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Becoming a world class digital organisation

Six best practices for digital transformation

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Introduction - the digital future is now

The pace of digital change is phenomenal. Customer behaviours have changed now that mobile devices which give constant internet access, are widespread. Engaging with customers digitally is not optional and having a website is no longer enough. Customers expect a fully interactive consistent experience across multiple channels including digital ones.

Key digital players have emerged and become established. To maintain competitiveness businesses must ensure that their organisation is ready to meet new digital challenges, to respond to customer needs, and where possible, define the future of digital engagement.

Existing studies have been focused on customer experiences, such as examining online functionality and the "look & feel" of a digital channel. This study goes further and asserts that companies need to understand what change is required within their organisations to support digital success. This ranges from culture and behaviours to organisational capabilities and structure.

This study surveyed 25 companies who are recognised as world class digital organisations to identify the elements which enable such successful use of digital channels.

Traditional companies that still use physical retail channels (Digital by Evolution) will never be the same as Digital Pure Players who were created for and in the digital age without any physical retail channels. However, Digital Pure Players can provide fundamental lessons and key insights that should be adopted on the journey to digital transformation. This paper identifies six recommended best practices companies should adopt to support world class delivery via digital.

Methodology

BearingPoint undertook a comprehensive study of *world class digital* companies through primary interviews, market research and a global survey covering Europe, North America and Asia Pacific. This study assessed how these companies are organised to enable digital transformation and digital engagement with their customers and partners.

The 25 companies included are recognised as world class in digital because of their industry standing, their successful innovation and engagement in the digital world. Their digital activity ranges from marketing to acquisition, from servicing to cross/up sell, and from customer satisfaction to market influence.

The following industries were included in the study: financial services, telecommunications, retail, software services, consumer electronics and internet services.

- **Digital** companies (Those who have no physical retail channel)
- **Financial services** companies
- **Other** companies

Financial services is highlighted specifically in the results, as the explosion of digital services online, mobile and in social media has driven high levels of consumer adoption and created a catalyst for internal organisational transformation required to keep up with the rapid pace of change evident in this industry.

The study also distinguishes two different overarching models:

- **Digital Pure Players** - companies that have been born and designed in the digital age. From inception they have used exclusively using digital channels.
- **Digital by Evolution** - companies that existed pre-digital, have physical products, supply chains and sales channels but are evolving and supplementing physical channels with digital ones.

Finally, we would like to thank all the participants and contributors for taking part. We hope that these findings will assist them as they respond to the changing digital world.

# Six Best Practices for Digital Transformation

#1 - Develop an incremental Digital journey

Digital Pure Players have global digital strategies that are 100% integrated into their business strategies
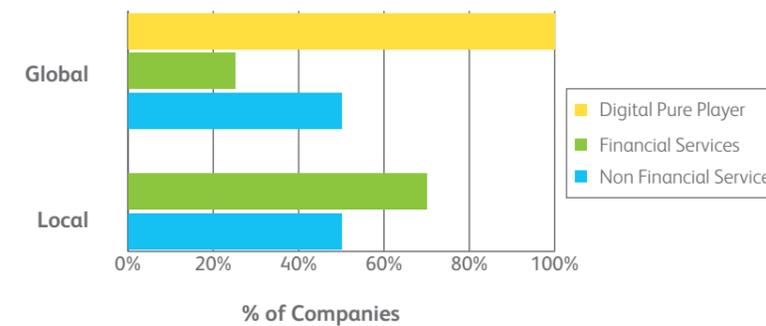
Level at which digital strategy is built

