Making links that matter

How digital value chains accelerate transformation

CGI

Contents

Digital journeys

Our day-to-day experiences are becoming increasingly digital. As workers and consumers, our professional, leisure and home activities are enabled and mediated through a dizzying array of innovative tech. Consider the following day in a life:

1. You awake to a personalised news update, curated from several outlets and social media feeds.

2. Your fitness monitor tracks your morning run and measures your pace, heart rate and effort, as you train for a half marathon that's fast approaching.

3. Dropping the kids off at school, your GPS reroutes you around some local roadworks.

4. Your morning includes an impromptu video conference with colleagues across three continents to resolve a digital whiteboard issue.

5. At lunch, you take care of some online life admin, renewing your passport, doing some banking, scanning some holiday possibilities and shopping for a new outfit.

6. On the way home you use an app to adjust your house heating levels so it will be warm when you step through the door.

7. You cook a meal with groceries ordered online and delivered to your doorstep, listening to a automated playlist of your favourite music.

8. A new family habit of Zooming that started during the pandemic lets the kids get a bedtime story from granddad, before they go to sleep.

9. You ask the digital assistant on your phone to set your alarm for the morning and turn in.

Intensified demand

Advanced technology and the intelligent use of information and data permeates nearly every aspect of our lives but, beyond the occasional worry about increased screen time, most of us don't think too much about what underpins our digital interactions. We simply appreciate the convenience it creates for us. This convenience creates heightened expectations. We are all becoming discerning and demanding digital users.

The potential of technology and data innovation to improve how organisations operate, deliver their products and services, and achieve their missions finds new and exciting directions all the time. It can be hard to stay across the latest developments and opportunities, let alone incorporate them strategically. Often, businesses undergoing digital transformation are simply trying to keep up with the demands we bring to our new digital reality. The pandemic has only intensified these expectations. Think how organisations have had to respond to lockdowns, and how these changes have moved the goalposts for business and service providers as restrictions are lifted.

- A grocery store chain responds to a surge in online orders by pivoting existing resources from in store sales to digital fulfillment. We've seen the benefits and now expect to order groceries online and receive them in a few hours with no human interaction.

- A government health department works with private sector partners to stand up COVID-19 testing capabilities and vaccine rollouts, and now carries these processes forward for other public health emergencies to shape future response.

- A global professional services firm arms their entire workforce with the equipment and collaboration capability to work remotely, to serve their clients without disruption as offices around the world shut down. Both employees and employers alike are expected to be productive, regardless of location or office space – especially as hybrid work environments are increasingly considered a permanent way of working (goodbye snow days and 9-5 schedules).

The struggle to keep pace

Led by the banking and retail sectors, digital transformation programmes have assumed a strategic priority for many years now. New schools of project delivery methodology have been developed and best business practice has evolved to cope with the fast-changing landscape of tech innovation.

Yet in CGI's 2021 Voice of Our Clients research, of the 1,700 business and IT executives we interviewed, only 20% indicated they are achieving results from their investment in digital transformation. This is worth repeating: nearly every organisation we interviewed has a digital transformation programme in place, but only one in five is reporting significant improvements. We can point to an 4% uplift from 2020, but this is still an astonishingly low figure. Given the central importance of digital in today's society, what makes transformation so difficult? To put it simply, what's causing these organisations to get stuck?

Slow progress. Organisations seeing success from their digital transformation programmes

	2018	2019	2020	2021
	12%	14%	16%	20%
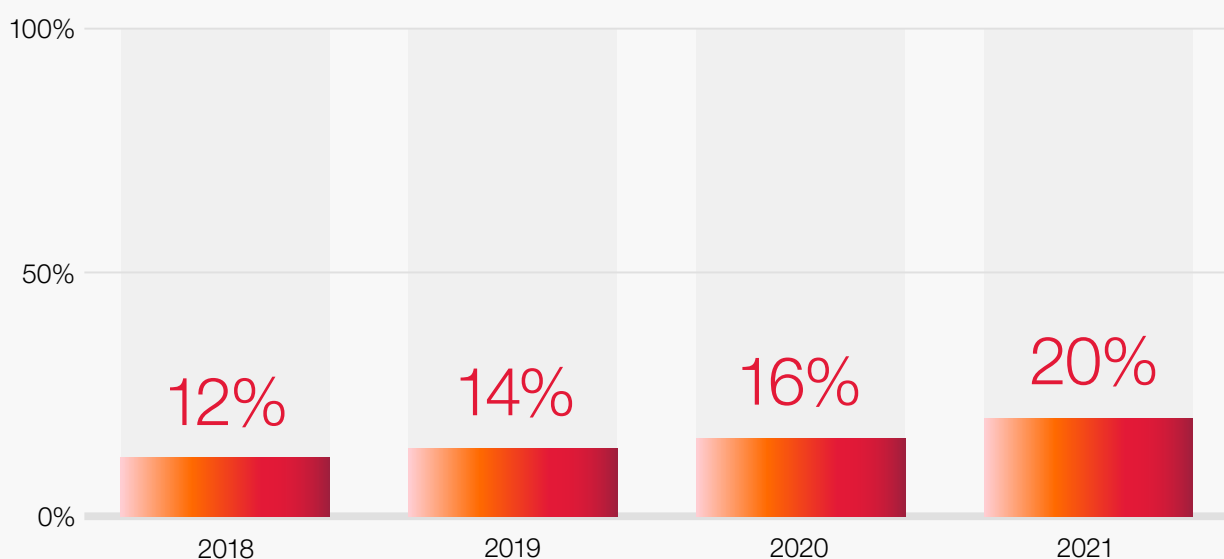
Each year through the CGI Voice of Our Clients programme, our leaders meet with business and IT executives across all the industries and countries we operate in, and conduct in-depth interviews to understand the trends affecting their organisations. For more insights, see **cgi.com/uk/voice-of-our-clients**

