



# Introduction

## Seven Building Blocks of Successful Digital Transformation

*To accomplish a difficult task, one must first make it easy.*

*Marty Rubin, Author*

Digital transformation is one of the most significant megatrends of our generation, one which is continuing to grow in scope and scale. Digital started as a new channel for engaging customers, for digitizing back-end processes and was largely the domain of the technology function. Today digital has become all pervasive, and it is not an exaggeration to say that we are living in a digital age. Digital is touching every aspect of our lives as consumers, is impacting every industry and is totally transforming not just products and processes but entire business models. This change is not just a technology change, but something that is impacting every part of the business and the organization. It is redefining what business companies are in, forcing a shift in long-held organizational principles and practices, and it is changing expectations from leaders and young professionals alike.



For the enterprise and its leaders, the digital age is a roller-coaster ride with more than its fair share of thrills and spills. It presents them with great opportunities to leapfrog and grow. However, success is not easy in the digital age. I characterize the digital age as the VUCA world – Volatile, Uncertain, Complex and Ambiguous. Competing in the digital age requires you to make changes at multiple levels – in business strategy, products/service offerings, technology, processes, organization, talent, culture – which is not easy at the best of times. The complexity in the VUCA world makes it very difficult to establish both what should be done and how it should be done. Resulting in a lot of confusion at the enterprise leadership level, and that is why despite significant investments in digital transformation initiatives, its impact has been underwhelming.

In this book I have attempted to synthesize the learnings from my past twenty years of experience in digital – both whilst leading various organizations as well as a consultant serving other organizations– to bring clarity to the complex topic of digital transformation and share best practices and practical insights. My digital experience has been both at large legacy enterprises and younger digital natives, and the contrast in their approaches have provided many interesting learnings. While I have attempted to take a broad and holistic approach to digital in this book, I do not claim to be comprehensive. Digital is such a vast and dynamic topic that it is impossible to capture all aspects of it in a single book. I have taken a practitioner’s perspective and attempted to bring together a range of best practices and insights that will be most relevant and helpful for both business leaders and young professionals.

## My Digital Journey

I have been fortunate that my professional journey coincided with the growth of the digital age, which has given me the opportunity to experience its many aspects first-hand.

## My early exposure to e-business building in McKinsey

My first exposure to digital was at McKinsey in the late 1990s. We were serving one of the largest banks in India and I was part of the assignment, developing an e-broking business for them. The learnings we had from that project more than twenty years back, involving this new e-business, holds true even today. The project presented us an opportunity to create a new product that cut across three different divisions and technology stacks of the bank. This was a technology integration challenge, but even more so a challenge of coordination across different divisions. I think the most important action we took was to structure this new e-broking business as a separate organization to ensure it was not caught in the legacy organizational issues. I find it remarkable that more than twenty years later, when I look at large enterprises setting up new digital businesses, the **key issues are still organizational** – should a new capability be established as a new organization or part of the existing organization? What should be the nature of its relationship with other parts of the organization? How do you handle cannibalization, and so on . . .

## My own start-up in the ‘dot-com bubble’

I ended up doing more ‘e-business’ and technology-related projects at McKinsey, which got me very excited about the potential of the ‘dotcom’ business models that were beginning to get very popular in late 1990s. I left McKinsey in early 2000 to establish ActiveKarma with a couple of colleagues from McKinsey and friends from IIT Delhi, my alma mater. ActiveKarma’s focus was on leveraging the Internet to facilitate active and healthy lifestyles for executives. Our journey with ActiveKarma reflected the progression of the ‘dot-com bubble’ in many ways. We started with a bang, building a great team and working hard to launch a pretty extensive Internet-based offering. We quickly attracted a lot of investor interest too.

However, the fall was also rapid. The market demand for Internet-based health services was not large enough at that point. We were probably well-ahead of the times; we struggled to build a feasible business model, and the funding dried up quickly as the ‘dot com bubble’ crashed. We wound up ActiveKarma after two years, but my first foray into entrepreneurship taught me many invaluable lessons – such as the importance of anchoring the business in a solid customer proposition, going slow to go far, managing cash flows, and so on. I was reflecting on how this ‘dotcom bubble’ that many of us lived through has been such an important milestone in the evolution of the digital age we see today and still holds many important lessons for enterprises and entrepreneurs. It showed the disruptive growth opportunity of Internet-based businesses; it also showed how dangerous it can be when business models and enterprise valuations are **not anchored in cash flows** but on speculation. The ‘dotcom bubble’ burst in a couple of years and it took Nasdaq fifteen years to regain its dotcom peak.