In contrast, 100% of Digital Pure Players deploy global, integrated strategies: digital strategy and business strategy are one and the same. There is no separation between them; digital is intrinsic to these companies. Consequently, key strategic objectives are defined at a global level and then deployed by each country for their local market. Any local variations remain closely aligned to the global strategy and approach.
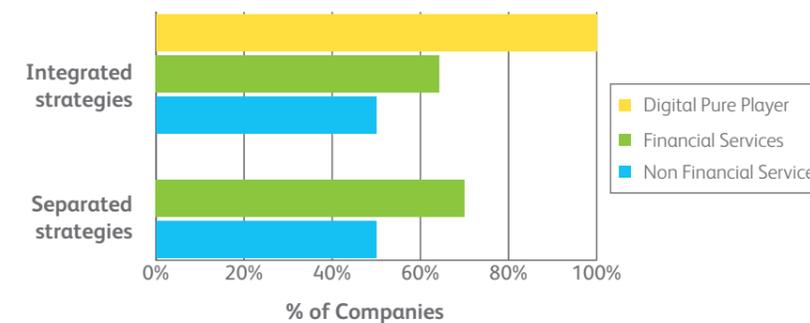
Level of integration of digital strategy

Digital by Evolution companies who use physical as well as digital channels, tend to develop a local digital strategy that is highly tailored for different regions or countries. Amongst our respondents this was the case for 70% of the Financial Services companies and 50% of the Other companies These local strategies are generally separate and distinct from their wider business strategies.

> We do not refer to "digital", neither do we have separate "digital" training, or separation of digital and business strategies; it is a fundamental part of who we are and part of everything we do.

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World class digital companies deliver integrated digital and business strategies, digital by evolution companies, must develop an incremental journey starting with a cross-functional digital strategy either at a global or local level and build from here towards a fully integrated strategy **Focus on consistent customer experience rather than which department "owns" a specific digital channel.**

Companies are adopting a more customer centric approach. Regardless of where digital ownership lies within or across the organisation, delivering a consistent brand and customer experience prevails. It has become a true differentiator.

In the Digital by Evolution model, digital ownership is often split between different teams. For example: digital and non-digital channel teams or Marketing and E-commerce/Digital solutions teams.

To overcome the functional siloes digital expertise is also often organised in a centre of excellence (CoE). The objective is to have a dedicated digital team within the CoE to provide digital support and guidance to all product teams and functions within the organisation. This ensures a higher level of consistency in terms of experience and message across all channels and customer interactions.

For Digital by Evolution companies, ownership of digital is increasingly moving from purely a Head of Digital role, to being owned by a cross-channel Head of Customer Experience to help reinforce a consistent channel experience in both digital and non-digital channels.

When it comes to Digital Pure Players, providing a consistent customer experience is ensured globally across all touchpoints, not through particular organisational structures, but rather through a common understanding of and adherence to customer engagement principles, a collaborative culture and brand guidelines which shape the user experience. These are reinforced through the brand promises (both internally and externally).

Best Practice #1

Organisations should strive towards fully integrated business and digital strategies that are created globally and delivered locally. The strategic focus should be on providing a consistent customer experience across digital and non-digital channels with clear ownership of the end to end customer experience.

#2 - Define and disseminate the rules for Digital

Clearly define digital principles and organisational ownership of digital

Analysing the level to which digital rules, guidelines and principles have disseminated through an organisation is an indication of digital maturity. To support digital excellence companies must define then disseminate and finally embed digital practices in all teams. The following progression is typical for Digital by Evolution companies.

| Pockets of digital, mixed ownership | Digital centre of excellence | Digital is embedded |
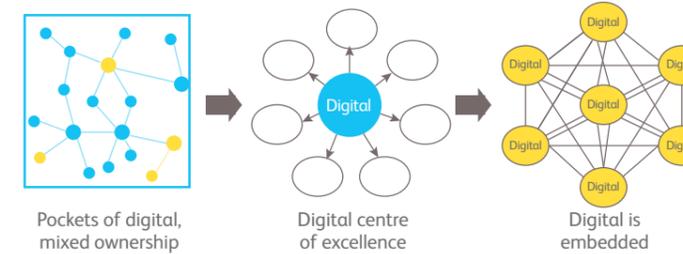
Organisational digital dissemination progression

For companies with emerging digital maturity, there are pockets of digital ownership either centrally or within selected functions. Often there is a dedicated digital team for digital channels or for marketing.

