



Rialto Whitepaper

Four key trends for digital transformation in 2018 and beyond

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Introduction

By the end of this year, at least 40% of organisations are predicted to have fully staffed digital leadership teams as opposed to a single digital transformation (DX) lead to accelerate their enterprise-wide DX initiatives.

The finding from IT market intelligence and advisory firm International Data Corporation (IDC) perhaps sends the clearest message yet that digital is finally being taken as seriously as it should be by the top tier.

Meanwhile, by 2020 IDC predicts 60% of all enterprises will have “fully articulated” an organisation-wide digital platform strategy and will be in the process of implementing that strategy.

With early adopters having evolved their initiatives from the project stage, a clearer picture is beginning to emerge of how technologies like artificial intelligence (AI) and robotics can deliver tangible benefits to the business.

Irrespective of what stage of the digital journey an organisation is at though, they must continue to stay abreast if not ahead of technological change and the impact it is having on the world of business. In this whitepaper Rialto explores four key digital transformation trends in 2018 and beyond

Trend 1 - AI-driven business transformation

Countless surveys have warned that the robots are coming and are taking away our jobs. And there is no doubt that technologies such as artificial intelligence will have a profound effect on how we work. The Cities Outlook 2018 published by the Centre for Cities think-tank reveals that one in five existing jobs in British cities are likely to be displaced by 2030 due to automation and globalisation. This equates to some 3.6 million jobs with retail occupations, customer service roles and warehouse jobs cited as among those most at risk.

Undeniably robots are on the march into our workplaces and one of the most blatant examples is the Dubai Water and Electric Authority's "recruitment" of five customer robots which it believes can deliver "seven star" customer service at its customer happiness centres (each robot is even assigned its own employment number). While fear is understandable, there are also signs that it will be artificial intelligence (AI) that helps to generate more value and more jobs in the future.

At the World Economic Forum 2018 annual meeting, last month, a study from consulting and technology firm Infosys demonstrated AI is already delivering tangible benefits to many businesses. Indeed, Leadership in the Age of AI, found that 90% of C-level executives reported measurable results from AI within their organisations while 73% of respondents agreed or strongly agreed that AI deployments have already transformed the way they do business.

Perhaps the most enlightening finding though was that 77% of respondents were confident that employees in their organisation can be trained for the new job roles that are going to emerge and training and recruitment were ranked the highest areas of investment to ensure AI technologies make an impact. Also significant is that four out of five C-level executives said that their future business strategies will be informed through opportunities made available with AI technologies.

For the early adopters, AI is moving from its experimental stage into their core operations and its importance is being recognised at board level. Leaders and their people must accept that we are at a pivotal point in history, at the dawn of the Fourth Industrial Revolution and change is inevitable. They must move the discussion away from the negative image to one of an enabling technology to help gain competitive edge. The Infosys survey found that as well as helping to automate routine or inefficient processes, AI is helping companies innovate and differentiate themselves.

Trend 2 - Seizing the digital ecosystem opportunity

The complexities and unpredictability of modern markets means that increasingly companies that want to break into new markets and industries will be unable to do so alone. This is giving rise to the business ecosystem, typically made up of interdependent group(s) of enterprises, customers, suppliers, distributors as well as, in some cases, government agencies. In common with a biological ecosystem, the actions of each member have an impact on the others and typically they work together to progress a sector and help deliver new products and services.

According to Gartner, digital innovation is accelerating the move to business ecosystems by driving interconnection and making it “quick and easy” to connect to everything. In its trend insight report, Capitalising on your Business Ecosystem Economy, business ecosystems offer “unprecedented access to the capabilities resources and talent on a global scale that sets the stage for innovation”.

Inevitably, organisations will find themselves in the same ecosystem as competitors and being part of one demands new mindsets and more collaborative leadership styles.

Ecosystems are prevalent in the technology sector especially where organisations need to help progress standards in areas such as interoperability and use of platforms. One of the best examples of a well-functioning ecosystem is the ZigBee Alliance, a global ecosystem of large and small companies that are working together to develop common standards in the Internet of Things (IoT) sector. The alliance develops standards through “a democratic, participation-based approach” and it aims to promote “friction-free” development for its members. Its collaborative approach has so far helped to power more than 300 million smart devices.

Indeed, according to Gartner's 2017 chief information officer survey, one of the differentiating factors of a high-performance digital business is participation in a digital ecosystem.

While playing a part in the ecosystems is vital, rather than just taking from the community, Gartner's survey also shows that top-performing companies achieve what is described as "digital escape velocity". They move their digitalisation efforts so fast compared to peers that they escape their influence and accomplish new goals. To achieve this, they must prioritise interoperability as far as technology is concerned, develop a more external mindset when it comes to IT but crucially, the leadership must be focused on mastering interdependence.

