

Getting unstuck: Accelerating results from digital transformation

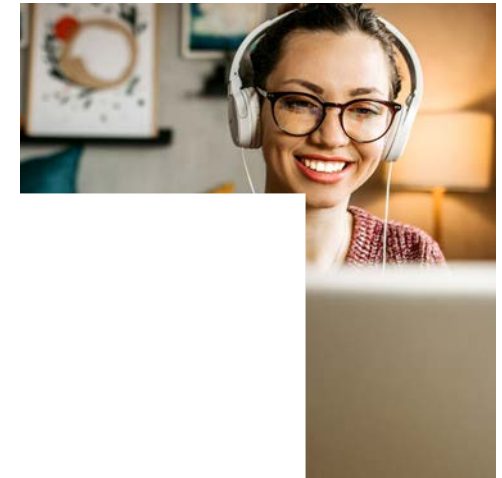
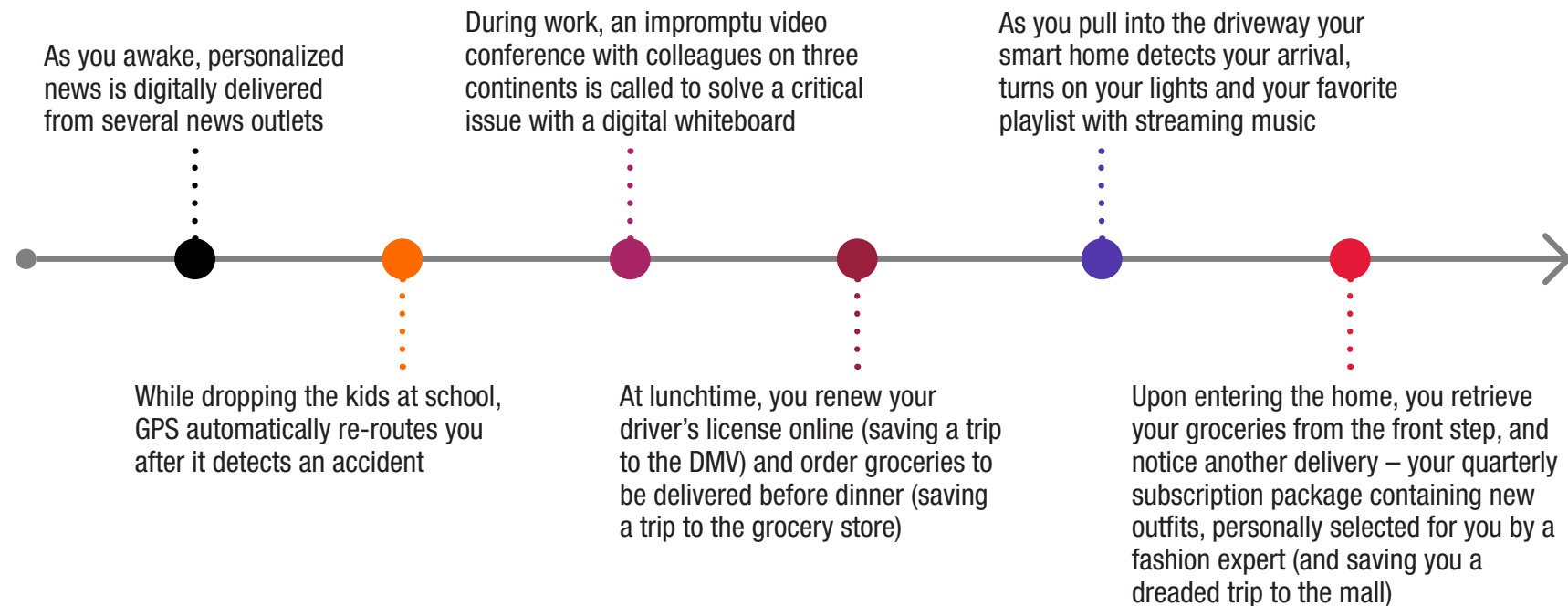
U.S. Viewpoint

CGI



Demand for digital experiences intensifies

Digital has become part of every aspect of our day-to-day experience. Consider an average day:



While advanced technology and the intelligent use of information – what we commonly refer to as “digital” – make all this possible, as consumers, most of us don’t give a second thought to what underpins these interactions. We simply appreciate the convenience it creates for us.

