Digital Transformation: The Final Chapter

An Organizational Roadmap for Digitally-Enabled Businesses
Traditional transformers and digital disruptors are now competing head-to-head. **New hybrid models**, enabled by a centralized digital platform and a customer-centric approach, **merge physical and digital businesses** to create seamless, connected operations. Though their early efforts focused on scattered innovation initiatives, these organizations are finding that a **reworking of traditional org structures** has to be the focus of enterprise-wide change. While progressive traditional companies are implementing strategies to achieve **end-to-end transformations**, it is clear that there is not a singular path to success. There are four factors driving the development of these strategies.

**1. Accelerated disruption across all industries**

**2. Operational shifts driven by a focus on customers and data**

**3. The creation of centralized digital operating platform groups**

**4. Evolving corporate culture**

How should your organization be thinking about these factors as you embark on the next phase of your journey?
Step One: Press the Accelerator

The pace of digital disruption is picking up significantly across all industries. Those industries that were laggards in the early days of transformation are no longer immune.

Observed and Anticipated Levels of Disruption by Sector:

% of executives experiencing or expecting significant digital disruption

- Technology: 81%
- Consumer: 76%
- Financial Services: 77%
- Healthcare: 72%
- Non-Profit: 62%
- Industrial: 63%

By contrast, in 2014 38% of industrial companies and 59% of technology companies were anticipating similar levels of disruption.

Sources: RRA 2014 and 2017 Digital Pulse.
## Step Two: Reimagine the Business

As companies begin to reimagine their businesses, they must also address key organizational capabilities and skills that will be necessary for transformation.

<table>
<thead>
<tr>
<th>Industry subset</th>
<th>Moving from</th>
<th>To</th>
<th>Key skill gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Big box retail</td>
<td>Omni-channel, personalization</td>
<td>E-commerce platform integration, supply chain, predictive analytics</td>
</tr>
<tr>
<td>Automotive</td>
<td>SUVs</td>
<td>Ride sharing, self-driving cars</td>
<td>Software engineering, mobility, AI</td>
</tr>
<tr>
<td>Industrial</td>
<td>Equipment</td>
<td>IOT, connected devices</td>
<td>Sensors, software, data analytics, cloud services</td>
</tr>
<tr>
<td>Education</td>
<td>Schools and text books</td>
<td>Online education, adaptive learning</td>
<td>Digital platforms, AI, mobile</td>
</tr>
<tr>
<td>Technology</td>
<td>Hardware and software</td>
<td>SaaS, cloud solutions, AI</td>
<td>Product, engineering, new go-to-market capabilities</td>
</tr>
<tr>
<td>Banking</td>
<td>Branches</td>
<td>FinTech, mobile, block chain</td>
<td>Mobile platforms, cyber security, algorithmic investing and trading</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Drugs</td>
<td>Personalized medicine, connected care</td>
<td>Genomics, data analytics, wearables, connected devices</td>
</tr>
<tr>
<td>CPG</td>
<td>Big brands</td>
<td>Personal relationships with consumers</td>
<td>Data analytics, ecommerce, supply chain</td>
</tr>
</tbody>
</table>
## Step Three: Remap the Organization

End-to-end transformation demands operational alignment that maps to the customer journey. Functions that have never directly partnered must now work together.

### From top-down decision making  ➔  To collaboration with data-driven insight

The realignment of the organizational structure demands new capabilities within traditional functions.

<table>
<thead>
<tr>
<th>New Capabilities Required</th>
<th>Product</th>
<th>Marketing</th>
<th>Technology</th>
<th>Supply Chain/Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Product management</td>
<td>• Customer acquisition/retention</td>
<td>• Mobile/web apps</td>
<td>• Digital supply chain</td>
</tr>
<tr>
<td></td>
<td>• UI/UX</td>
<td>• Mobile/social</td>
<td>• Software engineering</td>
<td>• Ecommerce</td>
</tr>
<tr>
<td></td>
<td>• Mobile</td>
<td>• Data &amp; analytics</td>
<td>• DevOps</td>
<td>• Tech and platforms</td>
</tr>
<tr>
<td></td>
<td>• Digital asset management</td>
<td>• User insights</td>
<td>• Digital</td>
<td>• Predictive analytics</td>
</tr>
<tr>
<td></td>
<td>• Customer analytics</td>
<td>• Omnichannel</td>
<td>• Cloud/open source</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Omnichannel</td>
<td>• Content marketing</td>
<td>• Cyber</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Agile development</td>
<td></td>
<td>• Data integration</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Competencies</th>
<th>Product</th>
<th>Marketing</th>
<th>Technology</th>
<th>Supply Chain/Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Data driven</td>
<td>• Quantitative</td>
<td>• Agile</td>
<td>• Data driven</td>
</tr>
<tr>
<td></td>
<td>• Strategic</td>
<td>• ROI driven</td>
<td>• Resourceful</td>
<td>• Reengineering mindset</td>
</tr>
<tr>
<td></td>
<td>• Able to work a matrix</td>
<td>• Test and learn mindset</td>
<td>• User centric</td>
<td>• Customer centric</td>
</tr>
<tr>
<td></td>
<td>• Design driven</td>
<td>• Transformational</td>
<td>• Business oriented</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Transformational</td>
<td></td>
<td>• Transformational</td>
<td>• Transformational</td>
</tr>
</tbody>
</table>
Operating platform groups are at the center of transformation; driving alignment and collaboration.

