



TRANSFORMATION INDEX

Annual Research 2020-21

**Tech
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The COVID-19 pandemic brought major disruption to global businesses—however it also proved a fertile period for digital experimentation and rapid transformation. The research presented below, based on a survey of 400 C-Suite executives, explores how an organization's level of digital transformation was a significant indicator of business continuity in a period of unprecedented disruption and digital innovation as a predictor of organizational resilience.

About the Research

Following a decade of focus on digital transformation, or the integration of digital technology into all areas of business, the COVID-19 pandemic offered a unique opportunity for organizations to see the benefits of their digitized operations in action, as well as to discover new opportunities toward promoting long-term resilience.

Last year, Tech Mahindra and Dow Jones Intelligence partnered to develop The Efficacy Index, a first-of-its-kind benchmarking tool that provides personalized insights on transformation efficiency and effectiveness. This research builds and expands on that work, probing new opportunities revealed by the COVID-19 pandemic in the digital transformation space.

This year's research is based on a survey of 400 senior executives from around the globe. More than 80% of respondents represent organizations with over \$1 billion in annual revenue and one-third over \$10 billion. To help identify best practices, organizations in the top quintile of the sample are identified as industry "leaders", accounting for 22% of respondents. The survey found that support for its hypothesis that companies which had invested in digital technology found themselves better positioned to navigate the sudden disruption brought on by COVID-19.

The survey also uncovered emerging approaches that leaders are taking to gain the biggest benefits from their digital strategies as industries across the board seek a new, more resilient way forward.

Tellingly, industry leaders are employing a comprehensive investment strategy across the full suite of digital technologies, from advanced analytics to machine learning. These investments correlate positively with financial profit and growth, demonstrating not just the benefits but the necessity of digital transformation as the world transitions to new ways of working and heightened customer expectations.

RESEARCH BASED ON:



400 senior executives from around the globe



80% represent organizations with over \$1 billion in annual revenue



One-third represent organizations with over \$10 billion in annual revenue



Persevering through Disruption

New opportunities
in digital abound

Digital has been largely propelled by external disruptors or a need to reduce costs by addressing inadequate productivity, according to the survey. The pandemic has spurred a more proactive approach that embraces digital transformation for the resilience it brings to an organization in times of uncertainty and disruption.

COVID-19 forced companies to make rapid adjustments in numerous aspects of their operations. Every survey respondent reported disruption to at least one function due to government-mandated shutdowns, reduced efficiency due to anti-infection precautions and supply chain complications, among other issues brought on by the pandemic. On average, companies reported seeing five functions massively or substantially disrupted by COVID-19.

This disruption has had an unexpected bright side, however. Companies have accelerated their

IT priorities to make up for lost revenues, to lower expenses or boost productivity. Some 95% of companies reported greater awareness of new elements of digital transformation.

Companies are using the pandemic as an opportunity to examine every aspect of their operations, while identifying new processes and better ways of working that many had never considered before.