As an increasingly digital society, these conveniences have heightened expectations for our everyday interactions. As a result, organizations are undergoing digital transformation, seeking new ways to meet these expectations, by using technology and information innovation to reinvent how they operate, deliver their products and services, and achieve their missions.

The pandemic has only intensified its importance. Think about how organizations have had to respond during the initial stages of lockdown.

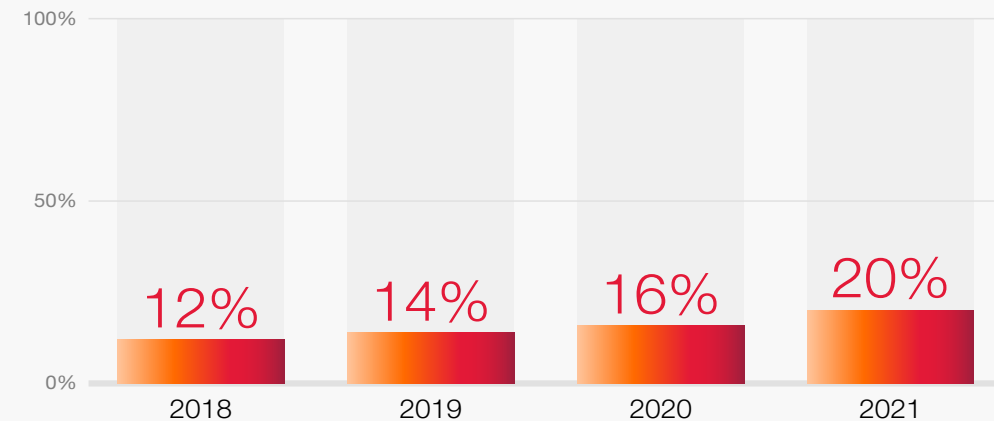
- A grocery store chain responds to a surge in online orders by pivoting existing resources from in store sales to digital fulfillment. We’ve seen the benefits and now expect to order groceries online and receive them in a few hours with no human interaction.
- A government health organization works with private sector partners to stand up COVID-19 “test, track and trace” capabilities and now carries these processes forward for other public health emergencies to shape future response.
- A global professional services firm arms their entire workforce with the equipment and collaboration capability to work remotely, to serve their clients without disruption as offices around the world shut down. Both employees and employers alike are expected to be productive, regardless of location or office space – especially as hybrid work environments are increasingly considered a permanent way of working (goodbye snow days and 9-5 schedules).



Many organizations are struggling to keep pace

Most digital transformation programs have been in progress for many years, with banking and retail industries leading the way. Yet in CGI's 2021 Voice of Our Clients interviews with nearly 1,700 business and IT executives, **only 20% indicate they are achieving results from their investment in digital transformation.** This is worth repeating: nearly every organization we interviewed has a digital transformation program in place, but only one out of five are experiencing results. While this is an improvement compared to 2020 (up from 16%), there is more work to be done. Given the importance of digital in today's society, what makes transformation so difficult? What's causing these organizations to get stuck?

Incremental progress: Organizations that are producing results from their digital strategies



Each year through the CGI Voice of Our Clients program, our leaders meet with business and IT executives across the industries and geographies we serve to better understand the trends affecting their organizations. This year, of nearly 1,700 executives who participated in these in-depth interviews, 20% say their organizations are producing results from digital strategies. For more information, visit cgi.com/voice-of-our-clients.

While there is no single path to digital success, we observe three reasons why organizations struggle to reach the full potential of their digital transformation programs.

Despite the integration of technology into everything we do, many organizations still consider technology as a support function or a cost center, rather than a strategic value creator. Organizational structures and operating models persist from the days when engagement with customers or citizens were mainly in the physical world. For many, IT remains a separate function designed and funded to run large, complex back-office operations. As a result, IT departments struggle to respond quickly to changing customer needs, competitor moves or business imperatives.

