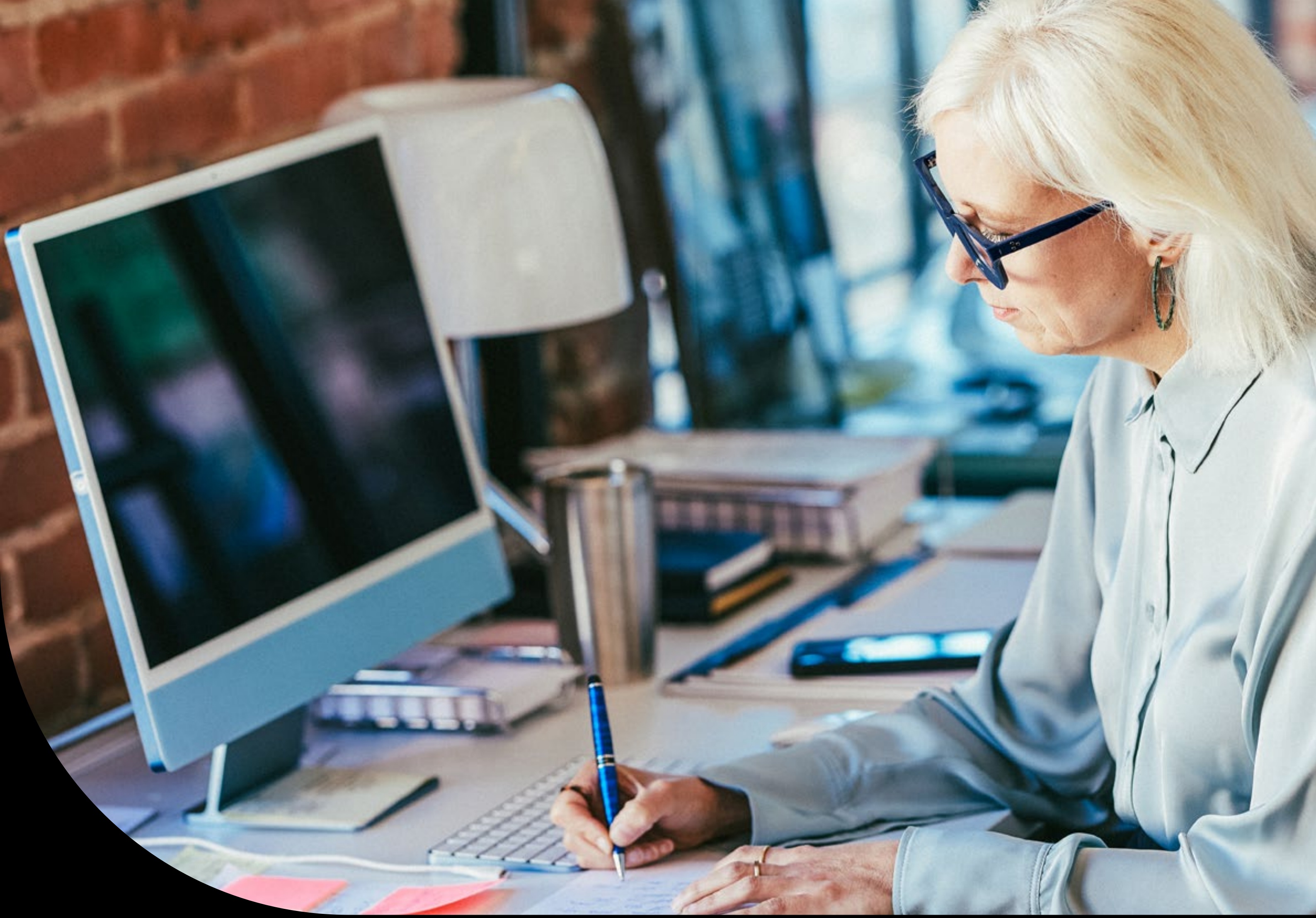

Whitepaper

Digital transformation, from agility to acceleration

