Optimizing your digital value chain to accelerate successful business outcomes

CGI

Accelerating your digital journeys

Organizations must navigate massive change. Trends such as evolving regulations, supply chain reconfiguration, sustainability actions and talent shortages require new business models and ways of working. At the same time, technology advances continue to revolutionize customer and citizen centricity, and a wave of hypergrowth is catalyzing new opportunities.

What does it take for businesses to achieve competitive advantage and governments to advance economic and social development?

Holistic digital transformation that avoids hype and is grounded in proven, scalable customer- and citizen-centric solutions.

As digital demands increase, those organizations that keep pace will thrive.

(Those that do not,
risk becoming obsolete.)

In an increasingly digital society, consumers and citizens have heightened expectations for their everyday interactions. As a result, digital leaders across industries seek new ways to use technology and information to improve how they operate, deliver products and services, and create value.

Most digital transformation programs have been in progress for many years. Yet, only 20% of the 1,695 executives interviewed for the 2021 CGI Voice of Our Clients indicate they are achieving expected results from their investment in digital transformation. While this is an improvement compared to 2020 (up from 16%), it clearly demonstrates that common barriers to transformation exist for leading commercial and government organizations. The sheer complexity and exponential changes these organizations face on an ongoing basis is monumental.

Given the importance of digital in today's society, how can organizations achieve transformation and become digital leaders?

The answer is to strategically manage your organization's **digital value chain**. Before we explain CGI's concept of the digital value chain, let's first examine the root causes of why digital transformation is so challenging – and share the attributes of how digital leaders overcome those challenges.

Incremental progress: Organizations that are producing results from their digital strategies

Year	Percentage
2021	20%
2020	16%
2019	14%
2018	12%

0%   25%   50%   75%   100%
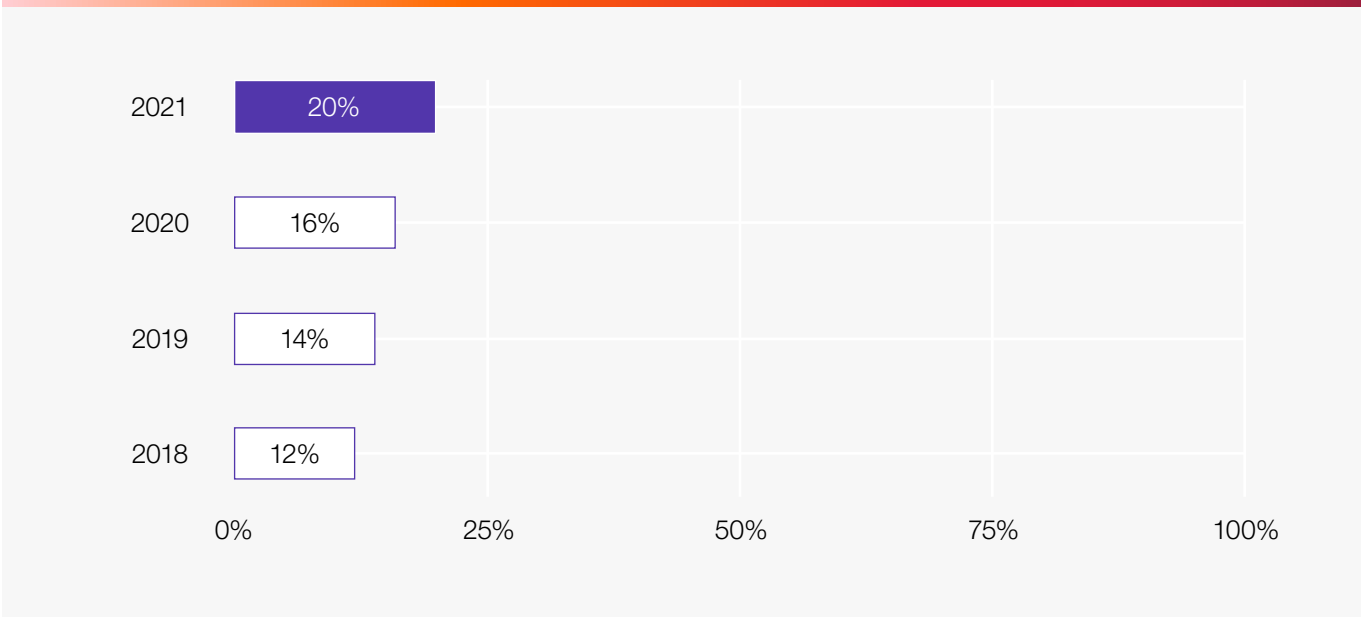
Each year through the CGI Voice of Our Clients program, our leaders meet with business and IT executives across the industries and geographies we serve to hear the trends affecting their organizations.

