Unfolding digital Transformation: A practitioner's view

Leveraging Digital Transformation strategies

Quick Read

Digital transformation is a process undertaken by organizations with the need to improve customer experiences, product leadership and drive operational efficiency that channel business success. Hexaware has classified three broad strategies for successful transformation based on their experience: Inside-Out, Outside-In and All-in-One-Go. These strategies are driven by key parameters like organization's culture, business processes, end users and marketing.

In an Inside-Out strategy, that is majorly ¬engineered for medium to large scale organizations, transformation starts with digital optimization of internal systems and processes and moves organically towards customer experience. It aims at complete digital transformation to create a long-lasting strategic impact. An Outside-In strategy aims at helping small to medium size businesses or any enterprise that wants to deliver superior end customer experience. Transformation starts with the front-end customer experience management, engagement touch points and subsequently changes supporting systems, technologies, and processes. In All-In-One-Go strategy, change across the entire spectrum starts in one go, targeting both the external touch points and internal systems, simultaneously. This approach can usually help small to medium businesses or functions who are challenged with survival because of the change in market dynamics, consumer preferences and technology evolution.

Introduction

The process of digital transformation has been initiated by organizations realizing the need for redefining how they operate to improve customer experience, product leadership and drive operational efficiency. The changing face of digital transformation has required technology-focused organizations to re-invent themselves, drive customer adoption, while delivering efficient results.

Hexaware's Digital Transformation Strategy helps customers in redefining their customer journey to deliver a superior customer experience. At Hexaware, we understand Digital Transformation isn't an end goal but a continuous ongoing process.

The white paper defines three different strategies for digitally transforming an organizations' business - Inside-Out, Outside-In and All-in-One-Go. Our experiences suggest that there are key parameters, which drive these strategies - organization culture, business processes, end users and marketing. The paper will outline our perspective and experiences across these digital transformation strategies.

Realizing Digital

Digital Transformation is a key necessity for organizations to restructure their business processes and disrupt traditional customer service models. James Bilefield, serial digital entrepreneur and McKinsey advisor, highlighted that cultural change within the organization has been the most important and difficult component to change. It is important for organizations to adopt new technologies and rethink current business processes to keep pace with progress.

There are four key drivers for a successful digital transformation journey:
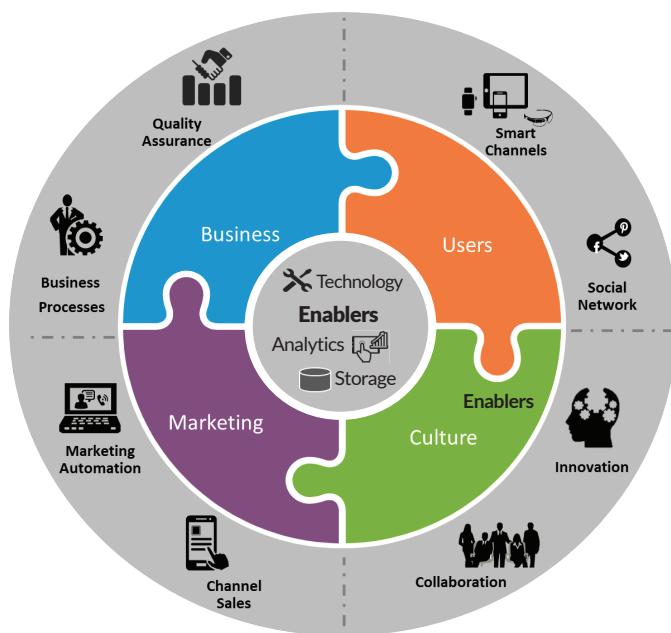

Figure 1: Digital Transformation Spectrum

- **Organizational Culture:** Culture plays a significant role for any transformational journey to be successful. Culture change is critically important to transformation. The most difficult component of a successful digital transformation is culture.