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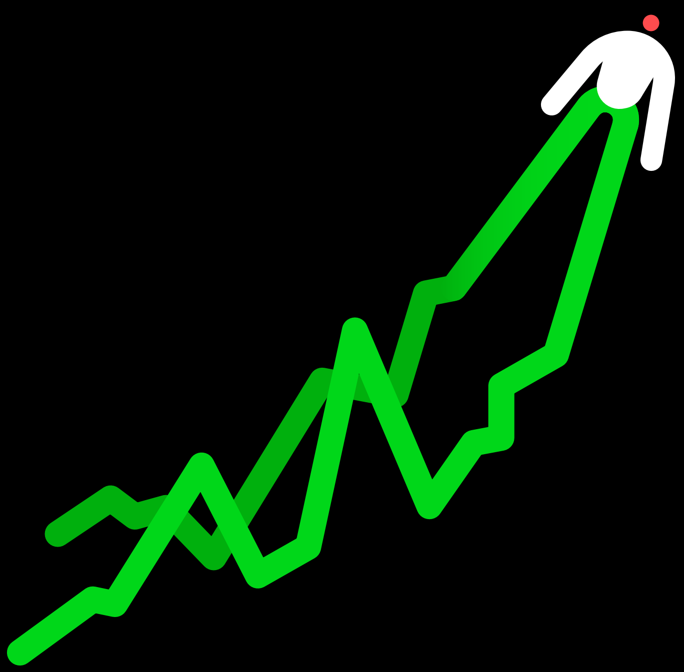
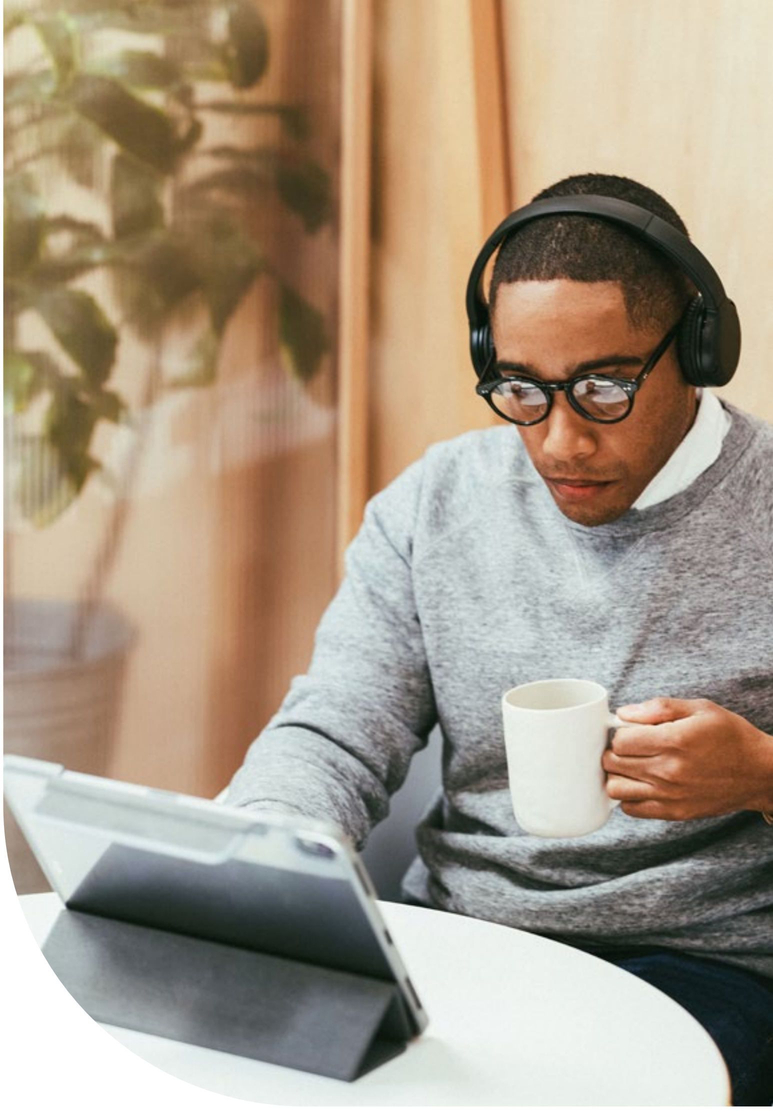