This year, of the 1,695 executives who participated in these in-depth interviews, 20% say their organizations are producing results from digital strategies. For more information, visit cgi.com/voice-of-our-clients.

Three key reasons why organizations struggle to reach the full potential of their digital transformation programs

Much has been written over the years about digital transformation—and how to avoid the pitfalls of overhyped solutions. While there are many reasons why organizations have yet to reach expected results from their digital transformation programs, here are three common pitfalls from our own research and experience in working with public- and private-sector organizations.

1 **Despite the integration of technology into customers' and citizens' daily lives, many organizations still consider technology as a support function or a cost center, rather than a strategic value creator.**

Organizational structures and operating models persist from the days when engagement with customers or citizens was mainly in the physical world. As a result, silos exist between business and IT—and even among business lines and IT functions. For many, IT remains a separate function designed and funded to run large, complex back-office operations.

> **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.

2

Many digital transformation programs are treated as discrete technology projects versus a business transformation initiative.

As technology becomes further embedded across the entirety of the business value chain, few organizations are taking a holistic approach, rendering transformation programs only as effective as their weakest links. Many organizations have focused on front-end projects that engage customers and citizens through digital channels without modernizing their core systems, leading to what we refer to as "digital accessorization."

> **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.

3

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

As more digital capabilities are added across an organization's value chain, complexity and technical sprawl increase. As a result, new and legacy systems are more expensive and challenging to maintain and change, and there is a lack of required resources to understand them.

> **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.

What do digital leaders do differently?

(Hint: It's not just the technology.)

According to the CGI 2021 Voice of Our Clients, digital leaders demonstrate several attributes that help explain their success compared to those organizations not yet seeing results. The intelligent use of advanced technology and information is now table stakes. Often, however, the bigger challenge is mastering the human elements of transformation required to gain optimal results.

Digital leaders embody the following attributes:

Clearly define and align on stakeholder outcomes, helping organizations operate with a common commitment across business, operations and IT. Digital leaders are 40% more likely to align their business and IT priorities. They have a shared understanding of the stakeholder outcomes required to achieve their objectives and converge their priorities accordingly.

View transformation holistically across the entire value chain—encompassing cultural change and ecosystem touchpoints. 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.

Modernize, simplify and protect their supply chains, experiencing less impact from technology sprawl and technical debt. They are more agile in managing their IT environments, relying more heavily on managed services. Digital leaders also run a more secure IT environment, and are more sensitive to data privacy laws.