### My wonderful journey building McKinsey Knowledge Centre into an Innovation Centre

After ActiveKarma, I rejoined McKinsey where I led the fledgling Knowledge Centre (McKC) the firm was building in Gurgaon. What followed was a fascinating journey of eight years that taught me a lot of what I know about building businesses in the digital age. McKC started as a back-office to provide overnight research support to consulting teams based in North America. It’s concept soon extended beyond this to provide leverage to research teams based in McKinsey offices across the world. These humble beginnings snowballed into a fascinating journey. We ended up building arguably the largest Knowledge Centre of its type in the world, a powerful innovation hub that transformed McKinsey’s client and knowledge capabilities in significant ways. We built deep expertise and research capabilities across all industries and functional areas, conceiving and

setting up analytics as a global service line and leveraging McKinsey's knowledge assets to create new product-based client offerings.

There is so much to talk about the McKC story and the learnings from it that it would merit a separate book. But at this stage, the main learning I want to highlight is the amazing potential of the global delivery model. McKC was created to drive cost efficiencies and increase productivity. However, when we added high-quality talent to the mix and gave them an entrepreneurial culture to flourish in, the impact was explosive. We brought talent at McKC with significantly higher capabilities than what we traditionally had in the research function at McKinsey. It took some time for this talent to build domain understanding and grown in maturity, but when that happened it changed the scope of McKC dramatically. It evolved into an innovation centre and allowed McKinsey to experiment with and build new capabilities, which it could not have otherwise. This ability to **increase innovation capacity leveraging the global delivery model** is a great opportunity for enterprises in the digital age.

### My part in the digital transformation at Fidelity

From McKinsey, I moved to Fidelity, one of the largest investment management firms in the world, to head the India and Tunisia operations for their international business, which housed a large proportion of the firm's technology and business operations. My role soon expanded to driving strategy for the business. Fidelity's international business was going through a transformation, with the distribution business, which was a technology platform-driven business, becoming more important. So, a significant part of my strategy role was to plan this transformation from an investment management driven business to a more technology driven business model. It is at Fidelity that I learnt how intertwined business strategy and technology strategy were and understood the challenges in driving transformation in a large enterprise with a lot of legacy. The legacy technology stack and **'tech debt' can slow down well-**

**meaning digital transformation programs**, restricting a large enterprise's ability to compete with younger, nimbler competitors.

## My stint at Flipkart in the VUCA world

Driving strategy and transformation at Fidelity showed me how technology was transforming business and how legacy businesses were facing structural challenges in competing in the new environment. It became clear to me that if both enterprises and leaders did not change their game they would find it difficult to stay relevant. I felt I had to work in a 'digital native' to experience the cutting edge of technology. This motivation took me to Flipkart, India's largest ecommerce company. I have mentioned the VUCA world earlier in this introduction. It was at Flipkart that I truly came in direct and fierce contact with the VUCA world. Ecommerce is a high-velocity business, especially so in a rapidly growing market like India. In addition to the natural dynamics of the Ecommerce business, there were other forces at work in Flipkart. We were locked in fierce competition with a rival like Amazon, we had negative cash flows, and the organization was struggling to move ahead on the maturity curve. All this made for a unique set of challenges.

It is at Flipkart that I realized that methods and practices which work in traditional enterprises do not work in high-velocity and volatile businesses that are typical of the digital age, and that you **need new rules of business**. I also learnt how '**digital natives**' like Flipkart were **able to do many things better than traditional companies**. They have a technology-first mindset and attracted high-quality tech talent. They practiced rapid experimentation (A/B testing) with a focus on analytics and data-driven decision making. They had the ability to execute with amazing speed, and were imbued with a spirit of audacity (thinking big and not being afraid), to name a few of their attributes. At the same time, I also saw the challenges young companies like Flipkart faced – organizational maturity struggling to keep pace with business growth, culture lacking a strong anchoring

in values, and process and governance gaps. Entrepreneurial culture was the root of Flipkart's success but that also became a challenge in some sense. A key question for young companies like Flipkart is how to build structures and processes that will allow them to realize their scale-up potential, while retaining their entrepreneurial core. This is an important dilemma that many companies need to resolve in the digital age!!

