maintain their competitive positions.

Benefits of Adopting Mobility

Benefit	Percentage
Improved customer satisfaction/experience	84%
Reduced customer-interaction costs	66%
Improved competitive advantage/market share	65%
Increased sales/Revenue generation	48%
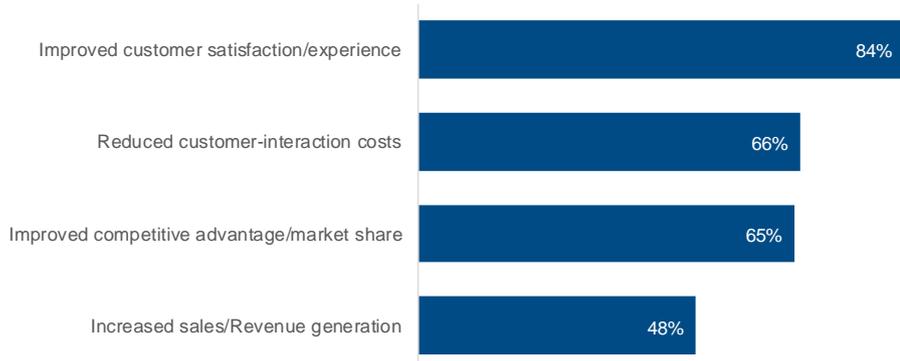
Note: % of respondents; current mobility adopters
n = 95

The main use of big data analytics (BDA) among organizations is also primarily geared toward customer-facing activities. According to IDC's study, improving the ability to plan and forecast is the most common business outcome achieved through the use of BDA (realized by 75% of respondents), followed by improving customer service and support (74%). Using BDA for improving customer services can be achieved, for example, by offering better and more customized/personalized engagements based on insights about customer behavior. This valuable insight can also be used for developing new digitally enabled products, services, and experiences that help organizations maintain their competitive edge.

Benefits of Big Data Analytics Adoption

Benefit	Percentage
Improved ability to plan and forecast	75%
Improved customer service and support	74%
Improved and optimized business processes and operations	69%
Acquired and/or retained customers	66%
Optimized and/or modernized IT	63%
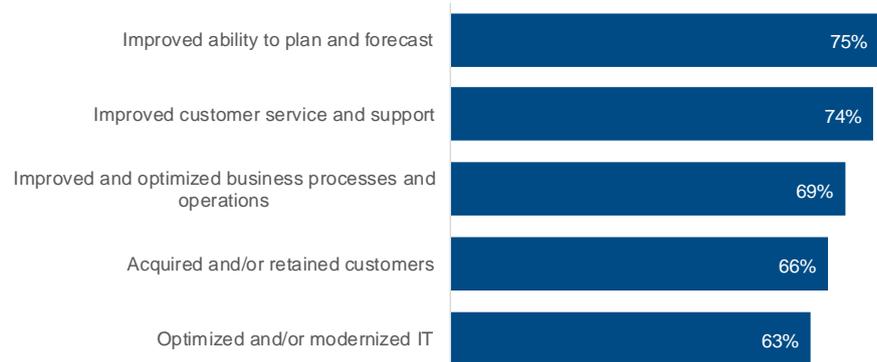
Note: % of respondents; current BDA adopters
n = 68

Social media solutions are also being increasingly used to improve customer interaction, with 26% of respondents citing that they are actively using social media as a communication channel with more than half of their customers. Another 14% estimate that between 20% and 50% of their installed base has been reached via social media.

Marketing products and services is the most common use of social networks in CEE and SSA, followed by customer service and recruitment. Creating online customer and partner communities is the main social business initiative that organizations are planning to carry out in the near future.

The Digital Transformation Readiness Index

While digital transformation is clearly taking off in CEE and SSA, some organizations are farther along in preparations than others. IDC's study looked into different attributes, such as industry and company size, to identify which types of organization are currently ahead in this journey. For this purpose, IDC developed the Digital Transformation Readiness Index. The index is based on a score given to each organization that is implementing or planning to implement a digital transformation program, representing the level of readiness across nine digital transformation initiatives on a scale of 1 (lowest) to 5 (highest). IDC then calculated the average score per industry and company-size segment. In addition, the distribution of companies on the 1-to-5 scale was analyzed.

