

5 Steps To A Strategy: A Practical Guide To Corporate Digitization

GCC companies understand the importance of digitization, and accept that it can improve revenues and profitability. However, successfully executing a coherent digital strategy is something else. If they are to advance and keep pace with the digitization of their global competitors, then leaders will need to take some practical steps.

Often companies are too focused on the technology, rather than the business challenge the technology is supposed to solve. When the technology quickly becomes outdated, leaders are tempted to abandon the investment and plough their money into the latest technological solution. With no coherent objective, the result can be confusion.

Numerous studies have shown the disconnect between corporate ambition and actual implementation. A 2018 Strategy& survey found that only 15% of companies in Europe, the Middle East and Africa planned to create mature digital ecosystems in the next five years. And only 5% had already implemented critical digital technologies such as integrated end-to-end supply chain planning, a smart environment using the Internet of Things (IoT), or manufacturing execution systems.

On occasion, the corporate culture blocks progress, with rigid hierarchies hindering digital transformation. Companies need to become more flexible and more receptive to new thinking. It should not matter where ideas come from, as long as they benefit the company. Corporate leaders are sometimes too conservative, with little enthusiasm for the risks associated with a far-reaching digital transformation.

Here are five steps that company leaders can take to catalyse their digitization strategy.

Specify the focus for investment

You may want to create new digital products or services, or digitize the supply chain or corporate processes to enhance operational efficiency. To judge the effectiveness of the selected strategy, define at the outset which financial measure the investment is designed to improve. This could be a growth in revenue, an improvement in operating margins, or an increase in the asset turnover ratio.

Base decisions on insights derived from data analysis

Before committing to an investment, eliminate the distorting influence of corporate politics and self-interest, such as prioritizing one department over the needs of the whole organization. Find a way to align the scale of the investment with the eventual outcome and performance, with payments only made when specific business benefits have been achieved.

The right leadership should be in place

Major digital transformations need committed senior executives with the authority to act. This could involve senior management taking control of digital transformation on a daily basis, or selecting a Chief Digitization Officer (CDO) to lead the strategy. This has many advantages. The appointment signals the importance of digitization to the entire organization. The CDO can act as a neutral mediator who can foster collaboration between business units, mitigating conflict and acting in the interests of the organization as a whole.

Improve internal capabilities

Offer extensive internal training, as well as recruiting and retaining staff with the skills needed during the digitization process. Many companies still rely excessively on external IT providers for the skills they need during transformation, but the high costs involved make this unsustainable. Once the right people are in place, they must be properly incentivized to take risks and propose new digital ideas.

Form collaborative partnerships

Although it makes little sense to pay continually for external support, neither can organizations afford to wait for all the necessary capabilities to develop internally. Important opportunities could be missed. Therefore, the final way to catalyse progress is by forming partnerships with other organizations to plug gaps in specialist knowledge, information or experience. There are different possible partnerships. You could exchange mutually beneficial information with the aim of prompting innovative ideas. Or, you could partner with startups whose cutting-edge technology may support or accelerate the desired digital transformation.

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