World class digital organisations have evolved from pockets of mixed ownership initially to a digital centre of excellence to ensure a smooth transition to digital ownership. The aim is to promote a consistent and standardised digital knowledge base. This organisational model uses resources more effectively by pooling and developing specialist expertise

Resources are often recruited from other industries and specialist digital agencies to develop the principles for exploiting digital across marketing, sales and customer services that must be embedded across the organisation. Interaction and collaboration between the central team and key groups is incentivised. This creates a favourable environment for innovation and product and process differentiation.

The ultimate organisational model to support digital excellence is to embed digital throughout, as seen in the Digital Pure Players. There is no need to set up a centralised digital organisation as all teams are digital by definition. Digital culture is naturally widespread within the organisation.

World class digital companies do not have separate digital teams as digital is embedded within all teams. Digital by evolution companies who are on a journey, should first build a digital centre of excellence to establish a cross-functional support model to nurture and grow digital expertise to establish a foundation for digital engagement before moving towards an embedded model.

Best Practice #2

How teams are organised

Establish a digital centre of excellence to create and enforce guidelines and principles as part of your digital transition until digital is embedded throughout your organisation.

#3 - Increase agility to overcome structural inertia

## Responsive and agile digital delivery is enabled through physical and collaborative integration between teams

Traditional waterfall type project methodologies with siloed business and IT responsibilities do not provide an effective or efficient platform for companies to compete with the new breed of agile digital players. Traditional governance, change and delivery processes must change to enable higher levels of responsiveness.

Financial Services follow the traditional model where IT and business teams are often physically separated: for more than 60% of respondents, teams are located separately within offices, between offices, and often geographies. The mode of working between them is that of customer and supplier; primarily through IT responding to business requests. Collaboration is low and people rarely request help from others, fearing that it is perceived as an admission of incomprehension or lack of knowledge.
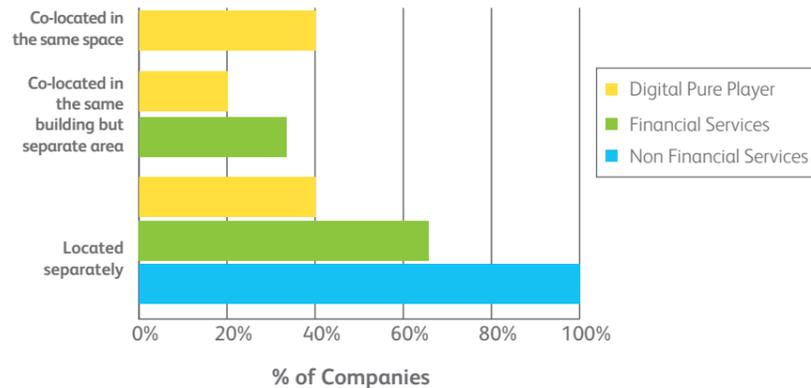
Location of business and IT

However, to really exploit agile techniques, close collaboration across business and IT is required which is, increasingly, driving reorganisations. Offshore or outsourced IT resources are now being physically located next to or in some cases embedded within functional business teams to drive innovation and agility in delivering change.

Physical separation → Co-location, separate area → Physical integration
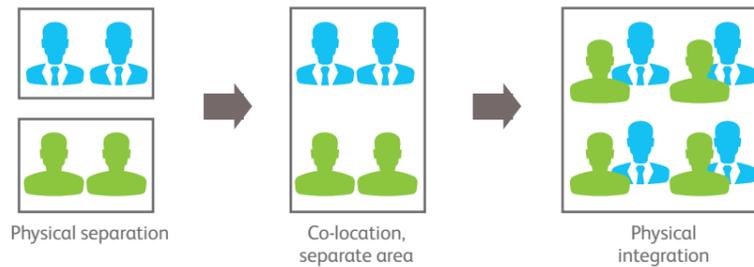
Path to create true integrated collaboration

For 60% of Digital Pure Players, agility is provided through physical and cultural integration of IT and business teams. This enables a true collaboration to build upon and support each other's ideas and pledge resources. IT and business teams partner collaboratively throughout the lifecycle, from concept and feasibility assessment, through to development, delivery and improvement.