The precise composition and reporting structure of the operating platform group varies from company to company but typically reports into the C-suite, with at least one element reporting into the CEO.

Step Four: Design an Operating Platform

Responsibilities

1. Digital Transformation
   • True change agent working with the CEO and broader team, manages end-to-end transformation and re-engineering.

2. Digital Strategy & Product Roadmap
   • Working with the CEO and broader team, determines end-to-end digital strategy and product portfolio roadmap.

3. Data Analytics
   • Drives real-time analytics capabilities and upgrades underlying data architecture to produce impactful business use cases.

4. Platform Technologies
   • Develops the end-to-end technology platform and customer-facing applications to enable the organization to compete as a truly software-enabled business.

5. Innovation, Labs & New Ventures
   • Catalyst and challenger to current business incubating new business models, products/services and platforms.

6. Ecosystem Development and Partnerships
   • Organizes ecosystem with partners, vendors, suppliers and customers for innovation, product/service build and talent acquisition via digital technology and platform integration.

Skill sets & capabilities

- Business acumen
- Technology enablement
- Digital transformation
- Data/analytics
- Business process re-engineering
- Operational improvement
- Stakeholder and org alignment
- Business strategy
- Digital strategy
- Digital asset management
- Product roadmap/management
- Technology enablement
- Customer experience
- UX
- Solid business understanding
- Use case definition
- Analytics group leadership
- Analytics platforms
- Predictive capability
- Data architecture and topology
- Third-party analytics collaboration
- Mobile/Web applications
- DevOps
- Software engineering
- Scalable infrastructure
- Ability to interface with legacy systems
- UI/UX
- Product/operations integration
- Venture background
- Agile product and technology development
- Business acumen
- Deep knowledge of new technologies
- Rapid team building
- Business scaling
- Back integration with mothership
- Business development and partnerships
- Ecosystem development
- API integration
- Partner/vendor management
- Deep knowledge of new technologies
Step Five: Drive Culture Change

Unevolved corporate cultures are significant barriers to transformation. New objectives, technologies, processes and talent can’t thrive in an environment that isn’t ready for a new pace of change.

Are culture carriers and new talent integrated?

Does your culture embrace risk-taking and failure?

Does your culture support diversity of thought?

Does your plan for future CEO and board leadership contain leaders who will uphold progress and continue to drive change?

Does your board provide diverse perspectives on governance?

Are your teams, up and down the organization, empowered and enabled to make decisions?

Do you leverage data analytics and AI to improve efficiency?

Focus on the development of agile processes and cross-functional collaboration

Focus on building an inclusive culture

Focus on succession plans that align with your transformation strategies
Step Six: Activate the Boardroom

The need for board involvement is increasingly urgent. Commitment and engagement are key to governance – with a long-term view to business model evolution and succession planning.
AUTHORS

**WOLFGANG BAURIEDEL** is a member of the firm’s Technology Sector and Digital Transformation Practice. Wolfgang is located in Boston.

**RHYS GROSSMAN** co-leads Russell Reynolds Associates’ Digital Transformation and Consumer Digital Media Practice. He is located in London.

**TUCK RICKARDS** co-leads Russell Reynolds Associates’ Digital Transformation Practice and is a member of the Technology Sector. Tuck divides his time between San Francisco and Boston.

**NORA VISKIN** leads knowledge for the firm’s Digital Transformation and Diversity & Inclusion Practices. She is located in Boston.

Russell Reynolds Associates is a global leader in assessment, executive search and succession planning for boards of directors, chief executive officers and key roles within the C-suite. With more than 400 consultants in 47 offices around the world, we work closely with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today’s challenges and anticipate the digital, economic, environmental and political trends that are reshaping the global business environment. Find out more at [www.russellreynolds.com](http://www.russellreynolds.com). Follow us on Twitter: [@RRAonLeadership](http://twitter.com/RRAonLeadership)

---

GLOBAL OFFICES

**Americas**
- Atlanta
- Boston
- Buenos Aires
- Calgary
- Chicago
- Dallas
- Houston
- Los Angeles
- Mexico City
- Miami
- Minneapolis/St. Paul
- Montréal
- New York
- Palo Alto
- San Francisco
- São Paulo
- Stamford
- Toronto
- Washington, D.C.

**EMEA**
- Amsterdam
- Barcelona
- Brussels
- Copenhagen
- Dubai
- Frankfurt
- Hamburg
- Helsinki
- Istanbul
- London
- Madrid
- Milan
- Munich
- Oslo
- Paris
- Stockholm
- Warsaw
- Zürich

**Asia/Pacific**
- Beijing
- Hong Kong
- Melbourne
- Mumbai
- New Delhi
- Seoul
- Shanghai
- Singapore
- Sydney
- Tokyo

© Copyright 2017, Russell Reynolds Associates. All rights reserved.