Three sticking points

While there is no single path to digital success, the same blockers can be found across the majority of approaches. Here are three of the most common obstacles we see derailing transformation progress in both private and public sector programmes.

IT adjacency

Despite its deep integration into our daily lives, technology is still too often seen as a support function or a cost centre, rather than a central and fully integrated value creator.

Organisational structures and operating models persist from days when customer engagement was predominantly physical. For many, IT remains a separate function designed and funded to run large, complex back office operations. As a result, IT departments struggle to respond quickly to changing customer needs, competitor moves or business imperatives.

Example: An insurance company wants to adjust pricing dynamically based on new environmental factors, but disparate priorities for the actuarial, pricing and technology departments delay implementation, so consumers miss out on new offers and optimal premiums.

Weak links

Many digital transformation programmes are treated as discrete technology projects, rather than a transformation initiative.

Automating manual processes or moving outdated applications to the cloud help make incremental progress toward transformation. However, as technology becomes further embedded across the whole of the business value chain, without a holistic approach, transformation programmes are only as effective as their weakest links. Front-end projects engage customers through digital channels while core system upgrades are overlooked, or back-end processes are automated or migrated to the cloud, without the user experience being optimised.

Example: A pharmacy chain offers an app to alert consumers when prescriptions are ready. Yet the app isn't tied to the core order tracking system, leading to confusion, delays and frustration at pickup.

Digital accessorisation

The proliferation of technology available today, and its ease of implementation, contributes to overly complex and increasingly expensive IT environments.

Digital transformation programmes are right to focus on customer experience, but when new capabilities are layered over legacy technology and processes, it often results in what we call "digital accessorisation." A new digital element may seem to offer a quick fix, but the complexity of systems integration and cost of maintenance add significant challenges to a successful transformation.

Example: A large bank offers comprehensive loan products online, yet requires multiple legacy systems and manual processes behind the scenes to process the loans, and significant investment and coordination among resources in several countries to maintain the applications.

A different approach

(Spoiler: it's not just the technology)

According to the CGI 2021 Voice of Our Clients, the most effective digital leaders embody key attributes that help explain their success compared to those organisations not yet seeing results. The intelligent use of advanced technology and information is a given, but a much bigger challenge is mastering the human elements of transformation required to gain optimal results. Our research demonstrates that effective digital leaders: →

Are aligned on stakeholder outcomes.

Digital leaders are 40% more likely to have alignment between business and IT leadership. They have a shared understanding of the stakeholder outcomes required to achieve their objectives and have converged their priorities accordingly. Digital leaders with the highest levels of maturity have almost completely blurred the lines between business and IT.

View transformation holistically.

Digital leaders approach transformation as an enterprise strategy, and hold themselves accountable for results. They also are more collaborative. In fact, digital leaders are 42% more likely to collaborate more efficiently. They also view their business as part of a larger ecosystem, leveraging partners effectively to create competitive advantage.

Modernise and simplify their legacy IT environments.

Digital leaders experience less impact from technology sprawl and technical debt, are more agile in managing their IT environments, and are sensitive to data privacy and security. They are 53% more likely to migrate applications to the cloud and are 50% more effective at introducing applicable innovation.

Consider sustainability a core value.

An innovative mindset and holistic approach leaves digital leaders well placed to commit to sustainability, preparing organisations for a future that cannot ignore the impacts of climate change.