- **User Experience:** User experience is the key ingredient for any digital transformation. Design Thinking helps identify the current user journeys, allows us to identify critical path to reimagine and improve the experience (Including for customers, employees and partners). Examples of new experiences are delivering Omni-channel services like joining a meeting using a mobile device or making payments via a chat or mobile wallets

- **Business Process:** Legacy business operations, services and processes must be reengineered to accelerate digital transformation. For instance, for a P&C Insurer, underwriting process involves multiple recurring steps, documents and compliance, which has a potential to be automated enabling faster outcome and more transparency. This helps in reducing cost and achieving operational efficiency.

- **Marketing:** 360-degree customer engagement across multiple digital marketing channels is essential to ensure customer retention and acquisition while maintaining the marketing budgets.

TRANSFORMATION STRATEGIES

Most Organizations have already initiated their digital transformation journey and are at different levels of current digital maturity. The digital transformation journey will vary based on the current state, their business objectives and their vision for the future business model.

Hexaware has classified three broad strategies for successful transformation based on their experience:

- **Inside-Out Strategy:** Transformation starts with digital optimization of internal systems, processes, organizational culture, technology landscape, employee experience and eventually moving towards customer experience.

- **Outside-In Strategy:** Transformation starts with the front-end customer experience management, engagement touch points and subsequently change supporting systems, technologies, and processes.

- **All-in-One-Go Strategy:** This strategy change across the entire spectrum starts in one go, targeting both the external touch points and internal systems, simultaneously.

INSIDE-OUT (I-O) Strategy

I-O strategy is engineered for medium to large scale organizations that seek complete digital transformation of their business processes, operations and services, to create a long-lasting strategic impact where time and cost are not major constraints.

The I-O phase is primarily concerned with transformation of the core services and operational modalities of the organization. This is achieved by streamlining and simplifying the internal systems, leveraging big data, automating operations ecosystem and infusing scalability and flexibility at the heart of the business to successfully meet future demands of digitalization.
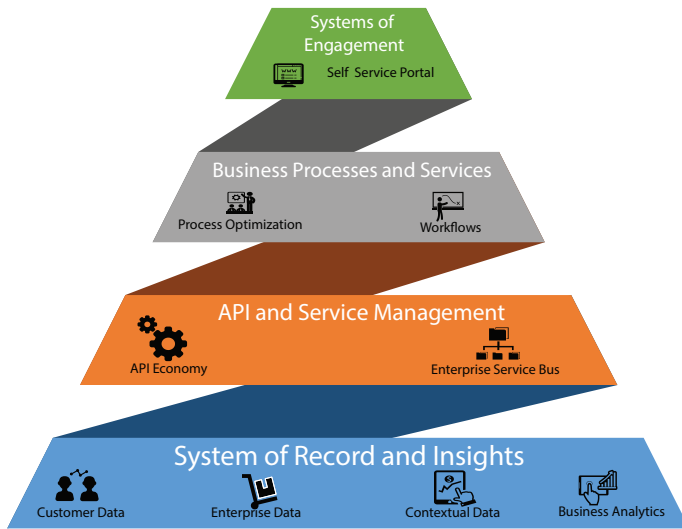
Figure 2: Inside-Out Strategy

Approach

I-O transformation strategy places high demands on time, cost and most importantly people expertise to create a foundation on which all the subsequent transformation stages rest. A structure with number of independent business departments could further make this strategy more involved. However, the results are in tandem with efforts and time involved.

Case Example

For a Global Analytical Company, Hexaware transformed its core business processes achieving operation excellence and business agility

An international leading global analytical company providing ratings, research, risk and policy advisory services wished to transform their core business processes around responsible for managing their rating system. The digital transformation initiative was undertaken with an objective to reduce the steps involved in the overall rating process. A complete BPR (Business Process Re-engineering) exercise was undertaken including workflow automation and integration of multiple systems. The rating system transformation, an intuitive portal was designed and developed to help the external customers i.e. consultants manage the entire rating process along with real-time status update.

## Application of Inside-out Approach

Post the internal core modernization, transformation continues to happen radially outwards, where subsequent technologies and platforms are identified, integrated and streamlined. Since the foundational systems are digitally primed, the effort and complexity decline significantly, and the frequency of outcomes improves. Processes and systems continue to evolve until the organization's external and internal interfaces and systems get transformed.