DX Readiness Index

Average Index 2.8

1 Consider	14%
2 Plan	26%
3 Engage	34%
4 Lead	19%
5 Disrupt	6%

Source: IDC analysis based on response to the question: What is the status of the following (nine) potential digital transformation initiatives in your organization?
n = 155

Five Stages of DX Readiness Index

1	Consider	Siloed DX initiatives and pilots; considering formalizing them into enterprise-wide projects with executive sponsorship
2	Plan	Siloed DX initiatives, with concrete plans to centralize them; digital strategy being developed with executive sponsorship
3	Engage	First DX initiatives underway with corporate-wide governance; delivering first tangible business results
4	Lead	A portfolio of key DX initiatives underway; following a well-defined DX strategy with high attention from combined business and IT leadership
5	Disrupt	A wide portfolio of relevant DX initiatives ongoing; disrupting and challenging the industry and delivering significant business results

Based on the Index, the average score for CEE and SSA companies is 2.8. This average indicates that, in general, companies in these regions are moving on from the "plan" stage and are getting close to the more advanced "engage" stage. In fact, 25% of the organizations are already in the top two stages of digital transformation, "lead" (19%) and "disrupt" (6%).

DX Readiness Index by Industry

Industry	Score
Finance	3.2
Telecoms	3.1
Other	2.7
Retail	2.7
Public sector	2.6
Utilities	2.4
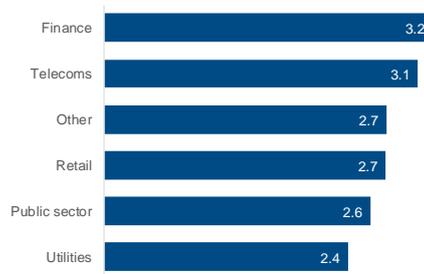
DX Readiness Index by Company Size
(number of employees)

Company Size	Score
2,500 +	2.9
1,000–2,500	2.7
250–1,000	2.6

Finance is the most digital transformation-ready industry, with an index of 3.2, followed by telecom, with 3.1. Retail is slightly behind, with an index of 2.7, followed by the public sector (2.6) and utilities (2.4).

Unsurprisingly, large businesses are faster to implement digital transformation initiatives; organizations with more than 2,500 employees achieved the highest end-user-segment DX readiness index score, at 2.9.

Essential Guidance: Keys for Successful Digital Transformation

By 2018, one-third of the top 20 market share leaders in most industries will be significantly disrupted by new competitors.

Digital technologies and the new business models and strategies they give rise to will continue to impact most organizations, and the intensity of that impact will continue to increase. IDC has predicted that, by 2018, one-third of the top 20 market share leaders in most industries will be significantly disrupted by new competitors (and "reinvented" incumbents) that use the 3rd Platform to create new services and business models. These trends are taking place across all major industries – from the emergence of FinTech companies that are disrupting the finance industry to new autonomous vehicle players that are challenging traditional motor vehicle manufacturers. Born-digital companies use agile infrastructures that support operational flexibility and adaptability to customer needs.

Aside from rapid technological change, businesses will have to cope with geopolitical, economic, and environmental disruptions – some predictable, many not. Digital transformation is one means of creating "anti-fragile" businesses that can not only weather such disruptions but also leverage and thrive on them.

In accordance, digital transformation has become a matter of "do or die." Similar to the worldwide trend, organizations in Central and Eastern Europe and Sub-Saharan Africa are fully aware of the acute importance of digital transformation. IDC's survey shows that organizations of all sizes and across all industries in these two regions are acknowledging digital transformation as a key element of their growth strategies.

Digital transformation is far more than merely a new technology trend. It has far-reaching meanings for the organization, introducing new models of work dynamics, internal and external collaboration, business processes, and other aspects of business life. Digital transformation is also disrupting traditional business structures. Many of the organizations that participated in IDC's study have already established dedicated digital groups (or similar entities) to lead and execute their digital transformation initiatives.

As technology becomes an integral part of the business, the fused business and IT organization will become the backbone of the modern enterprise

Looking ahead, IDC believes these entities herald the emergence of new organizational structures that will further bridge business and IT in areas where speed and innovation are essential. Some of these structures, such as organizations of self-managed teams and shared-services digital centers of excellence, are already widely used, and others will emerge over time. Eventually, as technology becomes an integral part of the business, this new fusion of business and IT will become the backbone of the modern enterprise. In order for enterprises to manage their digital transformations successfully, they should plan the development of new organizational structures based on the following guidelines:

Immediately

- Assess business needs and goals relative to scope, speed, and scale of digital transformation.

- Identify organizational characteristics (culture, collaboration, leadership, change resistance, etc.) that may influence the selection of digital-transformation organizational structures.

In the next 12 months

- Develop a set of goals and desired outcomes to guide the selection of digital transformation organizational structures.