Introducing the digital value chain

Every organisation has value chains, the set of activities it performs to deliver a valuable product or service to the market. Value chains are made up of complex sets of inputs, processes and outcomes, whether an organisation is delivering in-person or virtual customer experiences.

Digital leaders integrate and optimise technology at every link of the value chain, putting a premium on collaboration, innovation and alignment between and among business, operations and IT. But to achieve real transformation they also have to think beyond technology to:

- Focus on clarity of mission and business outcomes

- Achieve better engagement with employees, partners and customers or users

- Promote a shift in mindset and a common strategy that permeates the entire organisation

- Reimagine the end-to-end value chain to continuously deliver value

- Promote agile ways of working across their entire organisation, not just IT

We call this combination of technical and human factors the digital value chain, an end-to-end, fully integrated solution focused on delivering better outcomes for customer and service users.

Five steps to an effective digital value chain

Optimising your digital value chain is not just a technology initiative, but an organisational effort that encompasses your mission, strategy, culture and operational models. Today's digital value chain includes both virtual and in-person interactions. Drawing upon insights from the CGI Voice of Our Clients interviews, along with the work of our experts across the world, we offer the following five steps to accelerate your digital transformation.

1 **Reframe**
your value chain through the lens of user outcomes

2 **Unlock**
data to see the big picture

3 **Build**
a digital ecosystem

4 **Reimagine**
how technology optimises your value chain

5 **Protect**
data across your digital value chain

Step 1
Reframe your value chain through the lens of user outcomes

Transformation starts with understanding and aligning on the results required to deliver value for customers or users. The simple act of bringing together different departments – business, operations and IT – to discuss and agree on your core mission and the experience you want to deliver can be transformational in and of itself.

Once clearly defined, each department must determine how they contribute to creating the outcomes. What inputs, technologies, capabilities and resources are required in each step of the value chain? How do hand-offs work between departments? Which processes are fundamental to the organisation and which can be accomplished through partners or automation? By breaking down silos and opening channels of communication, a reimagined value chain will emerge. Collaboration, innovation and alignment between business, operations and IT will yield transformational results.

Case Study:

Accelerating digital transformation and the move to Net Zero for a global utility.

To speed their transformation, this utility adopted a business agility framework and value-based business-IT operating model, and deployed digital and agile work methods. As a result, the company accelerated change by pivoting from outputs to outcomes and transforming their IT portfolio to align on competitive advantage. The result: 30% more outcomes at 26% cost savings.

Step 2
Unlock data to see the big picture

Collaborating across the digital value chain crystallises the importance of making complex decisions quickly and with full transparency. More often than not, however, leaders do not have access to the right contextual insights.

This is because traditional value chains tend to keep data locked in functional silos, perpetuating decisions that fail to consider the big picture.

Digital leaders manage and govern their distributed enterprise data as a strategic asset, integrated with technologies such as Internet of Things, advanced analytics, artificial intelligence, decision science and intelligent automation.

A common decision framework should link critical information, business imperatives and value creation across the digital value chain to enable interconnected decision-making.

- **Value propositions –** Which innovation has the most potential for success with customers?

- **Customer relationships –** What will effectively reduce churn?

- **Channels –** What is the optimum channel mix to engage with our most loyal customers?

- **Key activities –** What are our possible responses to a crisis, and which are most likely to have a favourable outcome?

- **Key partners –** Who are the best-fit partners? Which are likely to help us grow? Is our supply chain resilient?

- **Revenue streams –** Which investment will yield maximum benefits?

Case Study:

Helping Nottinghamshire County Council meet changing citizen needs.

Nottinghamshire County Council (NCC) works hard to serve its 800,000+ citizens, while navigating through a period of great change. Each year requires new efficiency savings and that means reshaping the delivery of essential services to ensure the highest possible standards are maintained. CGI has worked with the council to build a finance system that can keep up with its rapidly changing needs. The partnership equips NCC to address new challenges and enable it to continue meeting the needs of the public in the years ahead.

Step 3
Build a digital ecosystem

Few organisations own and manage all aspects of their value chain. Instead, they build an ecosystem of technology partners with shared values that bring complementary capabilities to the table to help them achieve their business objectives. In some cases, they entrust large parts of their own value chain to these partners to provide greater access to and flexibility for the right talent at the right time.

Building an effective ecosystem begins with determining which capabilities and processes are strategic and should be retained, and those that are better supported by specialised partners. A network of trusted partners to augment in-house talent and capabilities provides flexibility and the ability to deliver services to customers quickly.