Consider sustainability core to creating value for their customers and citizens, and a strategy to gain efficiencies and reduce costs. Demonstrating a strong commitment to sustainability is essential to attracting and keeping customers and employees, and required to address citizen demands to reduce the impacts of climate change.
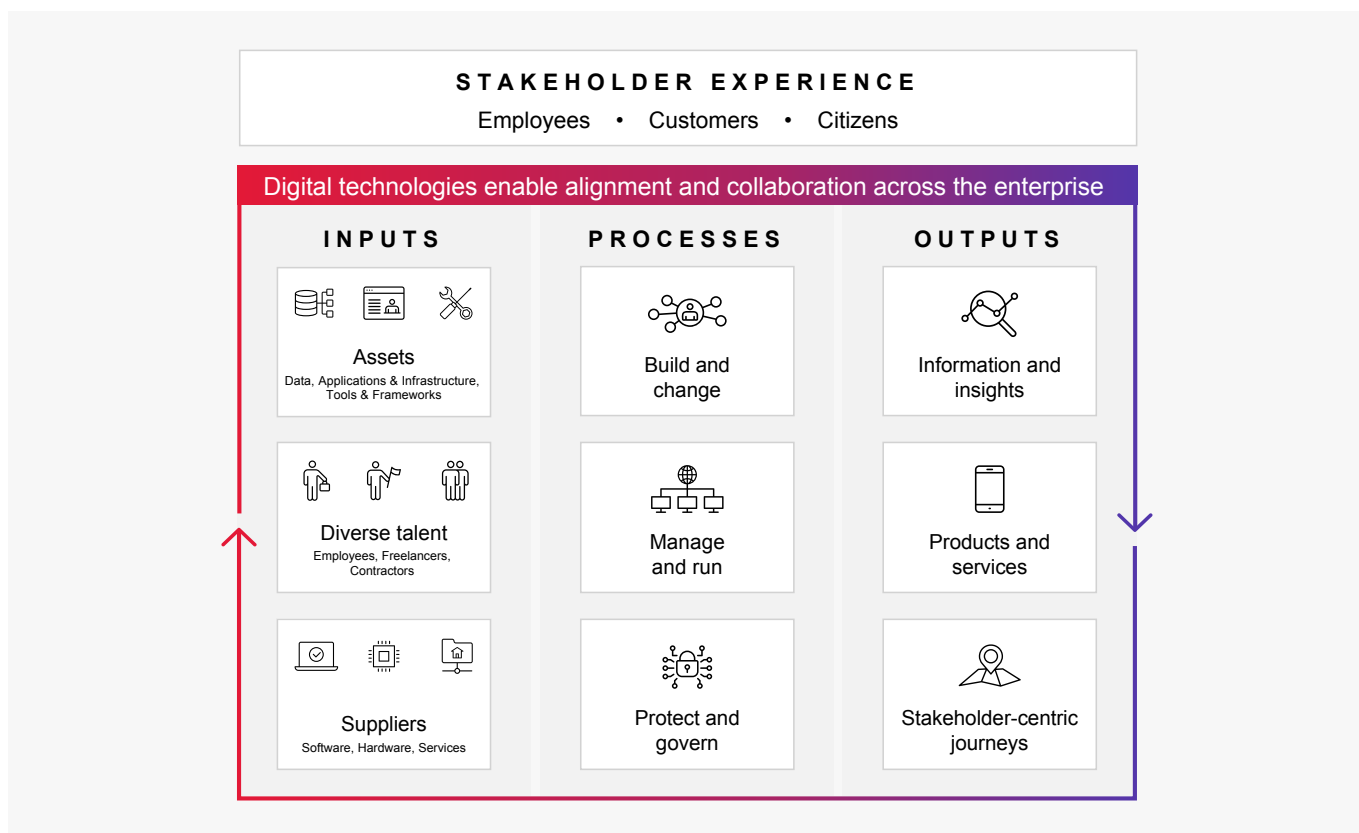
Introducing the digital value chain

Every organization is comprised of "value chains," the set of activities that an organization performs to deliver a valuable product or service to the market.

Over the past decade, organizations have intensified their use of technology to change how they operate, serve customers and citizens, and achieve their missions. Yet most digital transformation programs are not integrated across the value chain today.

Value chains are made up of a complex set of inputs, processes and outputs. Whether an organization's employees are delivering in-person or virtual customer or citizen experiences, technology must be integrated and optimized end-to-end throughout the digital value chain.

Digital leaders put a premium on collaboration, innovation and alignment between and among business, operations and IT to yield transformational results.

STAKEHOLDER EXPERIENCE
Employees • Customers • Citizens

Digital technologies enable alignment and collaboration across the enterprise

INPUTS

Assets
Data, Applications & Infrastructure, Tools & Frameworks

Diverse talent
Employees, Freelancers, Contractors

Suppliers
Software, Hardware, Services

PROCESSES

Build and change

Manage and run

Protect and govern

OUTPUTS

Information and insights

Products and services

Stakeholder-centric journeys

Five steps to creating an effective digital value chain

Optimizing your digital value chain is not solely a technology initiative, but rather an organizational 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, along with the work of our experts across the globe, we offer the following recommendations for accelerating your transformation results.