- Select and implement an organizational approach that best fits immediate needs and refine based on results. Start with less risk-prone structures (top of the list).

In the next two years

- If appropriate, test and implement more advance digital transformation organizational structures.

- Begin creating a platform framework that can accommodate multiple organizational-structure types simultaneously.

- Adopt a springboard approach to organizational change so as to increase the breadth and scope of enterprise digital transformation.

Case Studies

Commercial Bank of Africa

Commercial Bank of Africa (CBA) is one of the largest privately owned banks in East Africa, with headquarters in Kenya and a presence in Tanzania and Uganda. The bank provides financial services to individuals, small and medium-sized businesses, and large organizations.

CBA offers its customers mobile savings and loans through the M-Shwari application, which was launched in partnership with telecom operator Safaricom and now serves more than 15 million customers. The application enables customers to save, earn interest, and access small amounts of credit instantly via their mobile phones, as well as take out loans that are repayable within a month.

CBA, facing disturbance from mobile operators and other FinTech companies, set on a digital transformation journey to developing an omni-channel customer experience.

Similar to other countries, Kenyan retail banks are at crossroads, as telecom operators have emerged as serious competitors in the payment services space. Leading telecom operators Safaricom, Airtel, and Telkom Kenya all provide mobile money services, hence eroding the profit margins of banks, particularly those offering personal banking services and previously relying on payments as a key revenue line. In addition, with the recent signing into law of the Banking Amendment Act of 2016, which has enforced interest-rate capping in Kenya to a maximum of 400 basis points above the Central Bank Rate (CBR), banks have now been forced to revalidate their delivery models with a view to reducing the overall cost of doing business.

Speeding up Business

In light of the changes in the regulatory space, as well as increased competition in financial services from other banks and non-traditional players such as telecom operators and mobile payment firms, CBA's executive management has approved a broad digital transformation program as the core of a new strategy. As part of this effort, the bank is consolidating its mobile applications and Internet banking under one platform to provide customers with an omni-channel experience.

To speed up time to market for new products and services resulting from digital transformation initiatives, CBA has invested in several Oracle solutions, including Oracle Business Intelligence Enterprise Edition, WebLogic, and Exadata. According to CBA, the implementation of these solutions helped achieve tangible results, such as:

- The bank is now able to process over 50,000 loans per day without the need for clients to visit a branch to apply for a loan.
- Customer onboarding and engagement is fully digitized, eliminating the need for paper work and extended lead times on fulfilment.
- Transaction processing is much faster.

Key Takeaways

- Upper-level management in both LoB and IT units should be in charge of setting the direction of digital transformation. Business analytics can be used to gain important insight to support strategic decisions.

- Organizations should assess their strengths and weaknesses and plan their digital transformations accordingly so as to develop necessary competencies.

- Based on this process, organizations should identify existing business and IT staff who could drive digital transformation (keeping in mind that this may entail uptraining employees or hiring new ones).

Magyar Telekom Group

Headquartered in Budapest, Hungary, Magyar Telekom is the largest telecommunication operator in the country. The provider manages 5.3 million mobile voice subscriptions, 2.4 million mobile broadband subscriptions, 1.4 million fixed voice subscriptions, 1 million fixed broadband subscriptions, and nearly 1 million TV subscriptions.

Digital Transformation Is More Than Just Digital

Faced with intensifying competition in the telecom industry, Magyar Telekom realized that, in order to maintain its leadership position, it must constantly improve the efficiency of customer service. The company realized that merely implementing new IT solutions will not accomplish this goal and that it must transform entire business processes.

Magyar Telekom's new digital channels are heavily impacting internal business processes

In accordance, Magyar Telekom developed an online strategy aimed at shifting customer interactions from traditional to online channels. This change required a holistic approach, one in which service fulfillment processes were automated and integrated into the online platform; user experience related to internal applications was also taken into consideration. In order to fulfill its online strategy, Magyar Telekom has made significant investments over the last two years to develop a platform that could smoothly handle a large number of online customer interactions. In parallel to technology investments, Magyar Telekom has made significant efforts to harmonize its business processes, IT processes, and financial processes so as to maximize the benefits of the technology investments.

Magyar Telekom's investments were targeted at three main areas:

- **Web Platform:** To effectively manage a large number of online transactions, Magyar Telekom has chosen the Oracle ATG Web Commerce solution. The integration capabilities of the solution were a primary consideration in its selection, as Magyar Telecom required the web platform to link to various back-end systems.

- **Application Platform:** To support the development of a feature-rich mobile application, Magyar Telekom implemented Oracle WebLogic Suite as its application server.