We provide breathing space to develop and work on new ideas, everyone is encouraged to innovate. We actively support this by giving everyone 20% of their time to work on pet projects.

Digital innovation is everyone's responsibility

Growth depends on innovation, and innovation depends on the open flow of ideas. So organisations have to harness and develop strategies to encourage creativity.

For Digital by Evolution companies, the structure for innovation varies. Siloed innovation teams do still exist where the business teams only take responsibility when the concepts are ready for delivery to the market. In the past, these teams worked more in isolation, however, the trend, especially for the development of digital innovation, is increasingly for innovation to work in collaboration with the business.

Leading digital organisations, typically have the responsibility for innovation integrated into collaborative business and IT teams. The team is jointly responsible for incubating ideas, and working together to develop them further to bring them to fruition.

Digital Pure Players are the most advanced, they have established a structure that continuously develops creative teams to run and sustain the end-to-end process. All employees are actively encouraged to take part in the innovation process.

When an idea is developed an ad-hoc, dedicated innovation team is set up with all interested contributors. All members of the team bring their own expertise. This team is not isolated, it partners across the organisation to deliver new products and services, sharing working ideas. A key factor in this digital segment is that innovation is not exclusively owned by the innovation teams that exist; but rather, all staff are asked to own, innovate and build on ideas

Other interesting concepts exploited by Digital Pure Players to drive innovation were:

- Proactively recruiting employees from diverse backgrounds to fuel creative innovation
- Setting goals around innovation
- Allowing and encouraging employees to take up to 20% of their working time to develop ideas, own and drive them forward.

World class digital companies embed innovation and agile digital delivery through physical and collaborative integration between teams, Digital by Evolution companies should consider co-locating key business and IT resources to encourage collaboration and rewarding innovation.

Businesses are reorganising around people. Technology enabled collaboration with external stakeholders helps organisations gain market share from competition.

Previously, some innovations took so long to incubate and develop, that by the time they reached the market they were no longer innovative nor relevant!

Best Practice #3

Integrate technology and business teams throughout the innovation and development process, ensuring true collaboration and promoting a culture where all staff feel an ownership of innovation.

#4 - Develop a Digital culture & dare to fail

World class digital culture liberates passion and talent by accepting risk as a part of the iterative route to success

No one likes to fail: we have been conditioned to think that failing is unacceptable. However, it is through repeated failures and learning from the failure that the greatest innovations have been created. There is a need to develop a culture which embraces failures and institutionalises an ability to learn from them. For example, at least one of the Digital Pure Players will only hire individuals who can demonstrate that they have taken a risk, failed and learnt from that failure.

Innovation therefore, encompasses the process of examining things that potentially could work and then either rejecting them or evolving them into something that really does work through a process of iteration and to some extent "trial and error". It is especially true when you start to explore, to experiment and to create something new. Most successful companies embrace failure, making deliberate efforts to create a culture where people can feel comfortable about failing.

In traditionally conservative industries such as Financial Services with a culture of hierarchy and command and control, innovation is a complex dilemma and not easy to solve. Financial Services firms operate under increasingly strict regulatory constraints, and even if people are willing to innovate, there are still reservations; whilst it is encouraged in principle, the pace of innovation and change is constrained by the desire to avoid risk and the fear of the consequences of failure. Although traditional banks have made significant progress towards creating a digital customer experience, more fundamental changes to the innovation and delivery process will be required to stay ahead of the online banks.

Pure Digital Players not only accept but expect risk and failure as part of the innovation process. Beta versions are deployed to users for early feedback and to influence the final version. Leadership commits to and supports ideas and accepts that taking risks is part of the iterative route to success. Financial services can learn from the Digital Pure Players but must also balance their innovation approach with rigour, compliance and risk management to avoid costly disasters which they are more exposed to.

World class digital organisations have an inherent digital culture, embed knowledge, reward innovation and recruit digital expertise

Organisational culture consists of shared beliefs, norms, and values. It is typically modelled by the leadership team and formed over years of interaction between the employees in the company. A digital culture is characterised by agility, collaboration, innovation, risk- taking and a willingness to fail. The culture is embedded through exploitation of digital devices for all employees and is enabled by tools that drive collaboration and engagement across internal teams and external partners as well as customers. Developing a digital culture can, therefore, present a challenge especially for Digital by Evolution businesses. Established norms create a vastly different culture in comparison to Digital Pure Players companies.