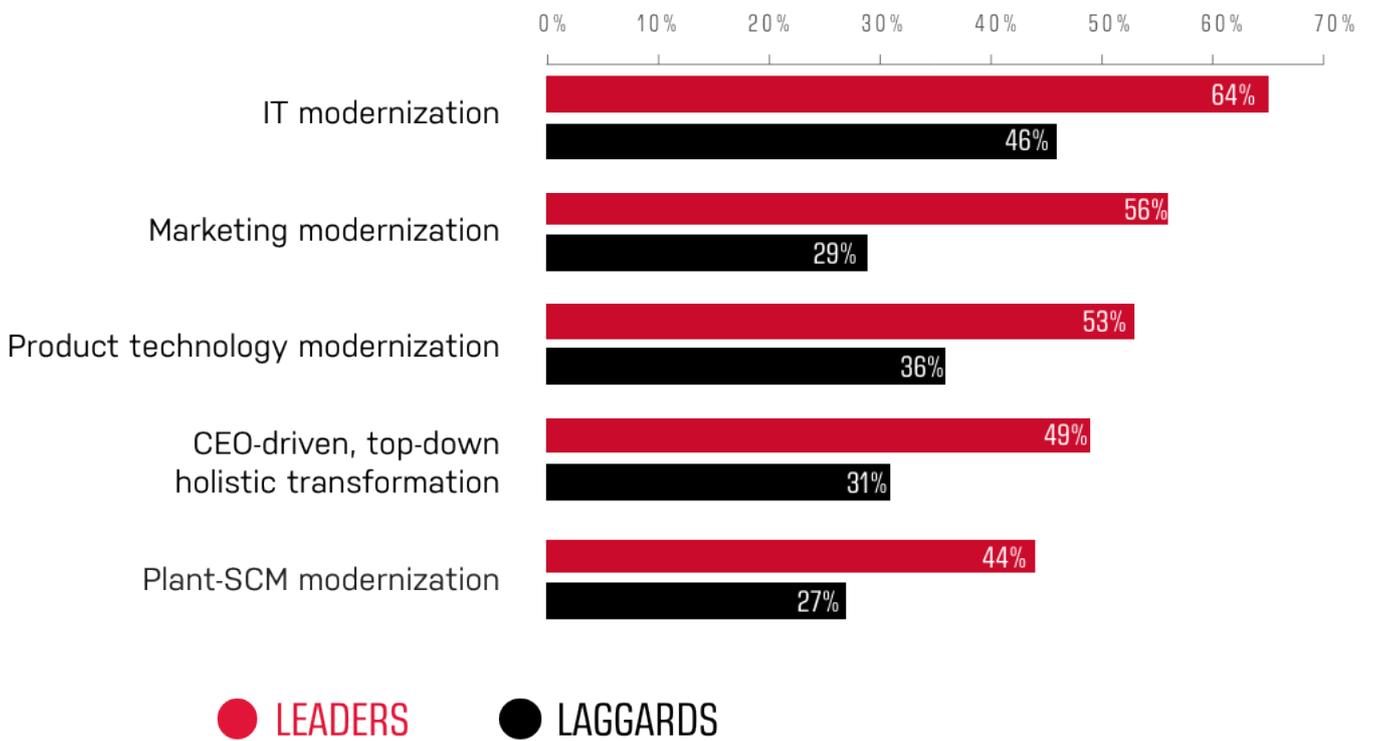
A large majority of executives say their organization has increased priority for every type of digital transformation as a direct result of COVID-19. The priorities remain consistent from those of two years ago—such as IT modernization, marketing modernization, product technology modernization and CEO-driven, top-down holistic transformation. Each of these priorities has substantially grown in importance.

95% of companies report greater awareness of new elements of digital transformation



Prioritizing Digital Transformation

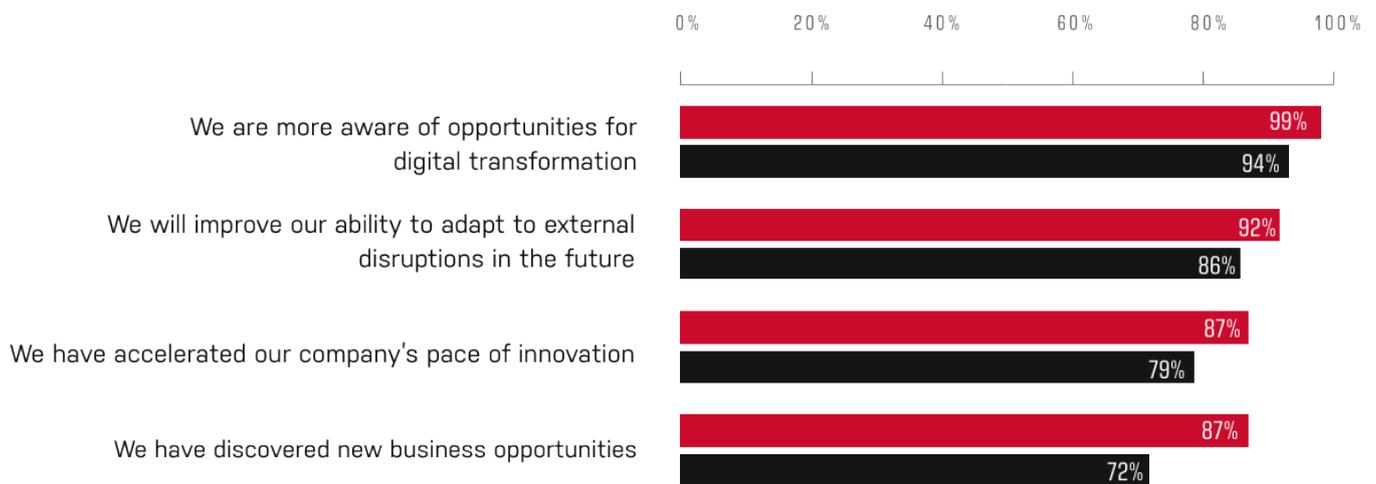
To what extent, if at all, have the following types of digital transformation changed in priority for your organization in light of the COVID-19 pandemic?





