

Summary

There have been many articles written about companies “going Digital”. However, the definition of digital is often vague or has different meanings depending on the interpretation of what it means to be a digital enterprise. For many executives, it is about a technology solution set, but for others such as the Life and Annuity distribution channel, digital is a new way of engaging with customers. Companies who pursue digital channels are looking for more modern ways of changing their business model. For all executives in the organization, both technology and business, it is important to be unified on what digital means, the objectives of a digital strategy, and the impact to the existing business model.

This report is a 5-part series looking at the life and annuity digital enterprise from different perspectives: the definition of Digital, the Consumer Perspective, the Agent Perspective, the Digital Ecosystem, and what we call the Digital Touch.

Part 1: Definition of Digital

This report provides a definition of the digital enterprise including what it means from both a technical perspective and from a business strategy point of view. We will start with a definition of digital, and address matters such as implications to a business strategy, the foundational investments required, cultural changes needed, and finally try to address the question, “why is digital so important”? This report will also be distinguishing between digital projects vs a digital mindset. This foundational report sets the stage for the subsequent chapters.

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Digital Defined

There are three distinct terms that have evolved over time in the “digital world” which contributes to the confusion around the word digital. **Digitization** is specifically the conversion of analog data into bits and bytes consumable by machines. It is about the automation of manual and paper-based processes enabled by digitized data. It is about systems of record.

Digitalization, also known as the “Fourth Industrial Revolution” is most broadly defined as an organization’s integration of digital technologies by the digitalization of everything that can be digitized. It is a sociotechnical process of applying digitizing techniques to broader social and institutional contexts. Digitalization leads to a digital business.

Digital business, as described by Gartner is the creation of new business designs by blurring digital and physical worlds; a convergence of people, business and things that disrupt the current business models. What makes digital different than e-business is the presence and integration of things, connected and intelligent, with people and business.

Digitalization is about systems of engagement and systems of insight leveraging digitized data. And at its very core is data, huge volumes of data, and of course, big data. Digital transformation is still used interchangeably with the term digitalization by many, but it goes beyond digitalization in many areas such as digital marketing transformation and the integration of humanization. The area of information management is key to digital transformation; its holistic information management connecting value to create value throughout the entire ecosystem.

Implication to Business Strategies

According to Gartner, digital business should not be considered an IT program and should instead become an enterprise mindset and *lingua franca* (a language that is adopted as a common language between speakers whose native languages are different), with digital expertise spread across the enterprise and value ecosystem. Gartner predicted that a lack of digital business competence would cause 25 percent of businesses to lose their competitive ranking.

According to Ken McGee, vice president and Gartner Fellow, "CIOs or IT professionals who hear 'digital business' and think 'IT' will be blindsided," going on to say "Digital business is not synonymous with IT. It is about revenue, value, markets, and customers. It is outward-focused. It is a metaphorical combination of front office, top line and downstage compared with back office, bottom line and backstage. True, information and technology help to build the capabilities for digital businesses, but they are only part of a complex picture."

"Businesses have used information and digital technology for some time as sources of efficiency and productivity," continued Mr. McGee. "However, in a digital business, digital technology, for the first time,



moves into the forefront, into the heart of what the business is doing and how it generates revenue, seizes competitive advantage and produces value. Digital business represents a more extreme revolution than previous technology-driven changes, and CIOs, with their insight into technology and information, are positioned to develop and promote a successful digital business."

Foundational Investments Required

Foundational requirements for digital organizations involve re-thinking and re-engineering both internal and external business practices and capabilities as well as the technology implementations.

Successful digital transformation requires investments in technologies, people and processes that drive business value. This includes funding for critical initiatives that support the digital enterprise, including data, cloud, cybersecurity, and customer experience. Success also requires effective governance of cloud-based assets and clear visibility into the cost of those cloud resources.

The Fourth Industrial Revolution (digitalization) recognizes the importance of the platform environment. Many of the currently successful companies such as Alphabet, Amazon, or Apple, (the top tech's) are following a sound platform strategy combined with complimentary application software.

Cultural Implications

It is a widely held belief that while digitalization impacts every component of an organization, it has the greatest impact on culture. Digitalization fundamentally changes how companies do business (in an outward facing manner), and how they deliver value in an environment with rapidly evolving business models.

Digital technology is integrated into all areas of the business requiring a culture that demands a total disregard for the status quo, a ferocious appetite for continual experimentation, and unwavering acceptance of failure. However, for information technology management specifically, a good balance of nimble design and thinking and the well-ordered structures of vision and business strategy is needed.

Why Digital is so Strategic

Some industries are well into the Fourth Industrial Revolution. Those industries or companies have matured their digital strategy and implemented digital capabilities. For example, digitalization has already greatly disrupted the retail industry, dramatically changing the buying and service experience. That experience has transformed customer service expectations for other industries, including financial services.

Many businesses are not transforming by choice, rather choosing the status quo, and attempting to keep up with the competition. Others, who are more matured in the digital environment have already evolved to new business models and are "leading the pack". In retail, companies like Walmart and Costco have



very successfully transitioned from a pure brick and mortar business model to a mixed model including an enormous online presence. In other companies, online disrupters like Warby Parker (providing online purchase of eyeglasses) have moved to a mixed business model opening select brick and mortar stores. The examples are endless.

Events like the current pandemic allowed businesses who had more mature digital businesses to not only survive but thrive. Some who had just entered the digital business were positioned to rapidly develop a new business model because they had infrastructure in place. The post-quarantine period will drive digitalization in a way that no one could have envisioned.

Concluding Thoughts

As noted earlier, creating a digital business is not about continuing the status quo using technology as an enabler. An organizations' digital strategy must be developed jointly and be a unified vision of the entire management team. The CIO has a real business leadership role in the development of this strategy helping the team change the way they view technology; seeing technology as the vehicle that allows imaginative disruption and serves as a source of innovation for new business models. The IT staff must contain members who can "run today's organization" while others are collaborating and contributing to the digital strategy. The capabilities of the IT management team are a critical dependency for successful transition to a digital business.

Many organizations admit that the speed of change in technology and the ability to imagine the opportunities that are possible, is beyond the capabilities of their current staff. The integration of business and technology is imperative in a digital business. One recommendation to achieve this integration is to use the COE (Center of Excellence) concept. It has been widely used within Information Technology integrating different IT disciplines to more effectively use those disciplines in IT solutions; expanding participation to include all business areas can provide the collaborative approach to developing a digital business from the digital strategy to digital capability development and implementation.

All of this creates the opportunity to say: *what if?*

About the Authors



Linda Marr is a former insurance industry executive, guest author and delivery expert for Mantissa Group LLC, a strategy consulting firm serving the CIO executive and their extended leadership teams. Linda is the primary contributor to this report and a leading expert on wide variety of strategic matters affecting the CIO and their leadership teams. She also serves on the Mantissa Group advisory board. Linda is a key contributor to delivery efforts including **technology strategic plans, leadership development & coaching, and culture.**



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About Mantissa



Mantissa Group provides business and technology strategic consulting services. Mantissa supports the Chief Information Officer executive and their leadership teams, with a focus on CIO engagement as a business leader. Mantissa has practical experiences supporting leaders with **technology strategy, executive coaching, leadership development**, and relevant **research** for technology organizations.