Road to AI Adoption - Part 1
Digital Transformation Strategy Framework

AI/ML Team, Digital Catapult

Created for BridgeAI

Last updated on: 31st October 2023

Table of contents

Introduction

What is Digital Transformation?

Digital transformation refers to the process of utilising digital technologies to fundamentally change and improve various aspects of an organisation's operations, strategies, processes, and customer experiences. It involves the integration of digital tools, technologies, and data-driven insights to enhance business performance, efficiency, agility, and competitiveness.

A digital transformation strategy or framework is an outline of steps or an action plan that an organisation can use to integrate digital emerging technologies with the business. In essence the aim of a digital transformation framework is to transform the organisational landscape from the bottom to top into a digital landscape. For an organisation to stay ahead in the industry, it is essential for it to have a digital transformation strategy in place as it will help the organisation evolve with the ever changing market landscape as well as stay at par with other peers in the market.

Why Digital Transformation?

Digital transformation has become a critical imperative for organisations seeking to thrive in the ever-evolving digital landscape. It encompasses a broad range of initiatives that enable organisations to harness the power of technology and data to drive meaningful change. It goes beyond simple automation or digitization of existing processes; instead, it involves a holistic and strategic approach to leveraging technology to reinvent and optimise operations, engage customers in new ways, and stay ahead of the competition.

By embracing digital transformation, organisations can position themselves for long-term success in an increasingly digital world. It also allows them to better serve customers, improve operational efficiencies, drive innovation, seize new growth opportunities and to be AI-ready.

To effectively navigate this transformative journey, organisations must develop a comprehensive digital transformation strategy framework that provides a structured approach to planning, implementing, and managing digital initiatives.

Through this document, we aim to equip organisations with the knowledge and insights needed to embark on and navigate their own transformative journeys, enabling them to thrive in the digital age.

The framework given here serves as a roadmap for organisations, enabling them to align their digital efforts with their overall business objectives and drive sustainable change. It encompasses various components, methodologies, and best practices to guide organisations through the complex process of digital transformation.

Furthermore, the framework addresses the critical role of data and analytics in digital transformation, highlighting the need to harness data as a strategic asset and derive actionable insights for informed decision-making. It also recognizes the significance of change management in successfully navigating the human aspects of transformation and ensuring organisational readiness and adoption.

The next section gives a detailed description of the steps that can be taken to transform the organisation digitally.

Digital Transformation and Artificial Intelligence

Digital transformation is also essential for AI adoption because it provides the necessary framework, infrastructure, and cultural shift needed to leverage the full potential of AI technologies. It also provides the foundation by ensuring data availability, scalability, integration, agility, and customer-centricity. By aligning digital transformation efforts with AI adoption, organisations can harness the transformative power of AI and drive innovation, growth, and competitiveness in the digital age.

Steps to build your Digital Transformation Strategy

An assessment of the digital maturity of the organisation provides the level at which the organisation is in terms of being digitally transformed. Outlined below are the steps that can be treated as a handy checklist to steer the organisation into becoming a mature digital organisation.

1. Assess the organisation's digital environment

For any organisation, be it large or small, to achieve digital transformation it is important for the organisation to access its technological landscape so that it can satisfy the need to create more effective ways to provide services efficiently and improve and adapt easily to the changing and emerging needs of the current technologies in the market.

The journey of digital transformation that the organisation goes through needs to emerge from the business strategy and organisational direction. Before starting on this journey an organisation needs to establish its strategic goals, key challenges, values, business bottlenecks and any potential growth opportunities.

2. Define the organisation's vision and why digital transformation is required

After the initial assessment is completed the organisation needs to define a vision or an objective and in order to do so understand why the organisation needs a digital transformation. When defining the vision, the organisation should start thinking on the below points:

- What is the objective of going through the digital transformation and what is the organisation trying to achieve or accomplish?
- Why does the organisation need the technology and what is that the organisation is missing out on by not implementing the technology?
- Is digital transformation needed to increase revenue or adopt greater agility or optimise collaboration or decrease software costs or gain a competitive advantage or boost employee and overall productivity or improve customer satisfaction or improve security and governance?