Assessing Risk of Disruption

Do you agree or disagree with the following statements about the impact of the COVID-19 pandemic and the risk of future disruptions?



● LEADERS

● LAGGARDS

Some of the COVID-19 pivots were fairly intuitive, such as commercial airlines offering cargo flights to compensate for the significant drop in passengers travel. However, some of the responses to the pandemic have been remarkably inventive. For example, a Swiss maker of water filters converted the plastic membranes that it used in its product into facemasks to meet

soaring demand by simply changing the size of the pores in the membranes.

Such innovations, large and small, emerged in abundance from the pandemic. Indeed, HSRC, an international research firm, has identified 55 "multi-billion-dollar business opportunities" that have emerged in response to COVID-19 in the healthcare space alone.

A Dramatic Change in Mindset



Sanjeev Rawat,
CITO, Hutchison
3 Indonesia

Hutchison 3 Indonesia, one of the country's leading mobile communication service providers, had already been on a digitalization journey for five years when the COVID-19 pandemic struck.

While the company's digital initiatives did not change because of the pandemic, the IT function had a "dramatic change in mindset," says Sanjeev Rawat, CITO of the company.

Previously, IT systems were considered so critical that large technical staffs remained on site, 24/7, to manage applications and deal with any issues. The Operational Control Center (OCC) would always have at least 50 workers around the clock.

As a result of the pandemic, most of the IT personnel began working from home. The staff at the onsite OCC was kept to a lean number of five or six. The transition to a working-from-home IT department was remarkably seamless. All projects were smoothly executed

as per schedule. The IT staff were able to manage expectations of external and internal users without any service disruption.

"This has been a learning opportunity for both IT and the business," Rawat says. "This has made me consider different ways that we can change the IT model for greater efficiency. Perhaps, we can move more of the work offsite, or even offshore it, and enjoy some op-ex savings."

Like many companies, Hutchison is looking for ways to reduce costs in the wake of the pandemic. Rawat says his role is to keep aligned with other C-level executives on cost-cutting strategies. In that way, he can ensure the company has the right technology to meet any business challenge opportunities.

"The pandemic has shown us that IT has a bigger role to play," he says. "We are business enablers, not business blockers. At no point should business miss potential revenue opportunity on account of IT. We have to always keep ourselves on our toes and keep challenging ourselves to do new things for the business, and find flexible, scalable solutions that match the business opportunity. Anything and everything today is IT."