In Digital by Evolution businesses, digital has typically been treated as a standalone entity and is used as a bolt-on to general training or through induction of employees when required for specific roles. Digital knowledge is deemed to be role specific, and not spread throughout the whole organisation.
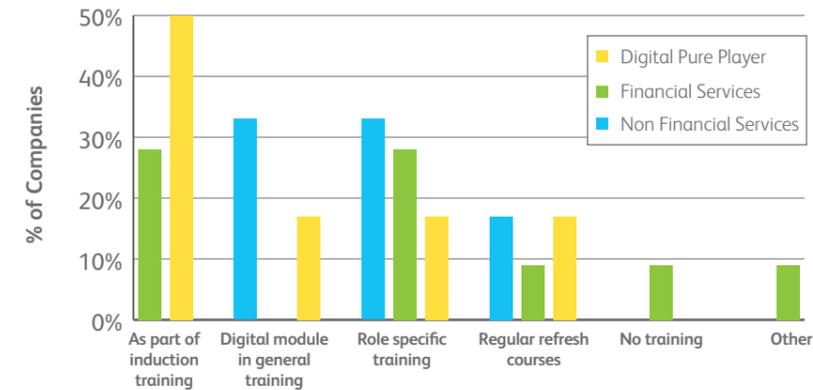
For Digital Pure Players, digital is core to the culture. It starts with recruiting the right employee profiles: deep technical skills, true passion for the internet, and a hunger for innovation is essential.

As digital is core to the business, there is no need to incentivise digital adoption specifically, use of digital tools and the principles of using digital as the default method for communicating internally and externally forms part of the training mostly provided as part of the induction process.

Regular sessions on product innovation, industry trends and insights are used to encourage broadening and deepening of knowledge and expertise, along with role specific training. Digital know-how is seen as inherent and is included in all training.

Innovation is favoured, rewarded and encouraged through using a broad range of methods encompassing monetary and non-monetary incentives.

We dare to fail – not shambolic public multi-million dollar failures – but we accept that not everything works first time, and our people know this.

Hire the best people, and expect the best from our people.

Best Practice #4

Drive cultural change through demonstrated commitment from leadership, and recruitment of digital expertise..
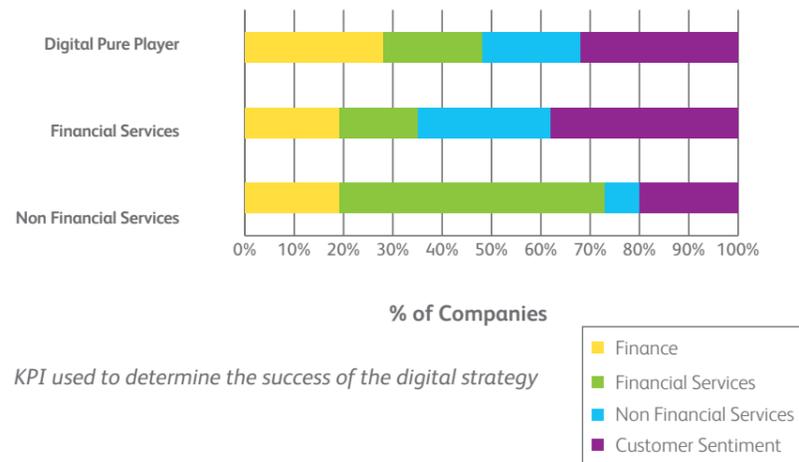

How staff are trained and educated around digital

#5 - Prioritise what you measure, measure what you prioritise

Define, implement and monitor consistent KPIs to ensure business and customer relevance and competitiveness

All companies surveyed used Key Performance Indicators (KPIs) to ensure that digital contributes to the strategic goals of the organisation.