1. Reframe your operating model through the lens of customer and citizen outcomes

2. Unlock data to see the big picture

3. Build a digital ecosystem

4. Reimagine how technology optimizes your value chain

5. Protect your digital value chain and the personal data of your stakeholders

Step 1. Reframe your operating model through the lens of customer and citizen outcomes

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

View your operating model through customer and citizen journeys versus departmental silos. What inputs, technologies, capabilities and resources are required in each step of the journey? Does the current structure of departments advance or hinder this journey? Which processes are fundamental to the organization and which can be accomplished through partners or automation? By breaking down silos and opening channels of communications, a reimagined operating model that best supports your digital value chain will emerge. Collaboration, innovation and alignment between and among business, operations and IT will yield transformational results.

Capabilities to build

- Business agility maturity

- Agile operating model design

- Balanced supply chain to ensure strategic alignment

- Leadership skills to support change management

- Experience and lean processes to drive operational efficiencies

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 intensifies 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.

Capabilities to build

- Enterprise data management and governance to connect disparate data and ensure accountability

- Decision design to identify required insights and data

- Insight engineering to deliver the right reliable insights for prioritized decisions

- Automation engineering to augment, automate or "autonomize" human decision-making

CASE STUDY

Improving taxpayer service and revenue generation for the State of California

The State of California continues to modernize its tax returns processing system to deliver a common view of information for both taxpayers and the state. Results of the Enterprise-Data-to-Revenue program to date include improved transparency and citizen self-service, greater operational efficiency and business intelligence. The state gained $3.7 billion in additional revenue during the initial project, and has benefited from an additional $1 billion in revenue annually since then.

Step 3. Build a digital ecosystem

Few organizations own and manage all aspects of their value chain. Instead, they build an ecosystem of internal and external stakeholders, including 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. Follow the example of digital leaders and intently architect your ecosystem in a manner that reduces technical debt and sprawl to drive greater efficiencies.

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

Capabilities 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 program. The company's global IT sourcing model uses an innovative co-management framework. They are also executing their long-term global transformation program 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 optimizes your value chain

The physical supply chain has clear strategies for improving or shutting down non-performing assets. Digital value chains should be no exception. When it comes to technology's role within the digital value chain, organizations need a clear strategy for how they will reduce technical debt by modernizing and consolidating applications, moving to the cloud and XaaS models, empowering employees through automation and reducing risk of IT assets that limit performance of the whole.

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

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

Capabilities to build

- Migration to a secure multi-cloud environment

- Cloud native development, data governance and management

- Accelerated and data-driven automation and machine learning

CASE STUDY

Increasing business focus and driving transformation through managed services at a Finnish insurer

A Finnish insurer is building a new digital organization through managed services to increase efficiencies and productivity, improve service delivery, cut costs and drive ongoing growth. Managed services for application development and maintenance support the insurer's transition to a modern, agile IT infrastructure. This includes migration to flexible and secure cloud environments, while improving IT service delivery in critical areas such as information security and regulatory compliance.

Step 5. Protect your digital value chain and the personal data of your stakeholders

Optimizing 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 organization and ecosystem partners.

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

Capabilities to build

- Cybersecurity and privacy by design
- Integrated risk management
- Privacy and data compliance management
- Digital identity and access management
- Secure operations management, including re-platforming, multi-cloud environments, and training

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) Program. The CDM program 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

This paper demonstrates how leaders consider the digital acceleration of their organization to be integral to achieving business strategy. These leaders realize transformational results by intently designing, managing, protecting and evolving their digital value chain to accelerate business outcomes.

We can help you assemble and orchestrate all components of an effective digital value chain to accelerate value creation and drive efficiencies and savings while reducing complexity and risk.

Through our in-depth industry and technology experience and end-to-end capabilities, we partner with you to co-create highly effective solutions as part of a holistic strategy. Let's discover and advance 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 or contact us at info@cgi.com.

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