In today's times, all businesses desire scalability and agility to accommodate any changes with minimal impact. By leveraging the building blocks of digitalization like service platforms, advanced analytics, cloud, API economy and smart devices, companies can accomplish economies of scale and, increase life cycle of their assets and stay competitive.

I-O Transformation Strategy:

- Is suitable for medium-to-large scale enterprises
- Starts with core business processes and systems
- Is expensive and time consuming at beginning

Key Business Stakeholders
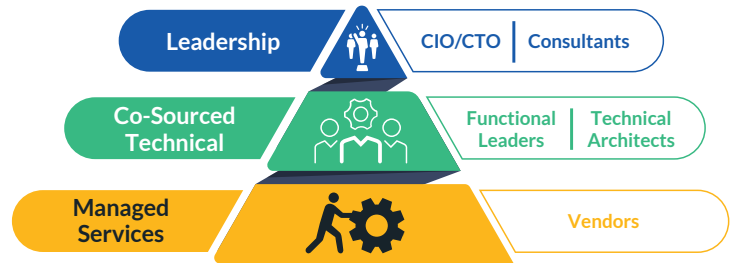
I-O approach requires close collaboration between the strategic and technology functions. Given the complexity and scope of decision making involved, it should be spearheaded by CIO or CTO of an organization who can work with experienced functional and technology consultants to create the strategic landscape and implementation framework.

Moving downstream will require close involvement from SMEs of each system that have potential for digitalization to do an impact analysis of the systems transformed. Practice and function heads, product managers, senior technical architects and technology experts would need to lend their vision to achieve the desired transformation state. Identifying all the stakeholders early in the transformation journey and broadly outlining their roles and responsibilities can significantly make the transition hassle free. As a best practice, its recommended to create a community or change management group of all the stakeholders to regularly update on the issues, challenges and progress.

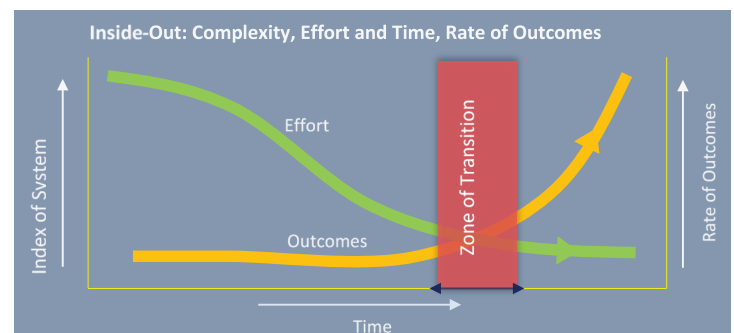## Effort vs Outcome and Complexity vs Time

Figure 3: Complexity Graph for Inside-Out strategy

The complexity graph for I-O strategy shows correlation between effort index and outcome index. The initial stages of transformation, when complexity is high, involve maximum effort and resource investment, without apparently showing any measurable result for some time. The zone of transition marks the phase when outcomes become visible while efforts begin a slide down. Its' important to note that 'zone of transition' has a sliding nature, appearing at different time for different organizations based on scope and approach of transformation.