From digital transformation to digital acceleration

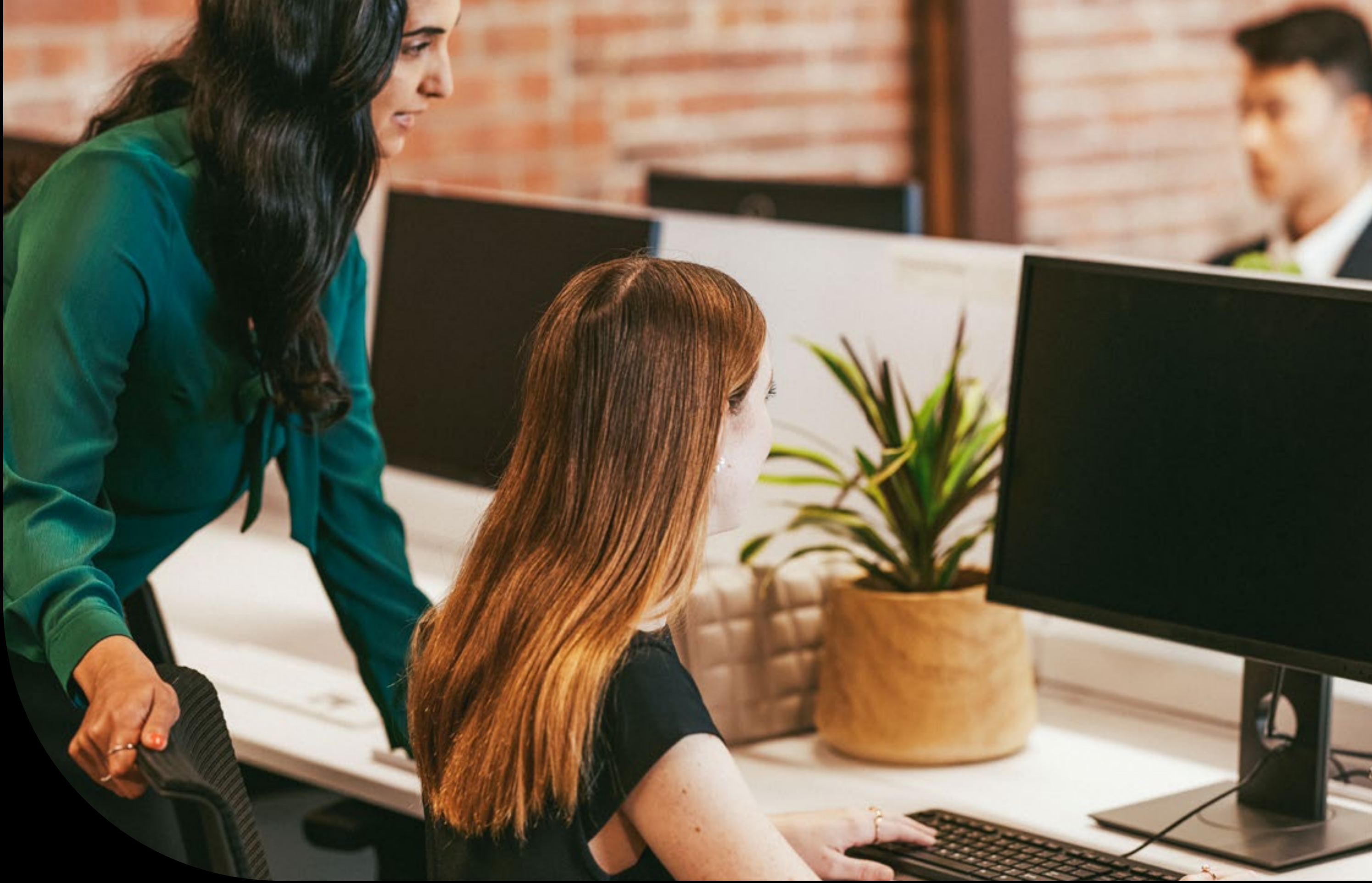


A year on from the onset of the pandemic, and Britain's businesses are feeling empowered. Just as many of us were outsmarted by a surprise which many thought would "only last a few weeks", as the reality became apparent, management teams up and down the land decided that their future was in their own hands. Adapt or die.

PwC has just published its regular **CEO survey** (2021, conducted late 2020), and the positivity is palpable. "When asked about their outlook on the global economy, 76% of CEOs say they believe it will improve during the next 12 months. That's nearly 20 percentage points greater than the previous record high for optimism, over all the years we have been asking this question. It also marks a significant rebound from our 2020 survey (conducted in the autumn of 2019), when just 22% of CEOs expected improved growth."

