

## ■ THE BOTTOM LINE

# No more lip service. Time for a true digital transformation

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By Harsh Vardhan

**D**ESPITE much hype and chest-thumping in recent years, the promise of true digital transformation – a mindset shift as much as it is a digitalisation of data, assets and processes – has eluded the majority of enterprises across Asia.

Corporate leaders have dazzled themselves with the prospect of a brave new world of automation, machine-learning and a gold mine of opportunities from artificial intelligence (AI) waiting to be discovered. But very few outside the tech world itself or larger multinational corporations (MNCs) have embarked on this transformation – until the sudden shock we have all faced in the Covid-19 crisis.

In a matter of months, not one but two problems have paralysed the world – the sudden collapse of oil prices and the pandemic. These global black-swan events have dealt a sharp blow to the way we live and work. They have laid bare the sad truth that the majority of corporations – particularly small and medium-sized enterprises (SMEs) – have been kicking the can down the road with regards to digital transformation.

Corporate decline or death was a distant prospect if the team worked hard and had an established customer base. The digital transformation was postponed time and again, with only patchwork additions for functions like video conferencing, cyber security and piecemeal mo-

bile applications, while moving non-essential workloads to the cloud.

Boardroom tussles over budgets revolved around allocating resources for front-end customer experience to increase revenue and back-end productivity solutions. The net effect was that the dialogue was reduced to who needed the budget more, rather than the big but overdue strategic shift.

True digital transformation, which must be both lasting and impactful – in processes, in harnessing new applications and in a deep cultural shift among all employees – was ignored, until the coinciding of these two life-changing events in early 2020.

Suddenly, we have a crippling reset of business models. On the demand side, we are faced with a pandemic that has strained every public healthcare system around the world, near-total suspension of air travel, lockdowns which have left cities deserted, and a supply chain dislocation which may take years to repair.

On the supply side, the price war in oil markets has had a major impact on energy and financial markets.

For chief executive officers (CEOs), the boardroom debate has taken an unexpected turn. The demand side has virtually evaporated as many economies have slid into a recession, despite stimulus programmes unleashed by governments. The pie has shrunk significantly, and may not grow for several quarters at least.

Corporations that do not embark on immediate transformation will not be able to compete with those that do once the storm has passed. Old habits, old processes and dependence on old technology will leave many outdated, uncompetitive and on the verge of extinction.

True digital transformation will require delayering of decision making and work processes. Cash conversion cycles must compress, impacting receivable and payable days. Assets have to be digitalised and enhanced so that depreciation is better managed. Capital expenditures must give way to operating expenditures more than before.

But where and how do we start? Eight laws will determine success or failure for digital transformation:

First, digitalise every transaction, event and asset as far as possible at source. Reduce or remove human intervention to allow anticipatory computing and true mobility. The sad fact is that many tech-savvy organisations have moved many processes to the cloud, but a large number of day-to-day activities still require human intervention.

Second, intelligent systems can only function if all information is available democratically and securely. The systems must be able to access all data to predict, propose options and make decisions.

Third, transformation requires total digitalisation of core functions assisted by AI and ma-

chine-learning and the automation of supporting functions.

Fourth, the definition of an asset must change beyond balance-sheet terminology. Existing tangible assets must be digitalised to enhance their useful lives and impact depreciation positively; at the same time, new digital assets in the form of data, processes and IP must be established and nurtured.

Fifth, by replacing legacy systems with digital processes, a corporation can increase its capacity – for output of services or products – exponentially, thereby redefining growth opportunities.

Sixth, how close you are to your customers depends on the degrees of separation you have with them; eliminating or reducing these degrees will bake in customer intimacy.

Seventh, without empowerment, true digital transformation cannot be achieved.

Finally, digital transformation requires total commitment from the CEO as the chief agent of change, without which these efforts will fizzle out.

The brave new world requires CEOs to step forward and lead the transformation decisively. There is no longer the luxury of time or alternatives in a world after Covid-19.

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