- **Improving Internal User Experience:** Realizing that internal user experience is an important component in achieving improved customer experience, Magyar Telekom started a pilot implementation of Oracle Real User Experience Insight to continuously monitor its systems and manage incidents.

Magyar Telekom is currently using the web and application platforms to host different applications. The mobile application was successfully deployed and is supporting customers with various services, such as bill payment. The application is downloaded approximately 1,000,000 times per year. Magyar Telekom plans to continue developing the

web platform and mobile application to ensure broader functionality for customers (e.g., booking appointments in Telekom stores) and an even greater positive impact on the business processes of the organization.

Key Takeaways

- Digital transformation impacts not only IT systems but also business processes. In some cases, entire business processes have to be reconsidered or even simultaneously redesigned.

- Digital transformation related initiatives have to be carried out in a "revolutionary" manner. An evolutionary approach might prove more expensive and risky.

Appendix: Research Design & Methodology

This paper is based on research conducted by IDC on a sample of 251 large organizations in Central and Eastern Europe and Sub-Saharan Africa. The two regions were selected due to their rapid development and fast-growing potential in terms of digital transformation as a major economic driver. IDC conducted interviews with high-level executives from both lines of business and IT. The research was performed in Q3 2016.

Country distribution

Country	
Austria	39
Czech Republic	35
Greece	33
Poland	33
Romania	28
Nigeria	29
Kenya	29
Ghana	25
TOTAL	**251**

Company Size
(number of employees)

2,500 +	29%
1,000–2,500	41%
250–1,000	29%

In terms of the research sample, 29% of organizations surveyed had more than 2,500 employees, 41% had between 1,000 and 2,500 employees, and 29% had between 250 and 1,000 employees.

Industry Sector

- Public sector 18%
- Retail 18%
- Finance 16%
- Telecoms 12%
- Utilities 10%
- Other 26%

The research also focused on the five vertical markets with the highest potential for digital transformation — namely, finance, telecommunications, retail, utilities, and the public sector, including education and healthcare.
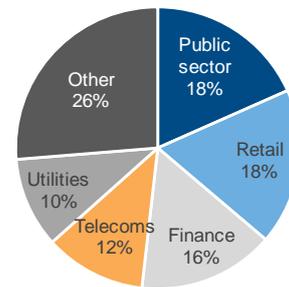
The respondents were carefully selected with a focus on executives (14% were C-level or equivalents), and roughly an equal split of IT and lines of business was achieved.

Respondents' Position Levels

C-level or equivalent	14%
C-level minus 1	33%
C-level minus 2	24%
C-level minus 3	22%
IT specialist	8%
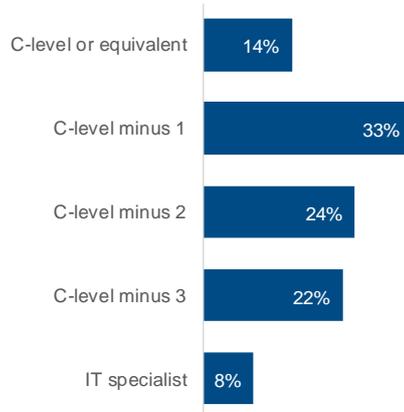
Respondents' Lines of Business

IT 48%	LOB 52%

Operations & logistics	29%
Sales & marketing	28%
Finance & accounting	18%
Human resources	16%
Other	5%
Custom service	4%
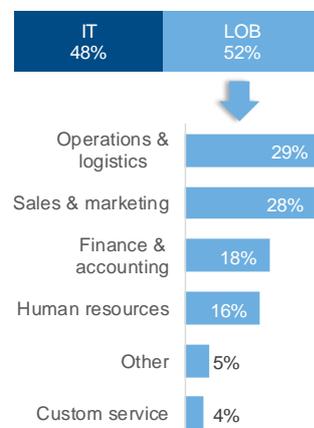
Appendix: Selected Detailed Research Results

Q. Please rate your organization's <u>IT priorities</u> for the next 12 months by degree of importance.

IT Priority	%
Improve IT security	73%
Support business/product innovation	68%
Raise quality of IT services	62%
Speed up the development of new applications	59%
Provide advanced analytics	56%
Reduce/Control overall IT costs	55%
Introduce/Improve KPI metrics	49%
Implement big data initiative	49%
Implement mobile services for customers	47%
Introduce an internet-of-things initiative	42%
Improve social media presence and the tracking of its efficiency	40%
Implement mobile services for employees	39%
Introduce new public cloud services	25%
Implement private cloud	22%