Among the Digital by Evolution companies, Financial Services organisations state their primary digital measurement is customer opinion.
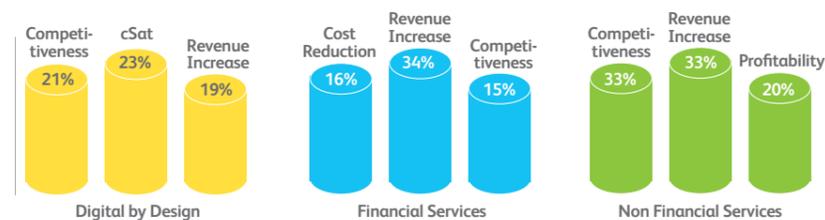
The "Other" non-Financial Services organisations focus most heavily on measuring operational improvements delivered by digital and prioritise projects based on revenue and competitiveness.

We have clear objectives and metrics about what we want to achieve prior to entering the channel, as opposed to saying 'we want to use Twitter'.

% of Companies

Legend:
- Finance
- Financial Services
- Non Financial Services
- Customer Sentiment

KPI used to determine the success of the digital strategy

These companies are managed mainly taking an inside-out view (company first) rather than an outside-in (customer first), of their measures.

For the Digital Pure Players, the customer and level of innovation are the main focus for measuring the success of digital. Capturing the customer view, in terms of what they desire, and/or whether they will adopt and recommend something, is key in project prioritisation. The strategy is to drive higher revenue by attracting more customers.

Driving competitive advantage through innovation is also a high priority. Being the first to enter a new market, being the first to shape new trends, timeliness and relevance all contribute to project prioritisation decisions.

Digital by Design			Financial Services			Non Financial Services		
Competitiveness 21%	cSat 23%	Revenue Increase 19%	Cost Reduction 16%	Revenue Increase 34%	Competitiveness 15%	Competitiveness 33%	Revenue Increase 33%	Profitability 20%

Top 3 Project prioritisation elements

Measure project success based upon key prioritisation criteria

Defining KPIs strives to create impartiality in project selection by giving a rationale behind selecting projects, putting them on hold or even cancelling them.

For Digital by Evolution companies, customer sentiment KPIs are often used to assess digital customer satisfaction and loyalty, they account for 20% to 40% of the KPIs used to measure project success. However these KPIs are not reflected in the key decision criteria for Financial Services project prioritisation. There is a disconnect between how projects are prioritised - on financial KPIs - and how project results are measured. This might result in launching projects with financial opportunities that are not aligned with customer expectations and also constrains the ability for an organisation to respond in an agile way.

Conversely, Digital Pure Players measure project success based on the same metrics they used to prioritise projects. Customer sentiment KPIs, such as recommendation scores, account for 35% of the KPIs used to measure both project success and project prioritisation. Digital Pure Players push a customer centric approach, whilst important, financials are not the ultimate deciding factor in prioritisation but rather customer demand and innovation relevance/ timeliness. However, financial KPIs, nevertheless, still account for 25% of the KPIs used to measure project success and are also key for these companies given that digital is their primary (and often only) channel for business.

Regular and dynamic planning and prioritisation enable incorporation of latest trends and customer feedback, ensuring timely and relevant delivery

Demand for digital projects is influenced by shifts in customer behaviour, consumer awareness, individual preferences, new channels and new devices. New challenges emerge for organisations on a continuous basis: these organisations need flexibility and agility to align with customer expectations. However, ensuring timeliness, relevance and responsive delivery provides a great opportunity for growth for those who can anticipate and win customers during these behavioural shifts.

Digital by Evolution companies tend to have longer planning and delivery cycles which impacts their responsiveness. They often work on the basis of annual budgeting cycle which is aligned with the requests for budget and resources for projects for the next calendar year. These projects are then reviewed and prioritised once or occasionally twice a year These planning cycles are depicted on the chart below.
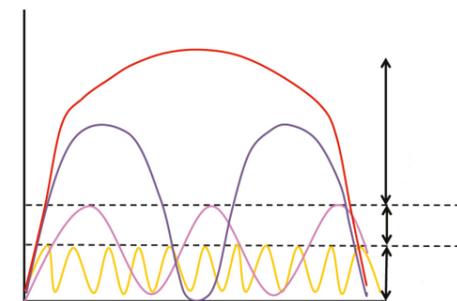
Frequency of project planning and prioritisation

Digital Pure Players have established short, monthly digital project planning and review cycles that help focus effort and enable effective responses to what

customers want the most.