### My work at Incedo on end-to-end digital transformation across industries

All of my experiences above have culminated in my strategy for Incedo – driving digital transformation end-to-end, from strategy to execution, bringing the best from digital natives to more traditional industries, focusing on analytics and data as the 'secret sauce' and leveraging the global advantage. At Incedo, I have worked closely with a number of Fortune 100 companies on their digital transformation priorities. This has given me a ringside view of the nuances of digital transformation across many industries – banking, wealth management, telecom and media, life sciences and healthcare, and enterprise products. It is fascinating that while each industry is at a different stage on the **digital maturity curve**, there are many **common characteristics** among them too. Some form of disintermediation is happening in most industries impacting value chains and business models, customer expectations are rising across the board, technology function's role has become more pivotal, and lines between business and technology are blurring. While many successful companies often see their situation as unique, it is interesting when you step back you can see many common patterns across them.

I have tried to distil the experiences from my digital journey, and in particular, my experiences at Incedo, into a framework of seven building blocks, which I believe are necessary for successful digital transformation.

## The Seven Building Blocks

Digital transformation is multi-dimensional, complex, and has many interconnected parts. Therefore, it is not easy to establish the strategy and execution approach for digital transformation. The resulting confusion and lack of clarity are the bane of digital transformation. To bring clarity to this important topic, I have designed seven building blocks where executives need to focus their attention as well as actions, for successful digital transformation. As the quote at the beginning of this chapter says, “to accomplish a difficult task, one must first make it easy”, similarly, my intent with this book is to **bring clarity** to a complex topic like digital transformation and **make it easy** for executives to identify actions that will make the most difference and execute them with conviction.

This book is structured into seven sections, each section illustrates the challenges of each building block and provides best practices for each.

### Building Block 1: New rules of business

While digital is such a pervasive trend impacting every industry, and while most enterprises are committing significant investments to digital transformation, the impact of these investments has fallen short of expectations in many cases. Why is that? The failures I see are both those of strategy and of execution. However, there is something more fundamental at work here. My assessment is that most traditional companies underachieve at digital because they fail to recognize that many of the fundamentals of business have changed in this VUCA world. Customers are very demanding, data is exploding in volume, variety and velocity, technology is becoming mission critical, the pace of change is very high and business/product cycles are getting crunched, to name just a few of the fundamental shifts. Despite these changes, many enterprises’ approach to digital lies in extending what has worked in their traditional business



to digital. Such an approach is doomed to fail. Every enterprise needs to understand how the fundamentals of their business are changing and based on that define their ‘new rules of business’ for application to both strategy and execution to drive a successful digital transformation. In section one, I elaborate on the above challenges and share my perspectives on the ‘new rules’ at three different levels:

- The general level of the VUCA world and overall implications for business
- The digital transformation level
- The level of specific technology elements of digital

## Building Block 2: Industry maturity curves

Digital transformation is resulting in radical shifts across industries. Customer expectations of experience are rising, there is disintermediation, direct channels are becoming more important, new competitors are emerging, and boundaries across industries are blurring. Such radical shifts are both a threat and an opportunity. For enterprises to emerge as winners in the digital age, it is critical that they form a forward-looking picture of how their industry is likely to evolve so they can anchor their business and technology strategies accordingly. This anchoring of digital transformation programs in outside-in industry changes is extremely critical to realizing the full potential of digital. However, this is not an easy exercise. While there are a number of common characteristics in the shifts happening across industries, their specifics and degree of development vary significantly. It is not easy to predict the nature and speed of evolution in each industry. While deep industry specific context and insight is of course important, I believe there is a lot of value in observing patterns from other industries and trying to develop foresight how they might impact your business.

Now, the interesting thing is that the industry maturity curve is not a given; enterprises can shape it based on their efforts. This

is one of the distinguishing features of the digital age, you have the ability to shape your own future!!

In section 2, I have shared my perspectives – both insights and foresights - on what digital means for specific industries where Incedo has deep experience. These industries are banking, wealth management, payments, telecom, enterprise product business, and life sciences. In many places in section 2, I have also shared how the Covid-19 pandemic is impacting digital priorities in these industries. Generally, I have observed that the protracted work-from-home situation resulting from the Covid-19 pandemic has given a significant boost to digital penetration in every industry that we are operating in.