Note: % of respondents citing "very important" or "extremely important"
N = 251

Q. What <u>benefits</u> have you achieved from cloud adoption?

Benefit	%
The availability of data from anywhere	77%
Simpler maintenance and upgrades	77%
The latest functionalities	74%
Paying only for the services we consume	71%
Better scalability and flexibility	71%
The simple introduction of new applications	64%
Increased reliability	61%
Lower initial (investment) costs	57%
Paying as we go	51%
IT team able to focus on IT development rather than daily management	49%
The transfer of less important activities to a cloud services provider	38%

Note: % of respondents who are current users of cloud services
n = 69

Q. What advantages <u>support</u> the adoption of cloud services in your organization?

Advantage	%
Paying only for the services we consume	62%
The availability of data from anywhere	61%
Simpler maintenance and upgrades	53%
The latest functionalities	51%
The simple introduction of new applications	48%
Better scalability and flexibility	46%
IT team able to focus on IT development rather than daily management	46%
Paying as we go	43%
Lower initial (investment) costs	43%
Increased reliability	41%
The transfer of less important activities to a cloud services provider	38%

Note: % of respondents who are planners of cloud services
n = 109

Q. Which of the following factors <u>inhibit</u> the adoption of cloud services in your organization?

Factor	%
Security concerns	72%
Concerns about loss of control	58%
Doubts about potential savings	42%
Legal requirements and restrictions	41%
Inadequate capability/Difficult adaptation to our needs	39%
Difficult integration with the existing IT infrastructure	38%
Limited awareness/knowledge of cloud services	36%
Cloud not being relevant for our business	33%
Returning to the previous IT infrastructure possibly being difficult	33%
Lack of skills within the organization to support cloud solutions	31%
Overall cost being too high	29%
Inadequate internet connection	21%
An insufficient number of successful projects for reference	20%

Note: % of respondents
n = 245

Q. In which software areas are you considering, or already using, cloud services?

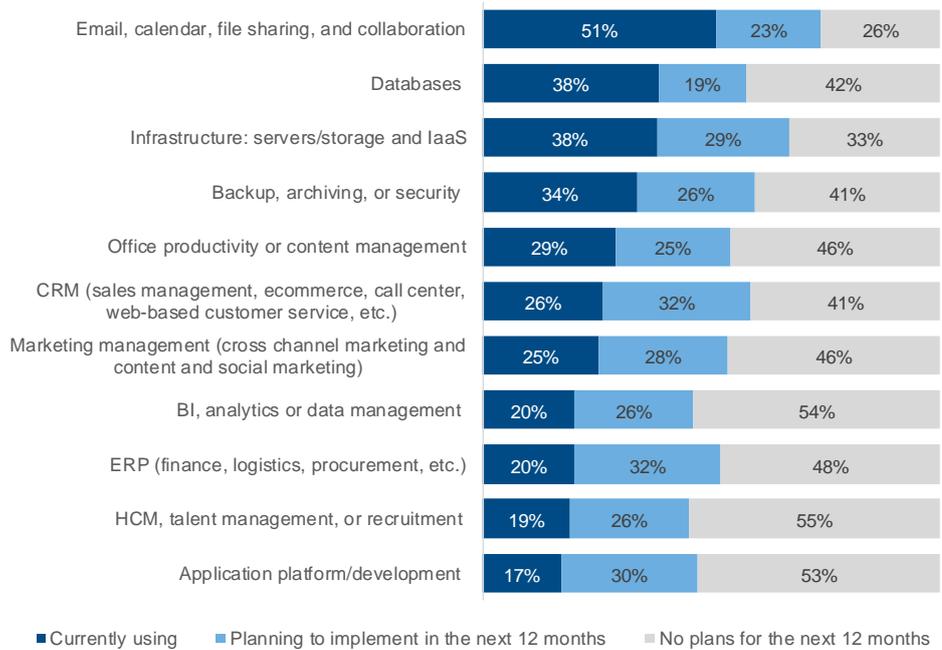| Software area	Currently using	Planning to implement in the next 12 months	No plans for the next 12 months
Email, calendar, file sharing, and collaboration	51%	23%	26%
Databases	38%	19%	42%
Infrastructure: servers/storage and IaaS	38%	29%	33%
Backup, archiving, or security	34%	26%	41%
Office productivity or content management	29%	25%	46%
CRM (sales management, ecommerce, call center, web-based customer service, etc.)	26%	32%	41%
Marketing management (cross channel marketing and content and social marketing)	25%	28%	46%
BI, analytics or data management	20%	26%	54%
ERP (finance, logistics, procurement, etc.)	20%	32%	48%
HCM, talent management, or recruitment	19%	26%	55%
Application platform/development	17%	30%	53%