OUTSIDE-IN (O-I) Strategy

The O-I strategy focuses on changing the landscape of systems of interactions and engagements of an end consumer as the priority. As a transformation strategy, it would appeal to small to medium size businesses or any enterprise that wants to deliver superior end customer experience. It is relatively easy to implement, involves less cost, and the results are promptly visible. O-I strategy broadly consists of creating a digital experience platform with omni channel customer engagement (mobile and websites, social channels), vendor and partner interfaces (mobile apps, contact portals, service centers), and employee interface portals (intranet).
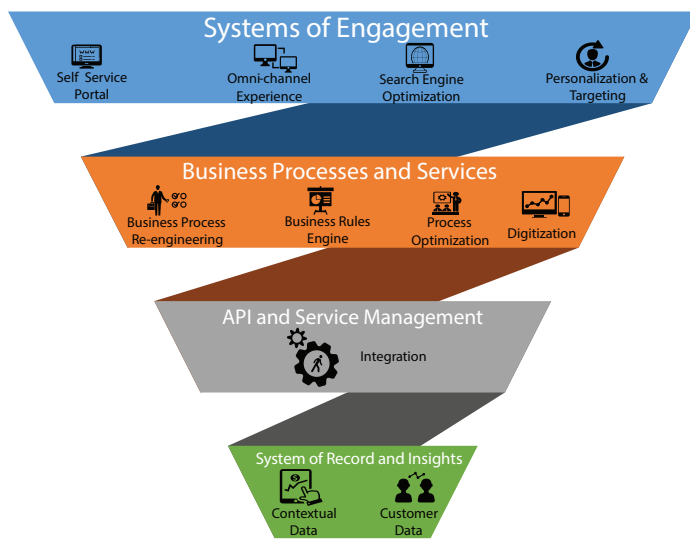
Figure 4: Outside-In Strategy

Approach

The O-I strategy can start with re-design of user interfaces to make web/mobile navigation user friendly and intuitive. Another change-point could be introducing new channels of interaction for customer services like web and social chat operations. None of these changes require a significant cost or time, and yet provide fast measurable results that can range from increased net promoter score, improved sales from online channels, and better market insights thereby impacting the overall profitability of the business.

Case Example

For a leading UK-based water utility player Hexaware helped hem improve their Customer Satisfaction Index by Omni Channel Customer Engagement while reducing their Opex

A water supply and treatment utility company based out of the UK initiated a Digital Transformation program taking its customer touchpoints as the central piece. The broad objective was to increase the overall SIM (Service Incentive Mechanism) score and to bring down the operational cost around servicing customers by reducing the direct contact of customers with the company via mediums like call, emails etc. The company planned to revamp its existing customer service channels by introducing technology trends like Bots (Voice and Chat), Virtual Assistance like Alexa, Google Assistant along with having an omnichannel experience for its customers by providing self-service responsive portal with real time alerts.

Application of Inside-out Approach

Outside-In approach unfolds through 'need-based' transition. At the completion of subsequent stages of transformation, only those platforms and processes need to be transformed that correspond with engagement channels and thus relevant in the scope. For example, if your consumer-engagement functions are not impacted by way your enterprise relationship management system functions, then Outside-In strategy would not require their transformation.

On the plus side, it obviates the necessity of changing all the constituent systems, expediting the journey and handing out quick results for the organization. The down-side is that some of the legacy or non-mainstream systems would remain un-touched during transition process, making them difficult and expensive to integrate with digital economy should the need arise.

O-I Transformation Strategy:

- Is suitable for medium to small businesses or functions
- Focuses on customer engagement ecosystem
- Provides quick results at lower costs

Key Business Stakeholders
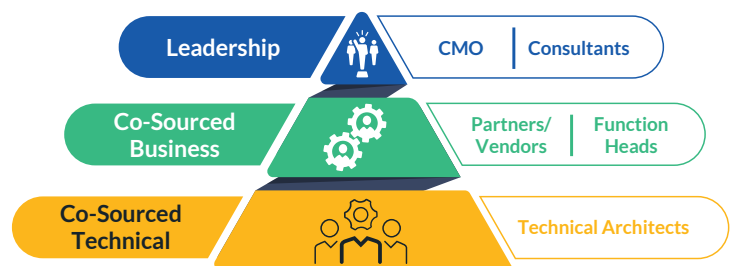
Marketing and sales leadership are the key stakeholders, supported by digital and technology leadership to implement outside-in approach. Involvement of CMO (Chief Marketing Officer) /CDO (Chief Digital officer) / Transformation Director would be required at the strategic and planning level. Depending on the scope of transformation, partner and vendor teams can also be involved to map out their roles and functions.