Example: An insurance company wants to adjust pricing dynamically based on new environmental factors, but disparate priorities for the actuarial, pricing and technology departments delay implementation, so consumers miss out on new offers and optimal premiums.

Many digital transformation programs are treated as discrete technology projects, rather than a transformation initiative. Automating manual processes or moving outdated applications to the cloud may help make incremental progress toward transformation. However, as technology becomes further embedded across the entirety of the business value chain, few organizations are taking a holistic approach, rendering transformation programs only as effective as their weakest links. Some organizations have focused on front-end projects that engage customers through digital channels without modernizing their core systems. Others are automating back-end processes or migrating to the cloud, yet the user experience has not yet been optimized.

Example: A pharmacy chain offers an app to alert consumers when prescriptions are ready, but because the app isn't tied to the core order tracking system, it leads to confusion, delays and frustration at pickup.

The proliferation of technology available today, and its ease of implementation, contributes to overly complex and increasingly expensive IT environments. Many digital transformation programs have rightly focused on the customer experience first. But in many cases, new capabilities have been layered on top, or in front, of supporting technology and processes. This is what we refer to as “digital accessorization.” The complexity of integrating new and legacy systems, the cost to maintain and change them, and the resources required to understand how they all work together make transformation more difficult.

Example: A large bank offers comprehensive loan products online, yet requires multiple legacy systems and manual processes behind the scenes to process the loans, requiring a high degree of investment and coordination among resources in several countries needed to run and maintain multiple applications.

What do digital leaders do differently?

(Hint: It's not just the technology.)

According to the CGI 2021 Voice of Our Clients, digital leaders demonstrate several attributes that help explain their success compared to those organizations not seeing results. The intelligent use of advanced technology and intelligent use of information is now table stakes. Organizations aren't getting stuck as much on the technology, but rather on the human elements of transformation required to gain optimal results. Digital leaders embody the following attributes:

Are aligned on stakeholder outcomes. Digital leaders are 40% more likely to have alignment between business and IT leadership. They have a shared understanding of the stakeholder outcomes required to achieve their objectives and have converged their priorities accordingly. Digital leaders with the highest level of maturity have almost completely blurred the lines between business and IT.

View transformation holistically. Digital leaders approach transformation as an enterprise strategy, and hold themselves accountable for results. They also are more collaborative. In fact, digital leaders are 42% more

likely to collaborate more efficiently. They also view their business as part of a larger ecosystem, leveraging partners effectively to create competitive advantage.

Are more likely to have modernized and simplified their legacy IT environments. Digital leaders experience less impact from technology sprawl and technical debt and are more agile in managing their IT environments. For example, they are 53% more likely to migrate more applications to the cloud. And they are 50% more effective at introducing applicable innovation.