### Building Block 3: Digital technologies

While I have mentioned earlier that digital transformation is now much bigger than just technology change, technology continues to be the heart of any digital transformation program. There are seven key technologies that play a critical role in the execution of digital transformation - design/customer experience, analytics/data science, automation/operations transformation, artificial intelligence (AI), data infrastructure, blockchain, and cloud. The most important aspect of these digital technologies is that they are **not independent but are interconnected**. Enterprises realize transformative value from them when these digital technology building blocks are connected end to end. These technologies represent different layers of the technology stack; connecting them tightly creates a virtuous cycle. To illustrate: Customer experience and design are typically the starting points of digital initiatives, and personalization of experience is often a key value driver. Personalization is driven by data science, and AI / machine learning are further taking to a next level of impact. Both data science and AI are dependent on data depth and quality. At the same time, data is exploding in the digital world. This digital data deluge itself can create tremendous customer

and business value for enterprises. In my experience, **data is the fulcrum for digital**. Data can trigger a virtuous cycle; equally, data challenges can quickly escalate into a vicious cycle. Given the pace at which data is continuing to grow, most enterprises tend to be in a catch-up mode on data infrastructure. That is where Cloud comes in. Cloud, which started as an infrastructure solution continues to grow in scope and has become a key enabler for transformation in the digital stack. In particular, Cloud can provide effective solutions to the host of data challenges that have been a particular thorn for CIOs in the digital age.

Hopefully, you could see from the above illustration how various digital technologies are interconnected and why it is so important to take an end-to-end approach. In section 3, I explore the end-end digital stack and also dwell on the role of each of these technologies, the challenges in leveraging them and their future possibilities.

#### Building Block 4: Global delivery model

Every enterprise in the digital age has to be a global enterprise. And in particular, it needs to have an effective global delivery model to make progress on the ambitious technology and operations agenda, which most firms tend to have in the digital age. Enterprises can develop this global footprint either by partnering with service companies or by establishing their own dedicated technology and operations centres in emerging economies. In section 4, I have used the term global delivery centre or GDC to cover both types of entities.

While GDCs have existed for many years, their proposition and operating model needs to change significantly if they are to meet the new expectations of the digital age. Enterprises are facing the dual challenge of protecting their existing revenue streams while investing for future growth. This implies CIOs and COOs have to reduce costs while simultaneously increasing the velocity of transformation/innovation as well as addressing the skill gaps required for building cutting-edge capabilities. Only a global delivery

model that taps in the large, hi-quality yet lower-cost talent pool in emerging economies like India and Eastern Europe can achieve these seemingly contradictory objectives.

Historically, GDCs have been seen as cost and execution centres. This needs to change and they have to become revenue and innovation centres. This is a fascinating opportunity for them. Enterprises that are able to make this transformation and leverage global delivery effectively stand to gain a competitive advantage in the digital age.

## Building Block 5: Organizational transformation

I have made the point earlier that for digital transformation to be successful it has to be end to end. Digital is about a new way of doing things. You need to move with speed, execute iteratively rather than sequentially, put more focus on experimentation and innovation, 'fail fast', and take a lot more risks. In addition, technology has to become a core part of your DNA, whichever industry you are in. These changes cannot be sustained without rewiring the organizational culture. Change in the **organizational culture is probably the most important enabler of digital transformation**, allowing the enterprise to go beyond individual programs and effect a more pervasive shift in its organizational DNA. I believe that in addition to culture there are at least seven organizational capabilities that are key to sustained success in the digital age. These are: proprietary knowledge building and sharing, innovation, agility, learning, diversity, change management, and enabling functions like HR and finance.

In section 5, I share my perspectives on expectations and best practices in the matter of organizational culture and these seven key organizational capabilities. I conclude by sharing my perspective on how AI is likely to impact the future of work – the impact will be significant, but it is likely to be about *man and machine*, not *man or machine*. Enterprises and leaders need to understand the impact of

AI for their specific industries and functions and take proactive steps to redesign jobs accordingly to benefit from this expected evolution in the nature of work.

## Building Block 6: Entrepreneurial leadership

This digital age and VUCA world are a great test for leaders. In an era of unprecedented uncertainty and change, traditional tools of management like structure, strategy, planning and policies do not just lose their effectiveness but can become a roadblock. Instead, you need vision, inspiration, intuition, collaboration, and ability to constantly adapt. This requires a shift in expectations of executives, from their being efficient managers to becoming entrepreneurial leaders. 'Managers to Leaders' is an often-repeated cliché in management. It has become an absolute imperative in the digital age.