- Does the company have enough resources to see through to the end of the journey or does it need more resources?
- Which stakeholders need to be engaged on this journey and what buy-in is needed along the way?
- What are the key milestones that are going to be achieved and what will be the plan to achieve them?
- How is the implementation going to be carried out at an organisational level that is whether it is going to be in phases or all at once?
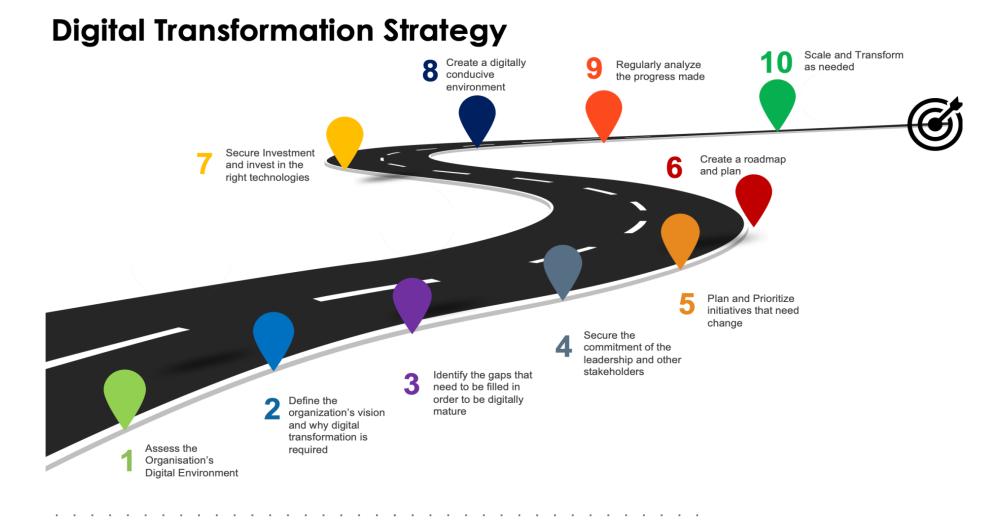
Understanding why the organisation needs to digitally transform can help link the digital transformation strategy or framework with the business strategy.

3. Identify the gaps that need to be filled in order to be digitally mature

Once the organisation has identified a well defined vision and established the why, the gaps need to be identified so that filling them will help the organisation transform. To identify gaps the organisation needs to assess itself on the areas of leadership, people and culture and technologies through the digital maturity assessment tool and the areas of leadership, people and culture, technologies and AI Readiness using the data maturity assessment tool.

Both the tools will help the organisation assess the level it is at and the steps that need to be taken to go onto the next level of maturity. Through these assessments the organisation can establish which business processes need to be reviewed so that inefficiencies can be highlighted, identify any technology gaps or any areas where technology is needed and define any new functional capabilities or improve the existing ones to improve processes or add new processes.

Digital Transformation Strategy

8 Create a digitally conducive environment

9 Regularly analyze the progress made

10 Scale and Transform as needed

7 Secure Investment and invest in the right technologies

6 Create a roadmap and plan

5 Plan and Prioritize initiatives that need change

4 Secure the commitment of the leadership and other stakeholders

3 Identify the gaps that need to be filled in order to be digitally mature

2 Define the organization's vision and why digital transformation is required

1 Assess the Organisation's Digital Environment

Digital Catapult, 101 Euston Road, London NW1 2RA   www.digicatapult.org.uk

6

4. Secure the commitment of the leadership and other stakeholders

One of the most important and a key step on the journey to digital transformation is the buy-in of the senior management or leadership. For the digital transformation process to take place successfully this is needed as without the buy-in and understanding of the leadership team the plan to implement it is at risk. Also this is important for those implementing the change as without the required authority the changes needed for the transformation cannot be enforced and the required investment from the organisation will not be provided. Below steps can be used to gather leadership buy-in:

- Identify at least one individual in the leadership who is a digital champion and can influence others in the team.
- Identify any areas of concern and any sources that are change resistant and any mitigation measures that can be taken.
- Explain the need of digital transformation and the reasons behind embarking on the transformation journey as well as list any issues that need addressing and any solutions and opportunities that will arise from addressing the listed issues.
- Pitch ideas to the leadership that are facilitated by research such that it is a value add to the organisation in terms of the paint points or issues they may be facing as well as highlight any potential challenges.

5. Plan and prioritise initiatives that need change

To bridge the identified gaps a course of action needs to be decided in the areas of processes, people and technology. Once this is done related items can be grouped together and tackled under a single work package. The different work packages will form the projects or initiatives that require change and these can be prioritised in terms of importance, scope and complexity. The initiatives could be creating new products or services or making changes to existing ones or improving client experience or it also could be a combination of the two. Regardless of what the initiative is, any transformation to be digital will always take place across three areas of people and culture, technology and processes.