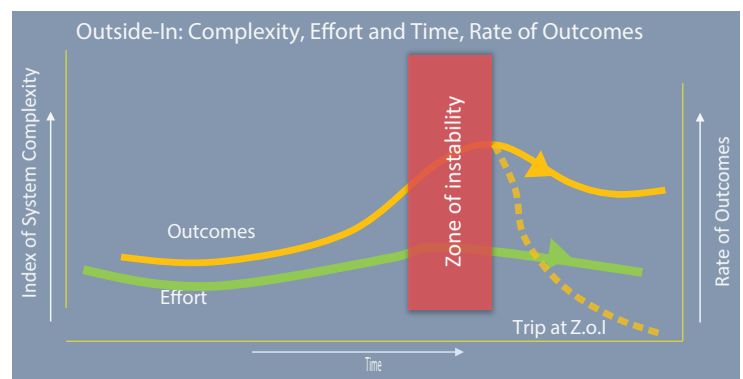### Effort vs Outcome and Complexity vs Time

Figure 5: Outside- In Strategy

The complexity graph for O-I strategy shows correlation between the effort index and outcome index. As we can observe from the graph, outcomes are proportional to efforts almost from beginning of transformation. They sharply rise for a while, creating a false impression of optimization or zone of instability where some organizations decide to stop their transformation in Z.o.I (Zone of Instability), in a false sense of having achieved their objectives. This leads to a drop in outcomes (represented by dotted lines), as central systems are yet to be digitally primed and the higher rate of outcomes cannot be sustained on the longer run.

ALL-IN-ONE-GO (AiOG) STRATEGY

All-in-One-Go transformation strategy focuses on changing the external engagement touchpoints, internal business processes, infrastructure systems and technology landscapes simultaneously. Before we move further, let's understand as to why organizations engage for such a resource intensive strategy.

In our previous discussions while elaborating the other strategies - I-O and O-I strategies, we focused on businesses and functions that needed directional and specific course of digitization. An implicit assumption was that these businesses had temporal latitudes to methodically go about achieving digital transformation of their business. However, there are times when a business is challenged with survival because of the change in market dynamics, consumer preferences and technology evolution. Under those circumstances, changing any discrete aspects of business is effectively futile due to overall non-compatibility of business model. This calls for an all-out heads-down and bottoms-up trans-over to practically re-establish business model once again.
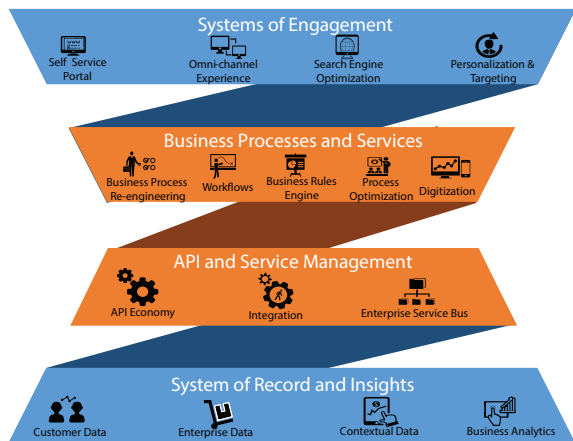

Figure 6: All in One-Go Strategy

Approach

For most businesses, transformation starts simultaneously for all the comprising components like back-end applications, interim processes, systems of record, front-end portals, etc. This is especially impactful for archaic IT systems, where the end objective is to deliver a new business model.

Alternate approach to AiOG strategy is the Paris-London Tunnel method. Instead of churning the entire pot, external interfaces and internal systems are separately identified, and worked upon simultaneously. The second approach is best for companies where it is expected to deliver a faster considerable amount of work needs to be done and they cannot afford to lose time, but they are also encumbered with intricately enmeshed processes at multiple operational levels.

AiOG Transformation Strategy:

- Is suitable for small to medium businesses or functions
- Focuses on the entire landscape
- Provides continuous flow of results

For a leading UK based retailer, Hexaware helped transform the existing business model to stay competitive

Hexaware enabled a UK based retail chain in their digital transformation journey by sectioning the entire business process stack functionality wise with each stack having its own end-to-end module which were later switched together to deliver a complete business model. These vertical business processes included Self-Service Portals, Marketing automation and Analytics & Insights.