Now admittedly, that's starting from a low benchmark. Global GDP has collapsed at a rate not seen since the Great Depression, so some sort of improvement should be expected. But CEOs are, in general, hugely positive.

The speed of recovery looks like good news, too—and we've got a valid comparison in the financial crisis of 2007-8. Bankers **JP Morgan** recently reported "Comparing the recoveries of the global financial crisis and the pandemic recession is like comparing the tortoise and the hare: the aftermath of the former was slow and steady, while the latter should experience a burst of speed ahead... The financial crisis was a demand-driven recession, in which housing and financial market excesses led the economy to overheat and collapse, destroying demand, and therefore growth and employment. The COVID recession shocked a healthy economy in which demand was still strong, but supply was then reduced (e.g. activity or capacity restrictions). Once that supply returns, pent-up demand can be realised."



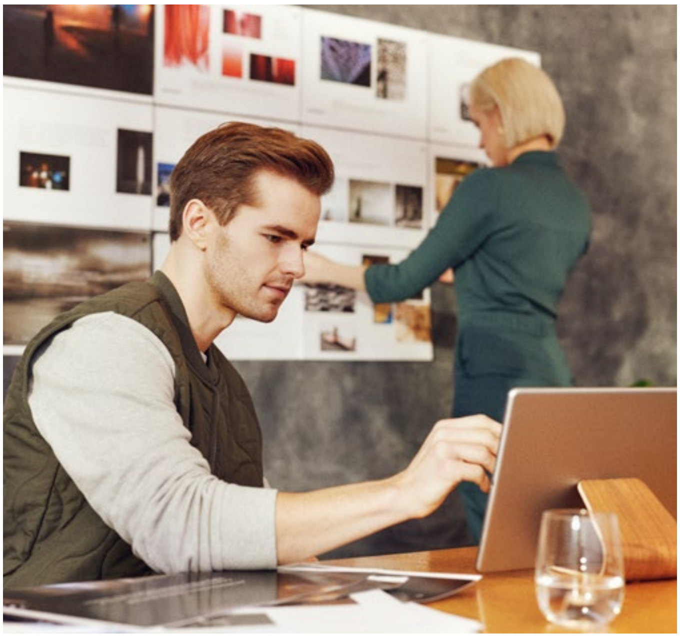
We could be in for another "Roaring Twenties"

That difference is being reflected in technology choices too. PwC's survey notes that after the financial crisis, cutting costs was the typical CEO's key priority. Without consumer demand, the role of technology was to help cut back operations.

Today however, the job of technology is to allow businesses to envision a brighter future. Sure, efficiency is a priority, but not to the detriment of tomorrow's strategic ambition. As **PwC** write, "a growing number of CEOs are seeking to boost their organisation's competitiveness through digital investments in the workforce; 36% aim to focus on productivity through technology and automation, which is more than double the share of CEOs who said the same in 2016."

Change at the speed of customer expectations

The challenge for businesses, however, is that they no longer own the digital transformation agenda.



The pace of change is set above all by customers, and the shared experiences brought on by the pandemic and other forms of commercial upheaval:

Customers demand digital fulfilment
They want service on their own terms: self-serve configuration of the services they consume and the ability to interact with companies on any platform; and they know that in many cases they can change suppliers with the click of a mouse if they are not happy. In the words of Ryan Skinner of analysts, **Forrester**, "We've hit a watershed moment when all of [these] activities—discovering a product, researching it, and buying it—are more likely to happen online than off."

COVID changed everything
Younger consumers were already working, buying, and interacting online long before the pandemic. But when it hit, COVID taught us all that we could work from home and that our employers would expect us to migrate many offline activities to digital. Consumers rightly now also expect businesses to activate remote selling and new business models (e.g. moving from physical to digital) to meet their desire for immediacy and flexibility. A survey of senior executives in Q3-2020 by **McKinsey** found that digitisation was the key response by business to the pandemic, and furthermore that they were moving from the sticking-plaster changes of March 2020 to more permanent solutions:

"Companies have accelerated the digitisation of their customer and supply-chain interactions and of their internal operations by three to four years. And the share of digital or digitally enabled products in their portfolios has accelerated by a shocking seven years. Nearly all respondents say that their companies have stood up at least temporary solutions to meet many of the new demands on them, and much more quickly than they had thought possible before the crisis. What's more, respondents expect most of these changes to be long lasting and are already making the kinds of investments that all but ensure they will stick. In fact funding for digital initiatives has increased more than anything else—more than increases in costs, the number of people in technology roles, and the number of customers."