**Management of duality** is another important requirement in the digital age. There are many contradictions that leaders need to respond to – growth versus profitability, short term versus long term, and many more. It is not enough to find the trade-offs on these complementary values, leaders need to find win-win solutions. Finally, balance and sustainability are also critical topics for leaders to address. The breathtaking pace of activity is a defining feature of the digital age, but it is also one of its biggest challenges. Individuals are at greater risk of burnout, anxiety, and depression. At the society level, the obsession with growth is resulting in irreparable damage to the environment and grave socio-economic issues. Leaders in the digital age have a responsibility not just towards their enterprises, but also towards society as a whole. They need to find balance within themselves. I believe spiritual practices and meditation can help leaders centre themselves and find peace within. In addition, they need to consider how they can build an ethical foundation for their organizations and make a broader contribution to society.

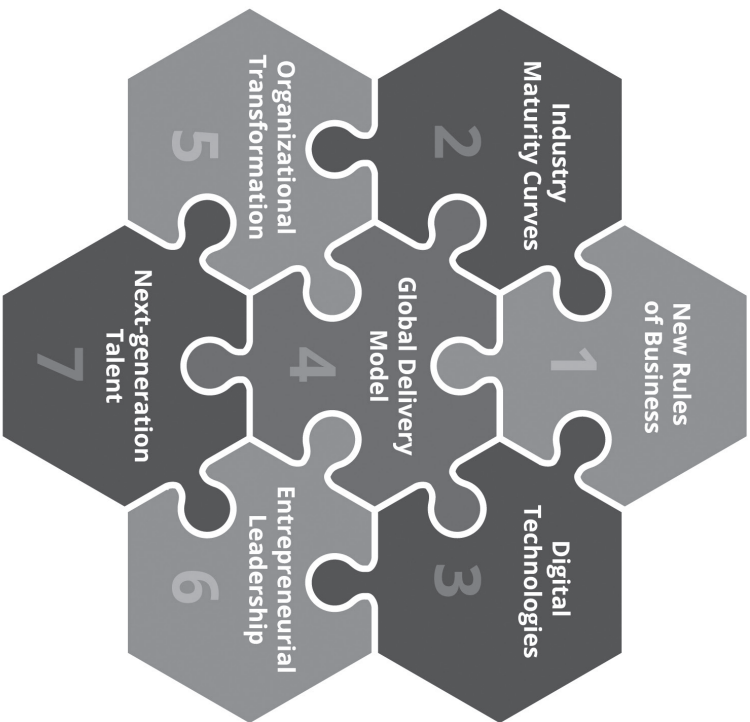
## Building Block 7: Next-generation talent

The unprecedented disruption we are seeing in the digital age requires a significant step up from talent across the organization. I believe this change offers amazing opportunities to young professionals. This technology-based disruption is a great equalizer. Prior experience and successful track records are less relevant than before because you need to unlearn the old and learn the new rules of the game. In fact, the fresh perspective that young professionals bring to the enterprise is an advantage to it. They are ‘digital natives’, more intuitively able to understand new technologies and how new businesses can be built using digital technologies.

So, how should a young professional prepare to win in the digital age? Many of the desirable competencies and mindsets for enterprises and leaders that we have talked about earlier are also relevant for young professionals. Prominent among these requirements are continuous learning, creativity and innovation, tech DNA, agility, management of duality, and spiritual and ethical balance. In addition to these six competencies and mindsets, there are six more points of advice I have for young professionals to win in the digital age: find and live the unique purpose of your life, be an entrepreneur, don’t be afraid to be a maverick, stay the course, build strong problem-solving and decision-making skills, take personal responsibility and drive change around you.

It has been an amazing learning opportunity for me to bring together all my experiences in digital transformation over the past twenty years into this book. So much change has already happened in the digital age, but there is so much more yet to come. This unprecedented change creates fascinating opportunities at all levels. Throughout the book, I have shared insights and best practices across the seven building blocks that can help unlock the tremendous potential of digital. These insights are not theoretical but based on what I have observed and practiced working with some of the best companies

# Seven Building Blocks of Successful Digital Transformation



in the world. I hope the insights in this book will bring clarity to a complex and vast topic like digital transformation and help you make better decisions and execute effectively. Moreover, prepare you to lead effectively in this digital age, and thus help both you and your organization step up and realize your infinite potential.

Happy reading!