■ Currently using ■ Planning to implement in the next 12 months ■ No plans for the next 12 months

Note: % of respondents who are users or planners of cloud services
n = 170

Q. Is your organization using, or planning to use, mobile technologies to improve interactions with your customers?

Currently using	Planning to implement in the next 12 months	No plans for the next 12 months
41%	19%	40%
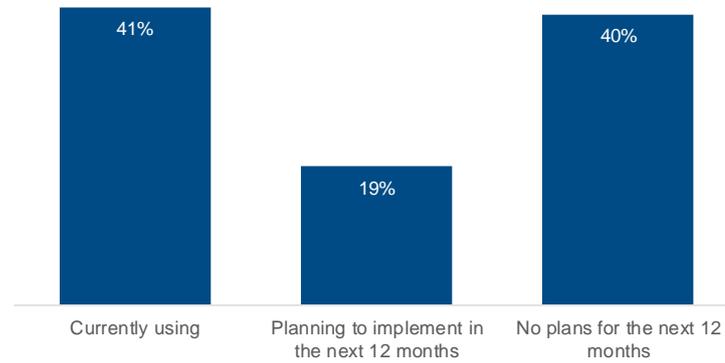
Note: % of respondents
N = 251

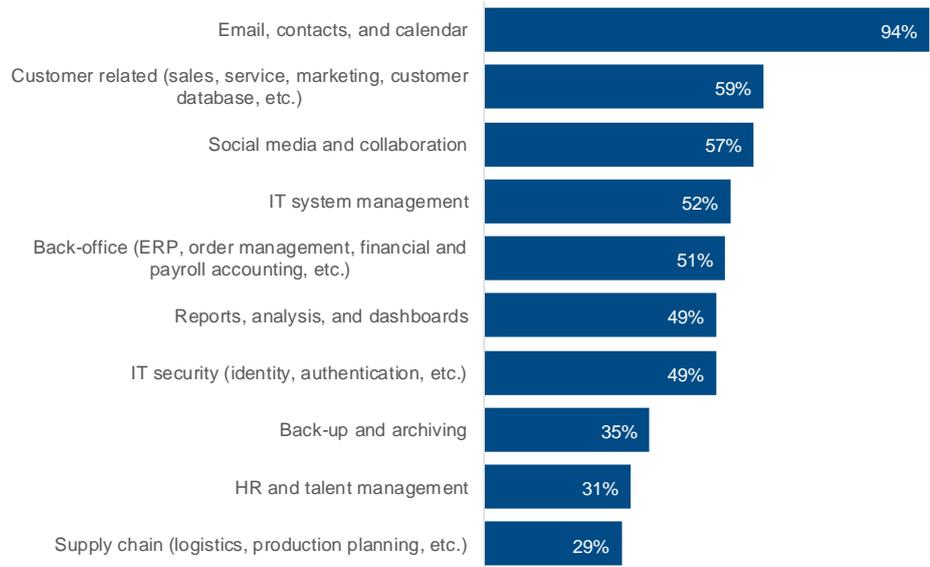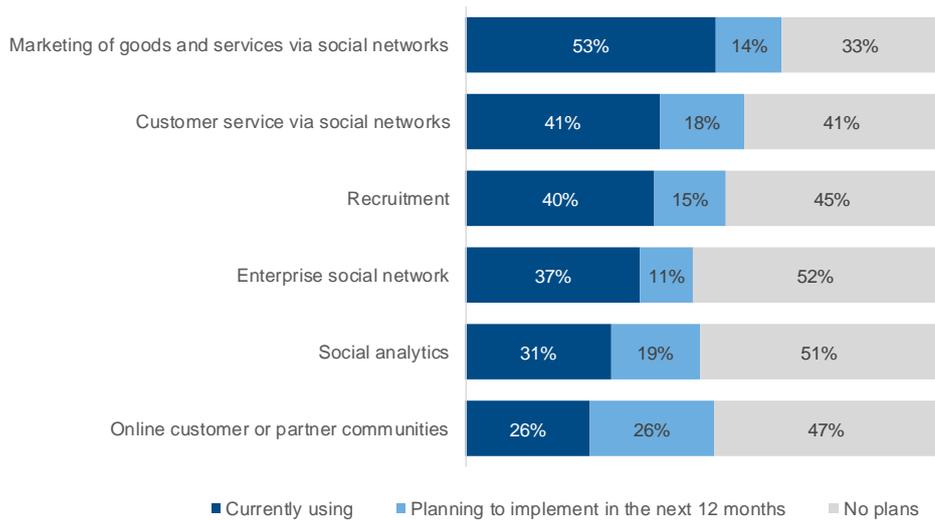**Q. Which of the following solutions or applications are accessed by your organization's employees using smart phones or mobile tablet devices?**