A responsive planning and prioritisation model is key to becoming competitive as is adopting a more consumercentric approach. Lessons can be learnt faster and iterations produced quicker - beta products can be improved and completed. Shorter planning cycles will also ensure customer and market timeliness and relevance.

We plan and prioritise our work based on what is relevant to our customer now – if a project is not important or relevant enough to be green lit the first time round, digital moves so fast it is unlikely be relevant when we next go through the cycle.

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The voice of the customer is key for product and customer experience improvement. Use feedback in a framework of listen, learn, and act

Listening to and responding to the voice of the customer is key to the continuous improvement of the customer experience. Organisations should use customer feedback from digital sources such as social media and SMS and non-digital sources such as focus groups to identify key opportunities to increase customer satisfaction and ultimately revenue. Proactively including customers in providing improvement ideas and responding to them is an important tool to drive increased engagement in the customer relationship..
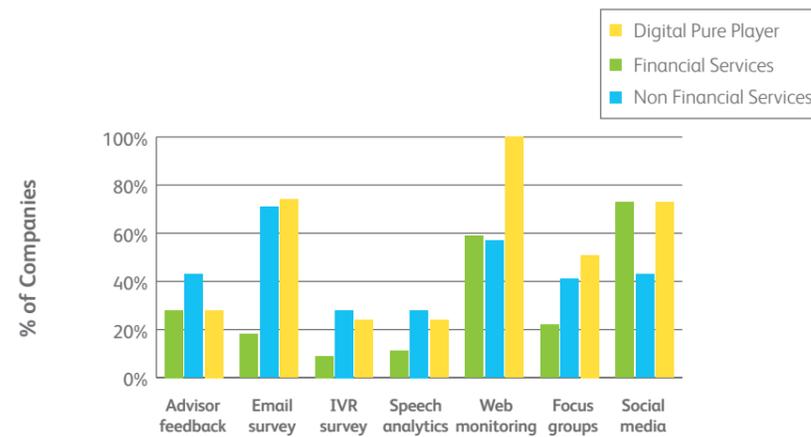
Digital Pure Players have embedded a culture of testing, where they allow customers to make decisions that will ultimately lead to an increase in conversion rate. To ensure the most accurate response to customer preferences, tests occur almost continuously. Digital channels are predominantly used to collect feedback, although physical channels are also used.

Web monitoring is the favoured method amongst Digital Pure Players – 100% of our respondents are using it. Less automated methods are also used such as social media monitoring and email surveys.

Collecting customer feedback

Both positive and negative feedback is collected and used to optimise the customer experience: negative feedback builds authenticity and creates trust in the brand, and ignoring negative feedback will not make it go away.

Digital Pure Players consider what customers need and want, and work to exceed expectations. Capturing multi-channel customer feedback for continuous service and product improvement is essential.

When companies stay close to their customers, powerful real time insights feed into future planning and product development. When our customers speak we listen.

Best Practice #5

Customer experience should become a key criteria for project prioritisation, facilitated by continual review of plans and priorities to enable effective response to the market and customer needs.

#6 - Build your Digital business on data insights

Analysing your data effectively to drive targeted marketing and customer personalisation

There is a massive amount of data available from disparate channels inside and outside the enterprise. This includes everything to do with customer sentiment and opinion, customer-to-customer communications through blogs, Twitter and social media sites. In most organisations, customer information is distributed and duplicated across various applications; there is no single view of the information. Effective customer management requires accurate, integrated and up-to-date customer information.

The challenge is how all of this information is connected and how well the data is utilised to make the right decisions.