Trend 3 - Advanced analytics: big data is getting even bigger

While it was surrounded by a great deal of hype when it arrived several years ago, big data has already transformed the world of business. It has started to introduce a culture of data-driven decision-making which reduces both human bias and human error. Organisation like the global performance-management consultancy Gallup now offer courses in building a data-driven culture that can help to predict business outcomes.

According to the McKinsey Global Institute (MGI) research report, The age of analytics: Competing in a data-driven world, the range of big data applications and opportunities has increased exponentially and will continue to expand. Given the rapid technological advances, the institute reckons the question for companies now is how to integrate new capabilities into their operations and strategies “and position themselves in a world where analytics can upend entire industries”.

Reportedly, the volume of data continues to double every three years as information feeds in from so many more platforms. McKinsey points out that data storage capacity has increased, while costs have fallen sharply, and data scientists have “unprecedented” computing power at their disposal.

Meanwhile, among its predictions for 2018, research firm Forrester reckons the majority of chief data officers (CDOs) would go from “defence to offence” and its research revealed that this year, more than half of CDOs would report to the CEO, compared with one third (34%) in 2016 and two-fifths in 2017. This clearly demonstrates that big data is getting the ear of the board and is informing business strategy. According to data education company Dataversity, organisations that are flexible enough to manage and transform the data into useful business intelligence, have a significant opportunity to gain competitive advantage and that strategic decisions regarding expansion into new markets and geographies will be based on big data.

To appreciate the scale of the impact that big data is having on the world of business, it is useful to explore the big data industry itself, which has grown up around it. According to Statista, one of the leading statistics firms on the internet, the global big data industry was worth \$7.6bn in 2011, it rose to \$33.5bn in 2017 and is predicted to reach \$40.8bn in 2018. By 2026, it predicts it will be worth \$92.2bn.

According to Statista, the largest big data segment is professional services, representing around two-fifths of the total market, generating around \$10bn annually. Currently, IBM is the market leader, earning revenues of around \$1.5bn from big data.

The figures and number of big names investing in the sector seem to confirm that big data is indeed only likely to get bigger but Statista reports that employees and executives working with big data list a lack of technical big data expertise as well as security and cost as concerns. They also claim collecting data still represents a significant challenge.

Business leaders must ensure organisations have the people expertise and the technology to harness the power of big data and reinforce its importance by promoting a culture of data-driven decision-making. Managing data analytics is no longer the preserve of IT, nor forward-thinking and tech savvy managers but should be embedded in the responsibilities of functions and leaders across the company and at all levels.

Trend 4 - XaaS: “everything” is now a service

The as-a-service trend which started in the tech space with software-as-a-service (SaaS), platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS) is spreading fast across all industries and sectors. It enables users to plug into anything they want as a service as and when required and pay for it accordingly.

The SaaS model gained traction when it emerged as it eliminated the need for costly hardware infrastructure such as servers and allowed organisations to scale up or scale down usage depending on their business needs.

In the business world, we are seeing the rise of the term everything-as-a-service (XaaS). In its 2017 Insight article, Everything-as-a-service: Modernising the core through a service lens, consulting firm Deloitte describes it as a “business imperative” that is gaining traction in boardrooms and IT shops alike: “Everything-as-a-service (XaaS) is a strategic and operational blueprint that, within the next 18-24 months, will likely begin upending business and operational models, and redefining the fundamental goals of core modernisation.”

Deloitte explains that XaaS envisions business capabilities, products, and processes “not as discreet vertical offerings operating individually in silos” but, rather, as a collection of horizontal services that can be accessed and leveraged across organisational boundaries.

The as-a-service model is a technology solution. Yet it is far more than that with its variable cost model aligning with the trend for organisations to be more agile and adaptive to what the market needs. It is being applied to all sorts of sectors and industries from mobility-as-a-service for transportation to lighting-as-a-service in the commercial lighting sector and business is even seeing the rise of both workforce-as-a-service (WaaS) and leadership-as-a-service.

WaaS is pretty much self-explanatory allowing organisations to tap into an on-demand workforce and reduce their fixed salary costs. One of the most successful working models of this is Uber, where the technology platform underpinning the service hooks up taxi drivers and passengers.

The term LaaS was coined by Finnish software company Vincit which decided to dispense with its managers and developed a platform that enables workers to plug into leadership services from several different providers in a variety of areas, depending on their needs at the time. It is designed to empower them to lead and manage themselves. It helps individuals to set personal goals and supports achievement of them and collects feedback data to constantly improve the service.

Whether delivering software or leadership, the as-a-service model also chimes with the social trend that is moving away from ownership. Indeed, those generations growing up in the as-a-service area will know only one way of procuring services.

Conclusion

Even leaders of bricks and mortar companies operating outside of the technology sector cannot ignore the march of digital technologies into their organisations. Surveys frequently point to a leadership void or disconnect that exists when it comes to digital though. Fear and inertia have been cited as reasons why some leaders are failing to act but time is running out. Digital brings both threats and opportunities. But the latter can easily cancel out the former with proactive and robust leadership.

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