Key capacities to build

- Partial or full management of technology, processes, systems and software

- Outcome-based sourcing, workforce transformation, flexible capacity factories

- Future workforce and workplace development
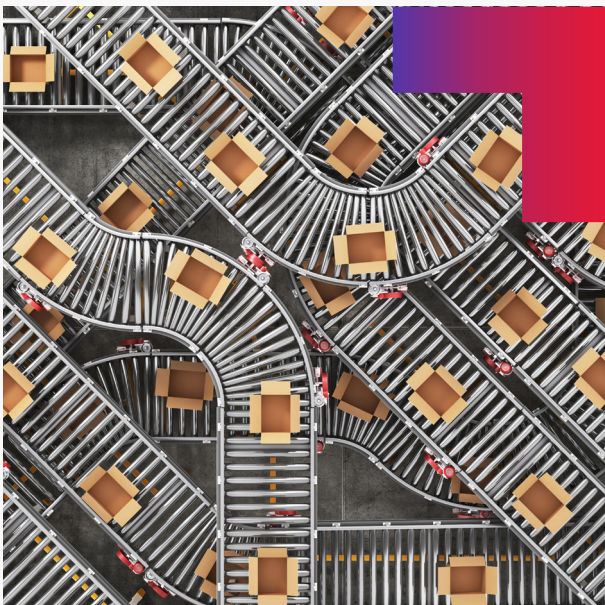
Case Study:

Partnering with a global manufacturer to innovate their IT sourcing model.

A global manufacturer moved from a patchwork of 40+ IT providers worldwide to 5 global IT providers to reduce costs and deploy a global transformation programme. The company's global IT sourcing model uses an innovative co-management framework. They are also executing their long-term global transformation programme with a governance model based on collaboration and partnerships and an ecosystem of supply chain management solutions to drive cost savings, speed time to market and improve the customer experience.

Step 4

Reimagine how technology optimises your supply chain

In the physical supply chain, there are clear strategies for improving or shutting down non-performing assets. The IT supply chain should be no different.

When it comes to technology's role within the digital value chain, organisations need a clear strategy for how they will reduce technical debt by modernising and consolidating applications, moving to the cloud and XaaS models, empowering employees through automation and reducing risk of IT assets that limit overall performance.

The pandemic highlighted the importance of technology within the supply chain in pivoting to new realities with agility and flexibility, and building more resilience into product and service delivery.

In the 2021 CGI Voice of Our Clients interviews, when asked where they plan to invest in innovation over the next three years, executives most often cite cybersecurity, agile IT and IT modernisation, which are key elements of modern and resilient digital value chains.

Case Study:

Driving next generation digital transformation for Shell Fleet Services

Shell has been working in partnership with CGI to take digital transformation to the next level with a state-of-the-art online fleet management solution that delivers the best possible experience for its customers, whether they manage a fleet of 5 or 5,000 vehicles. The new "Fleet Hub" will future-proof Shell's online fuel management offering and help to provide more tailored services to their customers.

Step 5
Protect data across your digital value chain

Optimising the digital value chain in support of business outcomes creates a more connected and open ecosystem. At the same time, it creates complexity from new cyber risks and threats – growing in both velocity and frequency.

Generating the most value from data in the midst of ever-expanding volumes and increasing regulations and penalties requires identifying, classifying and ensuring control over this data across the organisation and ecosystem partners.

Our research indicates that those executives who accelerate digital transformation also accelerate regulatory and security priorities. They build risk mitigation directly into their customer and user digital journeys and embed proper safeguards and processes for handling personal data. Rather than constrain agility, security and data privacy encourages user adoption of services and avoids the risk of breach costs.

Case Study:

Improving federal agencies' cybersecurity postures.

Part of the U.S. Department of Homeland Security, the Cybersecurity & Infrastructure Security Agency operates the Continuous Diagnostics and Mitigation (CDM) Programme. The CDM Programme focuses on fortifying government networks by establishing a baseline for risk-based, cost-effective cybersecurity that more efficiently allocates cybersecurity resources for all civilian federal agencies. Deployed incrementally, the overall mission is to defend the federal government's IT networks via sensors, diagnostics, mitigation tools and associated continuous monitoring services.

We're here to help

CGI works with organisations to realise results from their transformation initiatives by creating modern digital value chains, looking beyond the intelligent use of advanced technology and information, to the human elements of transformation required to advance their digital agendas.

CGI is your partner in seeing what's around the corner, co-creating relevant and effective business and IT solutions as part of an end-to-end strategy. Sitting together on the same side of the table with the challenge in front of us, let's discover and imagine your digital future together.

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world. We are insights-driven and outcomes-based to help accelerate returns on your investments. Across hundreds of locations worldwide, we provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

Learn more at **cgi.com/uk** or contact us at **enquiry.uk@cgi.com**