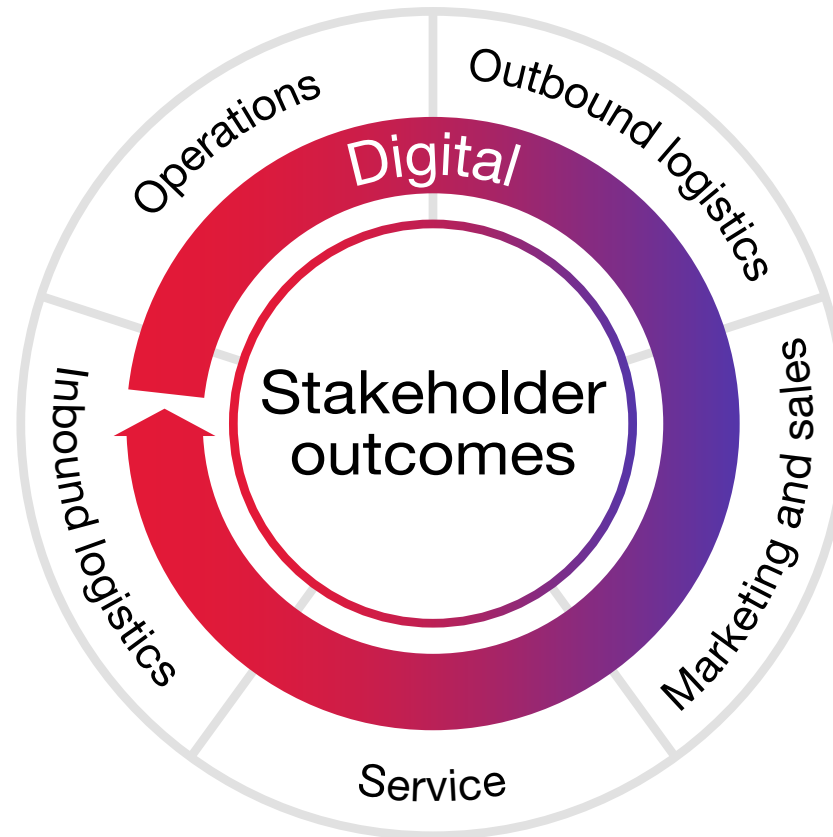


Digital leaders are realizing transformation results by creating an end-to-end digital value chain

Digital leaders think beyond technology to:

- Focus on clarity of mission and business outcomes
- Achieve better engagement with employees, partners and customers or citizens
- Promote a shift in mindset and a common strategy that permeates the entire organization
- Reimagine the end-to-end value chain to continuously deliver value
- Promote agile ways of working across their entire organization, not just IT

We view this combination of factors as an end-to-end **digital value chain** focused on delivering superior outcomes for the customer or citizen.



Common characteristics of digital leaders

- Define stakeholder outcomes clearly, helping organizations operate as aligned teams across business, operations and IT
- View transformation holistically, across the entire value chain - encompassing cultural change, ecosystem touchpoints, and the integration of sustainability objectives
- Prioritize modernizing the entire IT supply chain, while assuring security and data privacy, and relying more heavily on managed services

Source: 2021 CGI Voice of Our Clients

Five steps to creating an effective digital value chain

Optimizing your digital value chain is not solely a technology initiative, but rather an organizational effort that encompasses your mission, strategy, culture and operational models. Drawing upon insights from the CGI Voice of Our Clients, along with the expertise of our business and technology consultants across the globe, we offer the following recommendations for accelerating your transformation results:

1 Reframe your value chain through the lens of stakeholder results

Transformation starts with understanding and aligning on the results required to deliver value for customers or citizens. The simple act of bringing together different departments – business, operations and IT – to discuss and agree on your core mission and the experience you want to deliver can be transformational in and of itself.

Once clearly defined, each department must determine how they contribute to creating the outcomes. What inputs, technologies, capabilities and resources are required in each step of the value chain? How do hand-offs work between departments? Which processes are fundamental to the organization and which can be accomplished through partners or automation? By breaking down silos and opening channels of communication, a reimagined value chain will emerge. Collaboration, innovation and alignment between business, operations and IT will yield transformational results.

Case Study

Accelerating digital transformation and the move to Net Zero for a global utility

To speed their transformation, this utility adopted a business agility framework, and value based business-IT operating model, and deployed digital and agile work methods. As a result, the company accelerated change by pivoting from outputs to outcomes and transforming their IT portfolio to align on competitive advantage. The result: 30% more outcomes at 26% cost savings.



2 Unlock data to see the big picture

Collaborating across the digital value chain intensifies the importance of making complex decisions quickly and with full transparency. More often than not, however, leaders do not have access to the right contextual insights. This is because traditional value chains tend to keep data locked in functional silos, perpetuating decisions that fail to consider the big picture.

Digital leaders manage and govern their distributed enterprise data as a strategic asset, integrated with technologies such as Internet of Things, advanced analytics, artificial intelligence, decision science and intelligent automation.

A common decision framework should link critical information, business imperatives and value creation across the digital value chain to enable interconnected decision-making, such as for:

- **Value propositions** – Which innovation has the most potential for success with customers?
- **Customer relationships** – What will effectively reduce churn?
- **Channels** – What is the optimum channel mix to engage with our most loyal customers?
- **Key activities** – What are our possible responses to a crisis, and which are most likely to have a favorable outcome?
- **Key partners** – Who are the best-fit partners? Which are likely to help us grow? Is our supply chain resilient?
- **Revenue streams** – Which investment will yield maximum benefits?