Only half of Financial Services respondents in our survey have a single view of the customer showing cross-channel, cross-product transactions and behaviours. Investing in this area and in analytics would enable a more intelligent use of customer data and increased ability to target consumers with the right product at the right time. Although a huge amount of data is captured and stored by Financial Services respondents, it is not always used effectively.

In other Digital by Evolution companies, investments are being made in data and analytics as these companies increasingly recognise the value of having a more integrated view of their customers.

Integrated Databases

Superior analytical capabilities distinguish some of the top companies. As best in class, all Digital Pure Player respondent companies have an integrated database for all customer interactions (including cross channel) and capture real time customer data. This data is accessible by all service agents for interactions with customers. Data analytics drives and shapes personalised and targeted marketing.

Product design evolves by combining digital data insights with real time feedback through a continuous customer dialogue

Intelligence and knowledge from data and analytics is used to understand, target and engage customers.

Analysing real-time digital data helps to improve decision-making and coordinate more agile responses. Digital Pure Players also use this data to build simulations so they can explore the effects of changing variables in production and delivery. Understanding how different changes will affect customer behaviour means that contingency plans can be developed to mitigate the most likely disruptions.

Customer dialogue provides a platform for users to interact with one another in a structured way. Communities enable collaboration between employees, customers, suppliers, third parties, commerce platforms and content platforms. Requirements and priorities are thus easily set up and product development is more relevant and aligned with customer expectation. Two-way communication between companies and their customers can improve customer engagement and also provides key customer insights.

Best Practice #6

Build a holistic data management approach to capture, analyse, and leverage customer data across all touchpoints to tailor communication, marketing offers and service propositions.

Conclusion

Different types of organisations in different industries have diverse approaches and perceptions around realising a digitally enabled business and culture. As levels of digital maturity, capability, appetite and opportunity inevitably vary, "a one size fits all approach" to digital transformation does not truly exist.

However, through this study of World Class Digital companies, 6 best practices for digital transformation have been identified as the common thread underpinning their respective digital successes.

Develop an incremental digital journey: world class digital companies deliver integrated digital and business strategies, digital by evolution companies, must start with a cross-functional digital strategy either at a global or local level and build from here.

Define the rules for digital: world class digital companies do not have separate digital teams. Digital is embedded within all teams. Digital by evolution companies, should first build a digital centre of excellence to establish a cross-functional support model to nurture and grow digital expertise.

Increase agility to overcome structural inertia: world class digital companies embed innovation and agile digital delivery through physical and collaborative integration between teams, digital by evolution companies should consider co-locating key business and IT resources to encourage collaboration and rewarding innovation.

Dare to fail: world class digital companies have leaders who encourage ideas and accept that risk is part of the route to success. They have an inherent digital culture, embed knowledge, reward innovation and recruit digital expertise. Digital by evolution companies must move towards an acceptance of continuous live beta testing and accept risk as a part of the iterative route to success.

Measure what you prioritise, prioritise what you measure: world class digital companies have frequent, dynamic project and delivery cycles. They measure customer satisfaction and prioritise projects based on customer experience. Digital by evolution companies must increase frequency of planning and begin to incorporate customer value in the project prioritisation process.

Build your business based on digital data insight: world class digital companies have a single view of the customer relationship, providing a real time, cross-channel view which they use to tailor communication, marketing offers and service propositions. Digital by evolution companies must build a single customer database, and a holistic data management approach to capture, analyse, and leverage customer data across all touchpoints.

The world class trends and principles identified here need to be key considerations as part of any digital journey, taking into account positioning within each best practice, and levels of maturity within them.

Applying these best practices to your organisation will help shape and define your journey and road map to achieve world class digital transformation, thus enabling an organisation to become a truly competitive and pioneering in the digital world.

Digital is the future – and tomorrow is already here.

About BearingPoint

BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client's individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world's leading companies and organisations. Our 3,350 people, together with our global consulting network, serve clients in more than 70 countries and engage with them for measurable results and long-lasting success.

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Further Information

If you are interested in finding out more about the research and insights presented here, or if you would just like a chat on leading industry practices, or simply have some tough problems you would like another perspective on, please get in touch.

Fore more information: www.bearingpoint.com

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