| Solution	%
Email, contacts, and calendar	94%
Customer related (sales, service, marketing, customer database, etc.)	59%
Social media and collaboration	57%
IT system management	52%
Back-office (ERP, order management, financial and payroll accounting, etc.)	51%
Reports, analysis, and dashboards	49%
IT security (identity, authentication, etc.)	49%
Back-up and archiving	35%
HR and talent management	31%
Supply chain (logistics, production planning, etc.)	29%

Note: % of respondents
N = 251

Q. Which of the following social business initiatives are you currently using or planning to use in the next 12 months?

Initiative	Currently using	Planning to implement in the next 12 months	No plans
Marketing of goods and services via social networks	53%	14%	33%
Customer service via social networks	41%	18%	41%
Recruitment	40%	15%	45%
Enterprise social network	37%	11%	52%
Social analytics	31%	19%	51%
Online customer or partner communities	26%	26%	47%

■ Currently using   ■ Planning to implement in the next 12 months   ■ No plans

Note: % of respondents; multiple choice
N = 251

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Analyze the Future

Q. What percentage of your customer base actively uses social media as a communication channel with your organization?

|	
0–20%	51%
20–50%	14%
Over 50%	26%
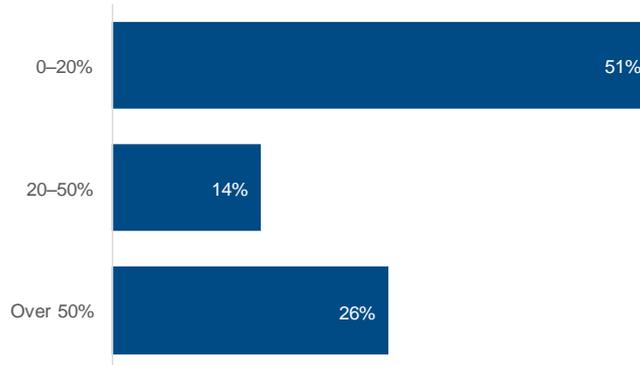
Note: % of respondents who are social business technology users
n = 183

Q. Which of the following statements best describes your organization's approach to the customer experience?

| Category	Value
1. Experimentation with creating better customer experiences is isolated and limited.	8%
2. Customer-experience strategies/measures are reactive only.	13%
3. Product and service delivery extends beyond customers to partners, suppliers, and employees.	34%
4. All stakeholders in the ecosystem (across customers, suppliers, partners, and employees) are connected to the organization.	30%
5. All stakeholders in the ecosystem (across customers, suppliers, partners, and employees) are connected to the organization.	15%

Note: % of respondents; single choice
n = 218

Q. Are customer-experience KPIs part of the corporate performance model and business goals?
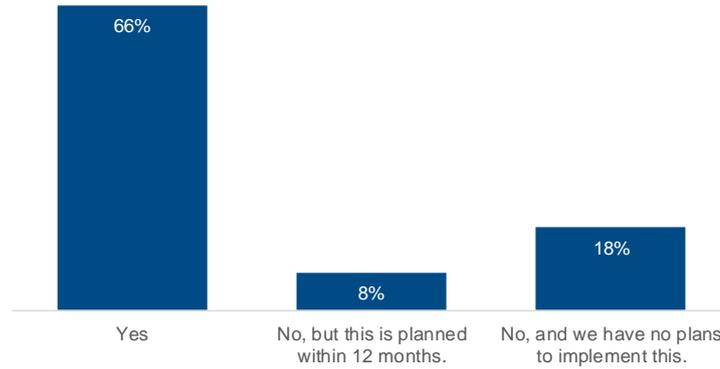
Note: % of respondents; don't know excluded
n = 218