Case Study

Improving taxpayer service and revenue generation for the State of California

The State of California continues to modernize its tax returns processing system to deliver a common view of information for both taxpayers and the state. Results of the Enterprise-Data-to-Revenue program to date include improved transparency and citizen self-service, greater operational efficiency and business intelligence. The state gained \$3.7 billion in additional revenue during the initial project, and has benefited from an additional \$1 billion in revenue annually since then.



3 Build a digital ecosystem

Few organizations own and manage all aspects of their value chain. Instead, they build an ecosystem of technology partners with shared values that bring complementary capabilities to the table to help them achieve their business objectives. In some cases, they entrust large parts of their own value chain to these partners to provide greater access to and flexibility for the right talent at the right time.

Building an effective ecosystem begins with determining which capabilities and processes are strategic and should be retained, and those that are better supported by specialized partners. A network of trusted partners to augment in-house talent and capabilities provides flexibility and the ability to deliver services to customers quickly.

Case Study

Partnering with a global manufacturer to innovate their IT sourcing model

A global manufacturer moved from a patchwork of 40+ IT providers worldwide to 5 global IT providers to reduce costs and deploy a global transformation program. The company's global IT sourcing model uses an innovative co-management framework. They are also executing their long-term global transformation program with a governance model based on collaboration and partnerships and an ecosystem of supply chain management solutions to drive cost savings, speed time to market and improve the customer experience.



4 Reimagine the IT supply chain

In the physical supply chain, there are clear strategies for improving or shutting down non-performing assets. The IT supply chain should be no exception. When it comes to technology's role within the digital value chain, organizations need a clear strategy for how they will reduce technical debt by modernizing and consolidating applications, moving to the cloud and XaaS models, empowering employees through automation and reducing risk of IT assets that limit performance of the whole.

The pandemic highlighted the importance of technology within the supply chain in pivoting to new realities with agility and elasticity, and building more resilience into product and service delivery. In the 2021 CGI Voice of Our Clients interviews, when asked where they plan to invest in innovation over the next three years, executives most often cite cybersecurity, agile IT and IT modernization, which are key elements of modern and resilient digital value chains.



5 Protect your digital value chain

Optimizing the digital value chain in support of business outcomes creates a more connected and open ecosystem. At the same time, it creates complexity from new cyber risks and threats - growing in both velocity and frequency. One only has to look at recent ransomware attacks causing show-stopping disruptions to customers, production and distribution.

Addressing these realities requires a fundamental change in security operations. Building modern, proactive security operations has become a business imperative to gain real-time, situational awareness of threats in an increasingly complex business environment.

A key part of this security is protecting and managing the data of customers, citizens, employees and suppliers. Generating the most value from data in the midst of ever-expanding volumes and increasing regulations and penalties requires identifying, classifying and ensuring control over this data across the organization and ecosystem partners.

Case Study

Improving federal agencies' cybersecurity postures

Part of the U.S. Department of Homeland Security, the Cybersecurity & Infrastructure Security Agency operates the Continuous Diagnostics and Mitigation (CDM) Program. The CDM program focuses on fortifying government networks by establishing a baseline for risk-based, cost-effective cybersecurity that more efficiently allocates cybersecurity resources for all civilian federal agencies. Deployed incrementally, the overall mission is to defend the federal government's IT networks via sensors, diagnostics, mitigation tools and associated continuous monitoring services.



Shaping what's next

CGI works with organizations to realize results from their transformation initiatives by creating modern digital value chains, focusing not just on the intelligent use of advanced technology and information, but also on the human elements of transformation required to advance their digital agendas.

CGI is your partner in seeing what's around the corners – discovering and co-creating with you the most relevant and effective business and IT solutions that are next, as part of an end-to-end strategy. By multiplying the sum total of our experience and sitting together on the same side of the table with the challenge in front of us, let's discover and imagine your digital future together.

This viewpoint is part of CGI's "Getting unstuck" series on how organizations can overcome the challenges related to becoming digital.



About CGI

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across hundreds of locations worldwide, we provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

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