Every business now has to be flexible to cope with unpredictability, particularly in terms of supply chains
This is not just a response to COVID, but to a stream of other challenges like the closure of the Suez Canal or geopolitical changes like "America First" which are prioritising home-grown products and job protection. In a **KPMG** survey, "67% of respondents said they've accelerated their digital transformation strategy as a result of COVID-19".

For all these reasons, every business, of every size, is on some form of digital roadmap; what marks out those who are ahead of the game from the laggards is primarily whether that digitisation is by choice or by force. Midsized and growing businesses often have the hardest path to follow: they have more complexity than small businesses (siloed functions, legacy systems to contend with, low data visibility etc.), but they also don't have the deep pockets of larger players.

The SME space is also more likely to have ingrained practices. Many manufacturers, for example, are comfortable with processes as they are (and with good reason—it can take significant capital investment to refactor production lines). Midsize businesses are also more likely to have a single individual owning a whole function, who is therefore not automatically exposed to the wealth of good ideas and influences which permeate a whole department. "The way things are done round here" can become very seductive.

Unravelling the digital acceleration knot

Answers to these challenges come from several quarters.

Funding is never easy to come by, although borrowing remains at **historically low** interest rates, which favours businesses seeking to invest. Furthermore, the government seems to appreciate the importance of digital transformation to UK plc. Whilst the furlough scheme and other big-budget assistance will always steal the limelight, there is some support for specifically digital initiatives. In the Autumn, as part of the "**Help to Grow**" scheme, the government is launching "Help to Grow Digital", a platform which will offer advice on digitisation; particularly for marketing and CRM, selling online and digital financial management. Eligible businesses (you will need to have between 5 and 250 employees and have been trading for 12 months or more) will be able to get a discount of up to 50% on the costs of approved software, worth up to £5,000. It's not life-changing money, but it will make a dent in what is likely already a complicated budgetary decision.

Simplifying those decisions is probably the greatest challenge. A good start would be to understand "what good looks like". Possibly the best advice comes from analysts Deloitte, who produce a **regular benchmark** for digital maturity. They assess maturity against 7 "digital pivots", which are useful because they see digitisation in terms of business benefits rather than software products or functions. Deloitte's 7 pivots are: a secure infrastructure, data mastery, digital talent, connecting with a broader tech ecosystem, intelligent workflows, a unified customer experience, and business model adaptability. Take a moment to score yourself out of ten on these criteria, and you'll have a perfectly workable thumbnail sketch of your digital maturity—and therefore your shortcomings and needs.

Filling those gaps is also becoming easier. The big-bang technology investments of 20 years ago are long gone. Thanks to subscription models, cloud delivery of IT and virtualisation, the required CapEx for tech has largely been subsumed into OpEx. Implementing a new service no longer means a two-year development cycle with further annual updates; you can be up and running in a matter of weeks, with the latest software and security in real-time.

And many of the major trends in productivity and efficiency today are remarkably cost effective. Take Robotic Process Automation, described by **Gartner** as "system-agnostic software that seeks to mimic a human's role in a process and make that process more automatic, repeatable, faster or less error-prone". The analyst continues: "The rate of adoption of RPA exceeds that of either artificial intelligence (AI) or blockchain in finance because the technology delivers against finance leaders' cost reduction, efficiency improvement and quality enhancement objectives", in other words, it's a quick win. There are many more such low-cost opportunities to be had.

Digital transformation is no longer an option, it's a must-have. Consumer customers are emerging from the pandemic more digitally savvy than ever, and they demand service which meets those expectations. B2B customers are just as demanding, seeking flexibility in their supply chains and partner relationships. And the pace and breadth of technology innovation means that there are more options than ever for ambitious businesses to extract value from the tech that they implement. This road will only become more complex, and those left behind may be left behind for good. But with a focus on business outcomes and ROI, digital acceleration can be a Swiss Army knife—a universal tool for competitiveness and growth.

There are more options than ever for ambitious businesses to extract value from the tech that they implement.

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