Each digital transformation will require a different perspective and will provide a different return on investment and will vary depending on scope and resources and can be prioritised based on impact and effectiveness. To win early support from

stakeholders and to test the viability of a digital solution the organisation can start with a small or light project that has a few essential features of the ones required and then build on it going forward.

6. Create a roadmap and plan

After prioritising the initiatives and having the buy-in from the required stakeholders a roadmap or plan needs to be created so that the next sequence of actions and a delivery schedule can be determined. Any initiative that is taken up needs to be adequately resourced and also needs the right skillset as well as mindset to implement it as a strategy and it is also important to understand that all initiatives cannot be tackled at the same time.

It is also important to consider budget constraints and risk mitigation when creating a plan as there could be delays involved around the required skill sets and technology and these could affect the timelines as well as delivery and make earlier investments obsolete.

7. Secure investment and invest in the right technologies

It is important to secure investment from leadership as well as other external stakeholders as to transform digitally requires a significant amount of investment. Once this is obtained it is also essential that the organisation invests in the right set of technologies. When investing in technologies below points need to be considered:

- The technology and vendor should be scalable
- The vendor or partner should be able to provide support which aligns with the long term strategy of the organisation
- The technology can be integrated with existing technology and infrastructure
- The technology should satisfy the specific needs and use case of the organisation

8. Create a digitally conducive environment

Digital transformation brings about a change in the culture and environment in an organisation and this change is one of the key aspects of such transformations. At the heart of a digitally mature organisation is not only the technology but also the people. It is only natural that with change comes resistance and criticism and

therefore issues may arise out of this and the organisation has to be prepared to deal with it. The leadership will have to prepare their teams for such a change and influence their mindset so that they start embracing the change that comes with technology.

Across the organisation in every function there should be an individual or team of individuals who can act as cheerleaders or representatives and influence others around the organisation so that digital transformation becomes a team mindset and the strategies are executed in accordance with the overall goal. Identifying projects and tasks that can increase productivity, efficiency and effectiveness of the people working in the organisation is an essential and important part of the digital transformation. Upskilling individuals, giving them access to relevant resources internally and externally and fostering a data driven culture so that individuals can innovate can create a digitally conducive environment across the organisation.

9. Regularly analyse the progress made

The technology landscape is changing everyday and therefore digital transformation finds its root in change. It is therefore essential that the organisation regularly analyses its performance by using Key Performance indicators (KPIs) and metrics to indicate the Return on Investments (ROI) and how the strategy or framework needs to evolve. The performance can be measured using below points:

- Before the organisation embarks on the digital transformation journey the defined goals should provide an outline of the desired results expectations.
- Decide on the KPIs the organisation wants to use to track its performance and demonstrate why the KPI used is of importance and why the ones that are not being used are not. Using KPIs can help the organisation to achieve the outlined goals and objectives.
- Acquiring the right set of tools and technology that is suited for the organisation so that it can capture data and provide reports and analytics. Capturing the right data is important as that data will be used to extract information for measuring KPIs and reviewing reports.

10. Scale and transform as needed

Since the digital transformation strategy is a continuously evolving process there will always be situations where there will be adjustments and changes that need to be made constantly to the approach. Hence using an agile approach and embedding it into the strategy from the beginning of the journey is very important. Reviewing the strategy regularly and working on maintaining success and tackling

failure is very crucial to this journey as well as being data driven and working on feedback received from employees. Any organisation needs to lean away from the traditional matrix structure with rigid functional boundaries and make way for a network like structure where the function or functions are organised around sources of value.The only way an organisation can succeed on this journey is to learn as it transforms and apply the same when the company starts scaling.

While the term digital transformation puts an emphasis on technology it is more of a change to the organisation's corporate culture and model with digital technology being at the centre of causing the change. The organisation structure, revenue sources and efficiency will all change and evolve under this transformation.

Next Steps

Assess your Digital Maturity

Having taken a closer look at all the steps involved in Digital Transformation, the next step is to assess the Digital maturity of your organisation to evaluate your current state of digital readiness and identify areas for improvement.

At Digital Catapult, we offer a comprehensive digital maturity assessment that is available [here](#).

Implement The Digital Transformation Strategy Framework

Once you determine the Digital Readiness Level of your organisation, this 10-steps guide will come in handy to steer towards your Organisation's next level of maturity.