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Digital Transformation: How to develop strategy under uncertainty



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In today's business environment 'digital transformation' is a well-known and much-hyped concept. Disruption, triggered by rapid development and adoption of technology, has undoubtedly impacted the global business landscape. However, digital transformation goes beyond updating technology implementation or engaging with customers on digital channels.

It drives organization-wide change that impacts revenue, operations, culture and people. Many organizations understand the need to change how they work and have embarked on numerous initiatives, yet few have been able to go beyond isolated success cases or marginal benefits. Many leadership teams are still hesitant to invest in digital transformation without clearly defined returns on investment.

Based on a study by Everest Group, over 70% of companies failed to attain any business value from their [digital transformation](#) efforts. In addition, most transformation efforts focus on modernizing customer touchpoints (54%) and enabling technology infrastructure (45%). Many companies are also not doing their due diligence when it comes to understanding their customers, with 41% of companies making investments in digital transformation without the guidance of thorough customer research.



While advising companies across various industries on the development and execution of digital transformation strategies, I have observed several common challenges. Here are a few insights that I would like to share based on my experience.

#1 Leadership alignment

One of the key challenges that I have observed repeatedly during digital transformation strategy initiatives is the lack of alignment in the leadership teams. This stems from several factors, for example differing understanding for what digital transformation entails, lack of commitment in allocating time and resources, or even fear of the impact that transformation could bring to the current ways of working. As digital transformation involves organization-wide change, poor alignment at the top level can be detrimental in achieving the shared digital vision.

A key to confronting this challenge is to expose misalignments by clearly identifying where the leadership team agrees, and where it does not. By utilizing a data-driven tool to capture the key gaps in understanding, perceptions and objectives, we can bring greater clarity to the discussion. I have developed a proprietary [Digital Maturity Assessment tool](#) that successfully achieves this, in addition to assessing the organizations current readiness and maturity level for digital transformation.

The assessment tool could also be utilized with key stakeholders such as board members and strategic business partners. Each time it is used, the tool has proven effective in addressing misunderstandings, fears and gaps in requirements for successful transformation.

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#2 Managing uncertainty

A critical element for successful digital transformation is being able to manage the unknown. Companies today face disruption and uncertainties - triggered by emerging technologies, evolving consumer behaviour and dynamic competitive landscapes - that requires dynamic decision-making. Here, having access to the right data and deriving required insights to manage uncertainty is key. However, many companies are still caught up in the traditional strategic planning cycle that churns annually.

A starting point for digital transformation initiatives is to understand the external uncertainties. I usually conduct an [external scan](#) of emerging trends impacting the company, industry and related business ecosystem. The trends are prioritized based on impact and timeframe of occurrence, and top trends are explored as part of the digital visioning process.

Additionally, intelligent management of data across the business value chain is an important element. Today, implementing data management solutions supported by technologies such as artificial intelligence systems are less complex than we imagine. The first step is to establish a clear definition of the insights required, as well as the data and sources available.

Next, focus on how to implement intelligent data analytics solutions and incorporate it into the daily business and across functions. There are many solutions available in the market today, such as [Algorithmia](#), that offers AI Layers to automate data science, deploy and manage models at scale.

#3 Determining the right scope and focus

Digital transformation is rarely a quick and simple task for any company. In a recent study on digital transformation, an alarming 58% of companies cite confusion in the organization around what they are trying to achieve through digital transformation. This leads to transformation efforts that fail to produce business results, for example focusing on a technology solution, poor buy-in or commitment to transformation in the organization, as well as internal politics. I usually advise companies to identify their end goal before beginning digital transformation. Take the time to outline these desired outcomes, as this will define the strategy and initiatives to be developed.

Leadership teams need to clearly articulate the 'why'. Digital transformation initiatives involve huge changes in the organization, culture and ways of working. In order to achieve this, everyone involved needs to understand the reasons behind it. Transparency and clear communication are critical elements for this. Top management team members have to take the time to make sure the company is bought in - from board members to interns - or risk jeopardising company culture, and the long-term success of the project.

#4 Create a customer-centric organization

I believe that organizations must make customers central to digital transformation. Digital-native companies such as Google, Netflix and Amazon have created a new standard for engaging with customers, understanding their needs and catering to their behaviours. In the new competitive business landscape, companies compete at all levels on customer experience. And digital technologies offer a large variety of potential solution to quickly stand out for customers.

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The challenge for incumbent organizations that I have observed is gaining a deep understanding for customer needs and behaviours, and coupling that with the capabilities offered by technology.

In order to successfully execute this, the organization needs to conduct a thorough consumer value proposition analysis, as well as customer persona and journey mapping. This exercise, when done properly, not only highlights how to engage better with existing customers, but also identifies potential new segments and market offerings.

Recently, I advised a company in Mauritius on digital transformation strategy. Although the financial services company has done a thorough customer analysis, the value proposition focused on existing customers and how they engage with existing products and services. This narrow scope prevented the company from developing a broad digital solution that could prove advantageous in the regional market.

#5 Designing an integrated target operating model

In order to successfully drive the business forward with a comprehensive Digital Transformation strategy, a target operating model for the new digital business environment will need to be developed. The transformation begins with defining the organization's vision. Based on this vision, the leadership team will define the capabilities and operating model required to deliver the targets envisioned. The operating model design will integrate existing capabilities and functions in the organization with new digital capabilities. Following the capability and operating model establishment, the organization employs strong KPIs, metrics, and systems to ensure successful transformation.

A major part of the target operating model definition is establishing the organization structure required to manage and execute the transformation. Several effective models exist, such as centre of excellence, hub-and-spoke, digital champions, innovation labs etc. The appropriate approach should be selected based on the organization requirements, available skills, culture, as well as digital maturity and readiness for transformation.

Jumpstart digital transformation

In 2019, digital transformation moved beyond IT to impact competitiveness throughout the organization. Business stakeholders also became more aware of disruptive technologies impacting their business and industry.

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This year, I believe that digital transformation will mature into an enterprise-wide movement by modernizing how companies work and compete, while helping them effectively adapt and grow in an evolving digital economy. However you choose to approach digital transformation, a solid digital strategy is something no organisation can face the future without.

I have developed a structured framework to help companies navigate digital disruption from the point of understanding disruptors and the business ecosystem, through to identifying and developing the right transformation initiatives.

The resulting digital transformation strategy covers various initiatives including product or service digitization, process and operations automation, digital and physical customer experience design, as well as business model innovation. I have applied the framework for various companies and industries, and it has proven tremendously successful in accelerating digital transformation. Learn more about the [LPC Digital Transformation Framework here](#)

About the Author

Kamales Lardi is a digital transformation strategist with over 20 years of cross industry experience in Europe and Asia.



Since establishing Lardi & Partner Consulting GmbH in 2012 (Zurich, Switzerland), Kamales has the privilege to consult for international brands such as UBS, Swiss Federal Railways (SBB), Ernst & Young, Pfizer and Victorinox among others. Kamales is also a Visiting Fellow at Durham University (UK) and Chairperson of the MBA Advisory Board there. She was listed as one of the Top 20 Global Digital Transformation Leader (Thinkers360, September 2019), as well as Women in Fintech Powerlist (Innovate Finance UK, 2017).

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