Q. Has your organization implemented any big data analytics technologies, or does it have any ongoing big data projects?
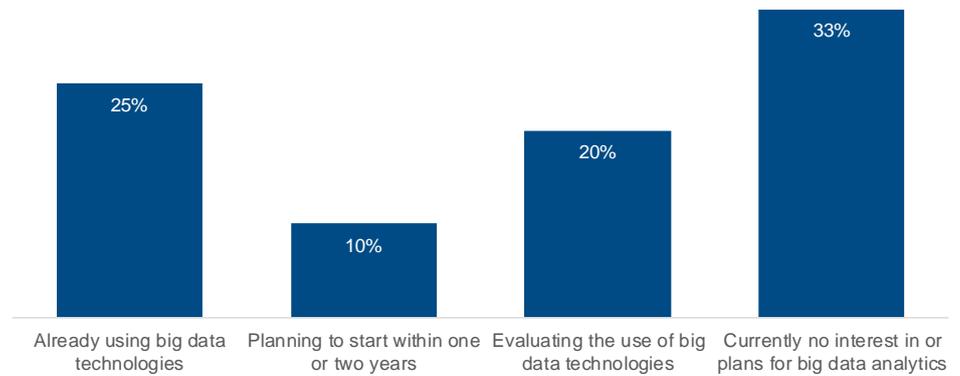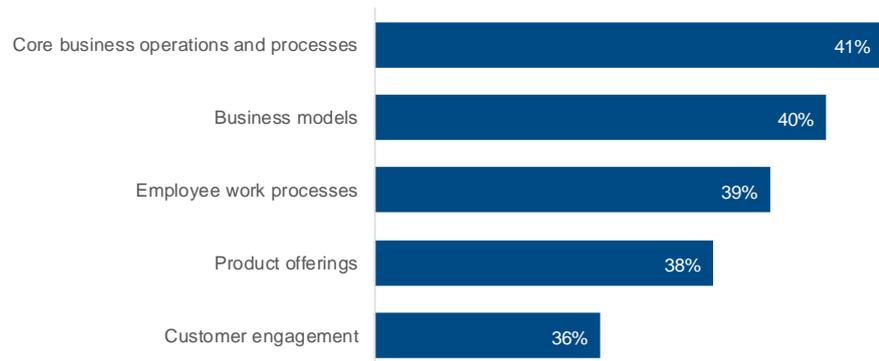

Note: % of respondents; don't know excluded
N = 251

Q. What business outcomes has your organization achieved through the use of big data analytics?

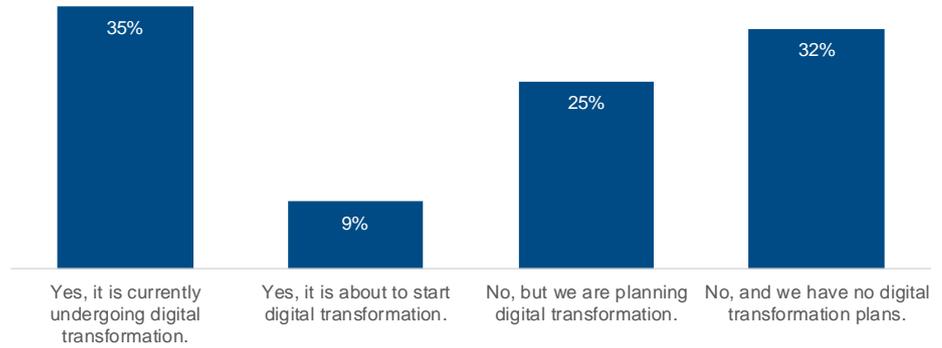| Outcome	%
Improved customer service and support	76%
Improved ability to plan and forecast	72%
Optimized pricing strategies and go-to-market programs	69%
Acquired and/or retained customers	68%
Improved operational, fraud, and risk management	68%
Improved and optimized business processes and operations	66%
Improved understanding of the market and our competitors	65%
Better utilized and managed human capital/resources	65%
Optimized and/or modernized IT	65%
Improved and innovated products, services, and/or programs	63%
Implemented regulatory compliance and financial controls	59%
Improved plant, facilities, and equipment design, maintenance, and utilization	57%
Streamlined supply-chain management and logistics	57%
Found new markets, products, and/or business models	57%

Note: % of respondents; big data analytics users
n = 68

Q. To what extent is the adoption of new technologies (e.g., cloud, mobile, data analytics, and social networking) transforming your organization?

	%
Core business operations and processes	41%
Business models	40%
Employee work processes	39%
Product offerings	38%
Customer engagement	36%

Note: % of respondents
N = 251

IDC
Analyze the Future

Q. Is your organization undergoing, or about to undergo, a formal digital transformation effort in 2016?

| Yes, it is currently undergoing digital transformation. | Yes, it is about to start digital transformation. | No, but we are planning digital transformation. | No, and we have no digital transformation plans. |
| 35% | 9% | 25% | 32% |

Note: % of respondents
N = 251

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ABOUT IDC

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