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ADVISORY

## **DIGITAL TRANSFORMATION: WHY IS IT CRUCIAL FOR YOU AND YOUR BUSINESSES?**

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By Hari Iyer

### Digital Transformation

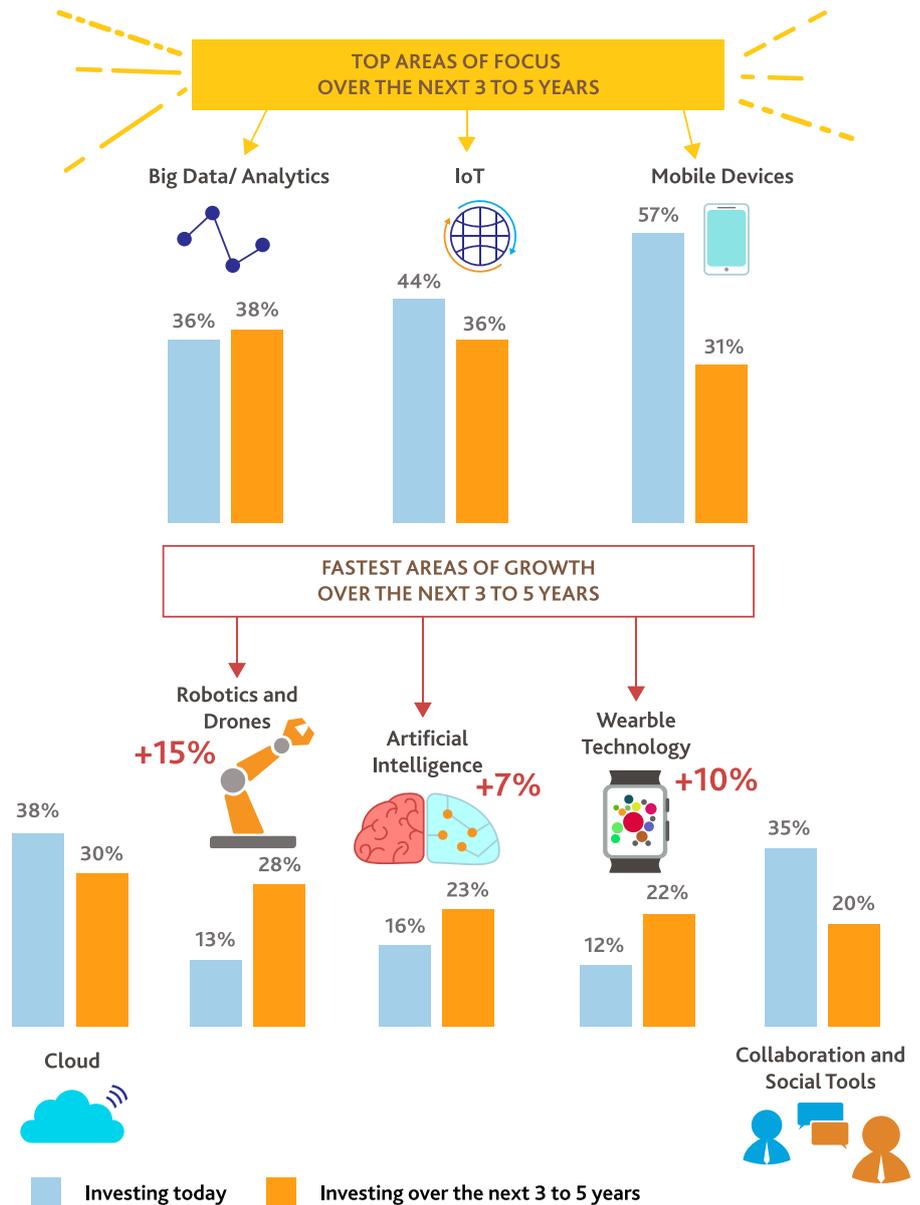
is the use of digital technology to solve traditional problems and enable new types of innovation and creativity, rather than simply enhancing and supporting traditional methods.

It is the concept of reaching digital business maturity affecting both individual businesses and areas of society, including government, media, arts, medicine, and science.

Today, every part of business is subject to new expectations, competitors, channels, threats and opportunities. As the numbers of smart, connected devices from phones to cars to wearables are growing, companies that quickly deliver digital-enabled products or services and use insights to quickly optimise their value chain are gaining competitive advantage.

Businesses that digitally transform will be able to connect more closely with customers, speed up the pace of innovation and, as a result, claim a greater share of profit in their sectors. Today, digitally transformed companies have an edge; tomorrow, only digital businesses will succeed. Digital is now the new norm.