Key Business Stakeholders
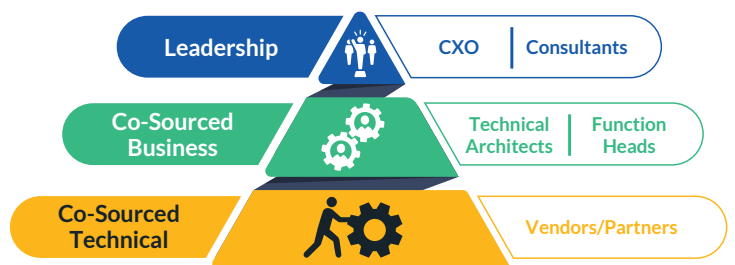
The entire C-suite executives are involved, supported by digital and technology leadership to implement AiOG strategy. Involvement of CIO, CTO, CDO and CMO would be essential at the strategic and planning level. Depending on the scope of transformation, partner and vendor teams will also be involved to map out their roles and functions.
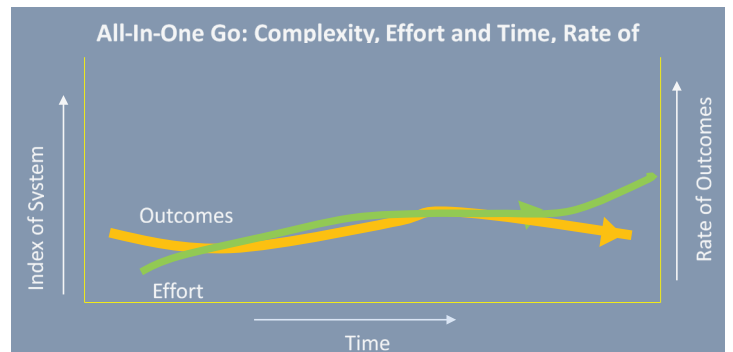
Effort vs Outcome and Complexity vs Time

Figure 7: All in One-Go Strategy

All in One-Go graph depicts a relatively linear relationship between effort and outcomes. Results show apparent early on, and they unfold continuously at each stage of digital transformation. Also, as it can be observed from the graph this strategy holds true primarily for systems and businesses where the overall complexity is significantly low.

HEXAWARE ON YOUR JOURNEY TO DIGITAL TRANSFORMATION

At Hexaware, we believe the world has gone digital and so have businesses, which strive us to provide a seamless customer experience across different customer touch points. From focusing on customer-centricity to being customer-driven, businesses have realized the need of Digital Transformation to realign their objectives to uncover opportunities and drive growth. However, eventually the success lies in the approach undertaken and methodologies followed, ensuring the existing business model evolve into a more robust, agile, and stable model. At Hexaware, we are continuously striving to help our clients evolve their business models, optimize processes, transform customer experience and enable automation through adoption of latest cutting-edge technology.

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About Hexaware

Hexaware is the fastest growing next-generation provider of IT, BPO and consulting services. Our focus lies on taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight by 'Powering Man Machine Collaboration.' We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy— 'Automate Everything, Cloudify Everything, Transform Customer Experiences.'

We serve customers in Banking, Financial Services, Capital Markets, Healthcare, Insurance, Manufacturing, Retail, Education, Telecom, Professional Services (Tax, Audit, Accounting and Legal), Travel, Transportation and Logistics. We deliver highly evolved services in Rapid Application prototyping, development and deployment; Build, Migrate and Run cloud solutions; Automation-based Application support; Enterprise Solutions for digitizing the back-office; Customer Experience Transformation; Business Intelligence & Analytics; Digital Assurance (Testing); Infrastructure Management Services; and Business Process Services.

Hexaware services customers in over two dozen languages, from every major time zone and every major regulatory zone. Our goal is to be the first IT services company in the world to have a 50% digital workforce.

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