

# Building a Resilient Business Model through Digital Transformation: A Leadership Perspective

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In an era of perpetual disruption, CEOs and other C-suite executives must embrace proactive leadership by analyzing the market landscape, recognizing potential risks, and capitalizing on promising prospects. This necessitates undertaking “digital transformation” (DX) initiatives to streamline operations and foster growth. The crucial query remains: How can business leaders effectively leverage digital tools to drive innovation? Amidst mounting technological complexity, where should they prioritize their scarce time and

resources to ensure organizational triumph in the transformative voyage?

DX goals encompass a wide range of objectives, such as enhancing logistics through new supply chain management systems or migrating data centers to the cloud. It may also involve leveraging artificial intelligence (AI) for process automation and developing applications to enhance customer relationship management.

The leadership perspective on DX requirements extends beyond adopting readily available systems or following competitors. It should focus on delivering measurable value to the organization. A CEO’s innovation goals may include digitizing business models, creating new products, enhancing customer experience, and disrupting the industry with new benchmarks.

From modest to radical, digital transformation initiatives to build a resilient business model can be segregated at five different levels:

**Level 1: Incremental digitization**

- No change in business model, capabilities, and market segments/ size
- Digitizing data storage and internal business processes

**Level 2: Advanced digitization**

- No change in business model, capabilities, and market segments
- New tech platform deployment and process digitization
- Revenue generation with cost and operational efficiencies

**Level 3: Entering new markets**

- No change in business model and capabilities

**Level 4: Launching new products**

- No change in business model
- Development of new capabilities leading to new product/service offerings

**Level 5: Building innovative business model**

- New business model
- Innovative capabilities resulting in superior products/ services, and industry disruption
- Need for new KPIs to measure success of DX

At the initial stage of DX, business leaders typically undertake foundational initiatives aimed at incremental digitization. This involves examining analog processes within the organization, like paper-based loan applications, and transitioning them into digital practices, such as online applications. While these changes may not be transformative in nature, they establish a rhythm for further transformation. CEOs initiate these transformations from Level 1 but delegate much of the execution to senior managers, focusing on articulating the need for change and ensuring clear communication among personnel while removing any obstacles that arise.

Beyond incremental digitization at Level 1, business leaders advance to Levels 2, 3, and 4, aiming to deploy new revenue and value-generation technologies. This phase of DX necessitates increased collaboration among the C-suite and comprehensive change management throughout the enterprise. While existing key performance indicators (KPIs) remain unchanged, transformations at these levels require new evaluation mechanisms to assess their execution.

Level 5 represents a pivotal stage where the organization undergoes substantial changes to its business model, enhancing resilience. Operations at this level transform processes, drive revenue, and disrupt the industry. Leadership plays a crucial role by championing the transformation, embodying it, and reshaping the organizational structure accordingly.

Successful DX requires strong advocacy, engagement, and motivation at all levels, as roadblocks and resistance are common. Leaders must remain actively involved in the transformation process and drive organizational cultural change. This may include redefining executive roles, establishing new KPIs, and adjusting measurement frequency to ensure alignment with the transformation objectives.

### **Assessing Readiness for Transformation**

Before an enterprise embarks on any journey toward innovation, it is crucial to close the gap between the DX ambitions and the organization's readiness for change. From a leadership perspective, it involves creating tolerance for a shift and bringing the right talent to implement new systems. They may also have to collapse certain organizational hierarchies to improve agility and make the deployment of new frameworks more successful.

In addition, business leaders trusted to initiate and enhance DX must ensure that their organization has the right capabilities to drive innovation:

- **Agility:** Quick adaptability to changing conditions for specific business functions.
- **Scalability:** Efficiently streamline operations to accommodate fluctuating demand.
- **Stability:** Maintaining operational excellence and positive outcomes during changes and scaling.

Leaders should embrace integrating new technology capabilities from trusted third-party vendors to enhance organizational agility, scalability, and stability.

### **The Imperative Role of Leaders in Driving DX for Resilient Business Growth**

Organizations must prioritize digital transformation to cultivate a resilient business model and harness technology for continuous advancements. Leaders assume a vital role in these endeavors, involving essential digitization, incremental changes, disruptive innovations, or anything in between. Their active involvement throughout the process is paramount.

In today's technology-driven world, digital transformation is crucial for businesses to remain competitive and evolve. These initiatives are too vital to be delegated and overlooked; leaders must actively engage and oversee them.