Companies like Amazon, Nike and Burberry have moved from being providers of consumer goods to digital leaders, creating value across products, services, and experience. It's the digital lives of customers that are changing the rules of engagement, and customer's loyalty grow stronger for the brands that keep pace. Illustration from The World Economic Forum of global areas of focus over the next 3 to 5 years:



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### GLOBAL TRENDS

The digital transformation is already underway, but is not progressing at the same pace everywhere. The World Economic Forum and Accenture launched the Digital Transformation Initiative which focused on ensuring that digitalisation unlocks new levels of prosperity for both industry and society.

The 2017 interim report claims that digital transformation

**'could deliver \$100 trillion in value to business and society over the next decade'**



A recent survey of 890 CIOs and IT Directors in 23 countries showed that 44% of respondents felt complex legacy technology is the main barrier to digital transformation, with 51% saying they planned to adapt or replace existing infrastructure as a means of accelerating digital transformation.

The October 2018 Cisco survey found that almost half (47%) of the IT executives surveyed from ASEAN regions report not having the budget necessary to build the right digital infrastructure, while 43% lack the necessary talent to create digital solutions, and 42% believe that their existing IT infrastructure will be unable to support the next generation of technology.

Another study highlighted key barriers as lack of digital strategy and workforce readiness as illustrated below:



Source | Dell Technologies research - Realizing 2030: A divided vision of the future

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### WHY TRANSFORM?

Organisations must contend with nimble competitors who take advantage of the low barrier to entry that technology provides. Given the importance of technology and its widespread use, the implications of digital transformation for revenues, profits and opportunities have dramatic upside potential. For example, in hospitality where online travel agencies, service aggregators such as Expedia and booking.com, and disruptors such as Airbnb are transforming the industry. E-commerce players such as Amazon and Alibaba have transformed the shopping experience and digital transformation in banking and Fintech startups are transforming the industry.

### TRENDS IN ASEAN REGION

Different regions in ASEAN can vary significantly in terms of government support for digital transformation, and their priorities and needs. Governments in Singapore, Malaysia and Thailand, for example, are providing a favourable environment for business-led digital transformation, leading to success and innovation with big data and analytics, AI, and automation technologies. Adoption of Internet of Things technology, meanwhile, is low across the region, hovering at 28% adoption. The introduction of 5G means that the telecoms industry must undergo digital transformation in order to unlock 5G's full potential.

Digital Cambodia Conference in March 2019 showcased digital transformation in Cambodia including the growing tech startup market. The government set forth a plan to foster a thriving digital economy by 2023 including more than \$17.9 billion in funding raised in 2018 to support the region's startups. Vietnam's e-commerce Master Plan has helped grow its internet technology industry, and the country's IT Master Plan has given tax



incentives to build education infrastructure and support new ICT firms and investment. The Vietnamese digital scene is starting to thrive with training centres and tech parks for IT programmers and engineers scattered across eight cities, and its booming internet economy is expected to reach \$33 billion by 2025.

The World Economic Forum in 2018 held in Vietnam aimed for improved collaboration across ASEAN to capitalise on digital growth through free movement of talent, data, capital and education. The Fourth industrial revolution requires a mindset change and was stated as the 'mindset revolution'.

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### STAYING COMPETITIVE

Companies not embracing digital transformation run the risk of going out of business.

#### SOME OF THE KEY ISSUES INCLUDE

▶ Losing customers to competitors if companies are slow to adopt digital channels

▶ Increasing cost of maintaining legacy technology and resource-intensive processes impacting on profitability

▶ Lack of investment in training and upskilling workforce resulting in losing skilled talent to competitors

▶ Lack of strategy to support data mining, analysis and insights to measure customer experience and engagement, and enable management decision-making, impacting on market share

▶ Lack of digital-focused policies to facilitate consistent change and innovation across the organisation resulting in plans and projects that are not integrated or collaborative

▶ Lack of digital adoption can adversely impact on brand reputation if the company is not seen as keeping up with change and forward-looking

At a macro level, governments and businesses need to work hand-in-hand to ensure companies are better-prepared for digital transformation and make progress to stay competitive.

At BDO, we offer a range of technology services in the digital transformation area including Blockchain Technology, Artificial Intelligence, Machine Learning, Robotic Process Automation and Cloud-based solutions. Our services include:

- Evaluate and advise on the business processes suitable for digital transformation programmes for our clients;
- Assist with the technology partner selection and product selection for the digital transformation programme;
- Project Management for the digital transformation programme;
- Programme Assurance on the on-going digital transformation programme;
- Create value from the digital transformation programme; and
- Post-implementation review of the digital transformation programme for benefits realisation.

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