1

The New and Simpler Path to Digitalize Your Business

You've heard the dire warnings to companies that have yet to incorporate digital technology into their business. "Digitize or die" is shorthand for the simple truth that you cannot compete for long against companies that are using algorithms and machine learning when you are not. The other players will be better than you at understanding and delivering what customers want, better at pricing, better at widening their margins, and better at generating cash.

The imperative to digitize is clear, yet what we hear in countless conversations with senior leaders of high-performing companies around the world is that adopting digital technology is too expensive, too disruptive, and takes too long. Some companies have spent tens if not hundreds of millions of dollars trying to become a so-called digital business with little to show for it; they are losing faith that the benefits will ever materialize.

Then there are others who still don't know how to start. Even mounting evidence that digital technology can take your company to great heights—as it has for some traditional businesses as well as start-ups—is often not enough to get a company to move.

The good news for laggards as well as those who are knee-deep in costly and frustrating efforts is that the technology industry itself has crossed the Rubicon. Making your company digital doesn't have to be a "big bang" that upends the entire organization at once or is a never-ending cash drain. It is now faster, cheaper, and easier than ever. It can be implemented in small pieces, each of which delivers measurable results that in turn can fund follow-up projects that are easily linked together.

This is newly possible because in the past few years, a cottage industry of small vendors has emerged that is taking advantage of advances in machine learning and artificial intelligence. Many of these vendors employ people who are not just technically astute but also have business savvy. They are highly skilled in providing the precise applications of ML and AI a client company needs to address its pain points. What they accomplish is not merely *digitizing* the business—meaning converting information into 1s and 0s—but *digitalizing* the business, meaning combining relevant data with algorithms designed to quickly deliver the critical business outcomes the company needs.

These developments make digitalization eminently doable. The amount of cash you need to get started is manageable for almost any company. And if you home in on the right places to start, the benefits will materialize much sooner than you think possible.

This new group of vendors—or digital enablers, as we have come to call them—are not well known, but they have track records of delivering cutting-edge technology for companies of all sizes. Even some of the digital giants, such as Amazon, have used their services. With the help of a digital enabler, a company can begin its digital journey in months, not years, at a cost closer to $400,000 than to $4 million, with measurable results in as short a time period as six months.

We have taken numerous clients on this journey. The anxious call we received one evening in August 2020, at the height of the Covid-19 pandemic, from the president of a large clothing retailer, is one example. The president explained that his stores in India were completely cut off from customers when the Indian economy went into lockdown. That had led to a domino effect—without a functioning website for e-commerce to replace the lack of in-store sales, inventory was backing up in stores and warehouses, crippling suppliers, and strangling revenues. Even worse, it's flagship high-growth brand was built on satisfying customers. Its inability to meet their needs meant customers might become disillusioned with the brand.

The next day, Ram contacted three of the best digital enablers he knew, and in consultation with the president agreed on one of them. He immediately called that firm's CEO and, within 72 hours, the vendor and the retailer had each assembled teams that would work together to plan and oversee the project. The digital vendor's team of data scientists, algorithm experts, and other software technicians flew to India to get their arms around the problem.

The following week the digital team presented its model for building a new digital platform to support the company's website and e-commerce in India and give its management easy access to data. Just four weeks later the vendor conducted a computer simulation of the new system to prove the concept. Five weeks after that, they had the system up and running.

The retailer came back to life in India, even as the pandemic persisted. Sales were unclogged, cash flow recovered, and the company was energized to plan for the next steps in creating a fully digitalized business.

This example and others like it give you every reason to be optimistic. We have seen digital enablers complete projects of similar scope in a range of businesses—health care, banking, agriculture, and others—with similarly low costs and fast tangible returns. We are convinced that for a vast majority of companies, using outside help to take on bite-size projects one after another is the best way to digitalize a business.

The ultimate goal of digitalization is the same as ever: to tap the immense potential of digital technology to transform nearly everything about your business, from its business model and money-making to its customer relationships, supply chain, and organizational structure. Digital technology can change how you gather information, how you design products, how you make decisions, how you shape your value chain end-to-end, and how you understand and delight your customers.

Such powerful changes require imagination along with technology. Merely plugging in the latest digital tools does not accomplish the same thing. Even if you tackle a digital project to solve an immediate problem, as was the case at the retailer, it should be seen as an opportunity to rethink a part of your business, and it will suggest opportunities to improve other aspects of the business next.

This book explains our way of thinking about how to move forward in digitalizing your business by taking small steps that yield observable, measurable results in the near term. Think of the book as a lantern shining a light on the path that will take you from digital laggard to digital leader. We explain how to pinpoint projects that are bite-size and in synch with your highest business priorities and show how digital enablers who straddle the technology and practitioner worlds can help define them. We will introduce you to a number of these digital enablers and explain how to find and evaluate the right ones for your business and how best to work with them.

Over time the benefits of digitalizing one part of your business at a time will build on each other, and the impact will compound. The technology is not the change; what your leadership does with the technology, the process of experimentation and continuous innovation, is what generates the dramatic change.

Data is a fundamental part of any digitalization effort because the output of any algorithm depends crucially on the quality and relevance of the data that is run through it. Even sophisticated algorithms from Google Analytics or IBM's Watson cannot generate useful insights if the data is incomplete. In most organizations, data is scattered, hidden, and in various formats. It must be gathered and converted into a consistent format so that it is the same for anyone in the organization who is authorized to access it. A digital enabler can turn data into a "single source of truth" that is both useful and unifying. Shared access to common data drives out politicking and fosters collaboration and speed. Giving it to decision makers is like giving a person with poor vision a perfect pair of glasses; they will see the ramifications of their choices with exceptional clarity.

As enormous volumes of data flow through your operations, from suppliers, vendors, warehouses, and customers, you can, with AI, turn that information into actionable items, such as personalized pricing based on analysis of individuals' consumption patterns. You will understand your customers as never before and be able to create new products in record time with significantly lower risk of failure. You can conserve cash by matching sales forecasts and suppliers seamlessly.

Otherwise unthinkable organizational changes also become possible, such as eliminating all but three hierarchical layers and customizing career paths to an individual's particular talent. Done right, digitalization produces visible successes that solve vexing business problems and energize the company. People become eager for the next project, not afraid of it, an aspect of this approach that should not be undervalued.

If you've not yet made a commitment to start digitalizing your company, you're not alone. Some 90 percent of companies have been wavering. In addition, a McKinsey partner once told us that as many as 70 percent of those that tried to build digital businesses failed in their efforts. A recent study by Forrester Consulting confirmed this reality and added that the best corporate decision makers understood that successful efforts in creating a digital business required constant attention and improvement to reap the very substantial benefits. This is not a one-and-done exercise.

Another recent analysis quantified at least some of the benefits. The analysis, by the Connected Commerce Council, Google, and Greenberg, Inc., found that digitally advanced small businesses retained customers more than three times better than "digitally uncertain businesses," those that had failed to deploy the full suite of digital tools, and the advanced businesses acquired new customers at a rate of 20 times better than the digital laggards. This is your lifeblood!

You should recognize that the equation has changed. Forces have converged to make the risk of stumbling far lower than the risk of standing still. Success is well within your reach.

What will be your first bite?