In addition, 83% of survey respondents have accelerated their pace of innovation and 76% have discovered new business opportunities



**Building
Organizational
Resilience**

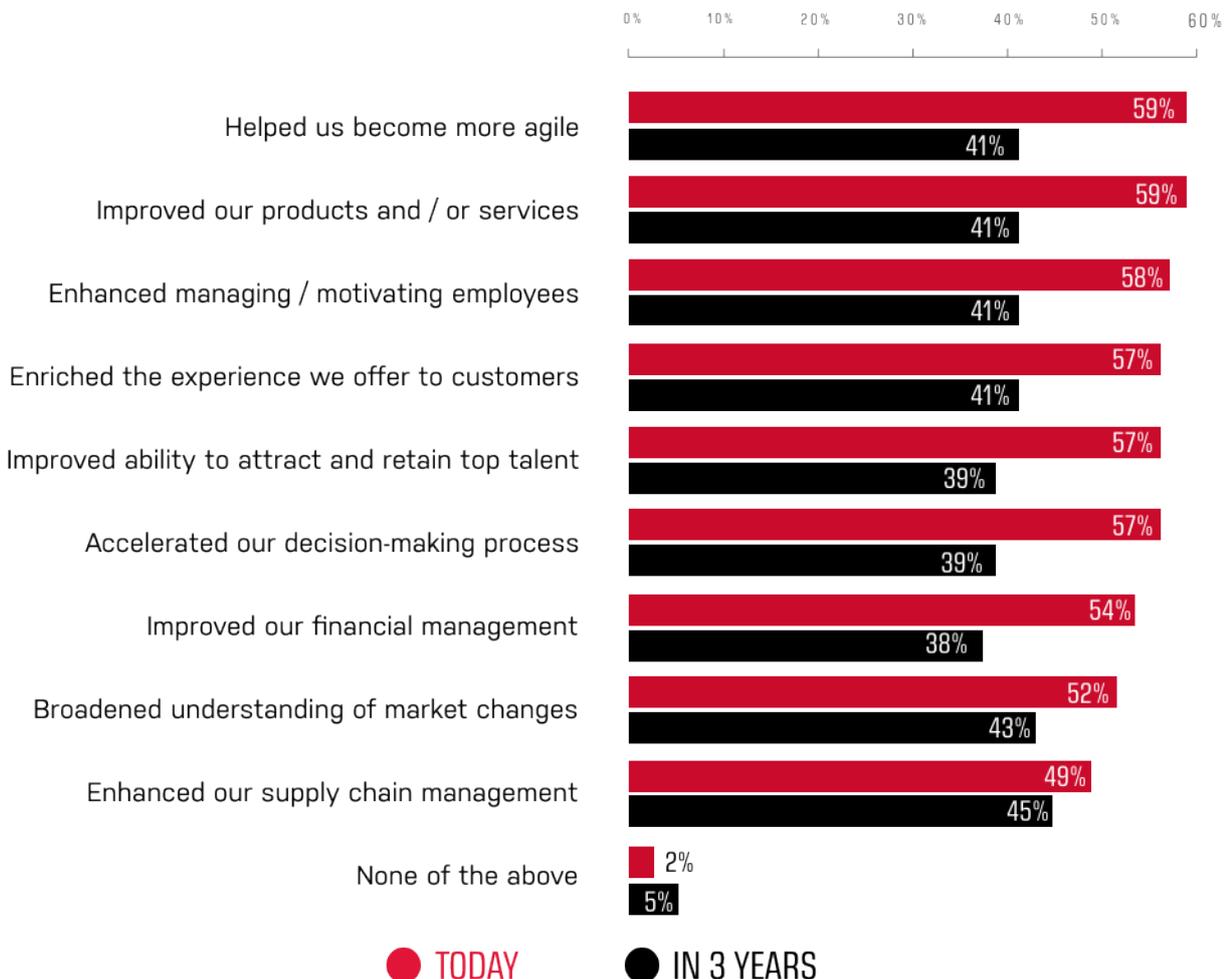
Revenues &
Resilience

Investment in a digital strategy, regardless of industry, correlates positively with financial profit and revenue growth, the survey found. For example, one restaurant chain saw a 100% jump in online orders after upgrading its mobile app to allow customers to customize their orders more easily. While digital strategies are having a payoff on the bottom line today, the future benefits may be just as important.

A majority of survey respondents agree that digital transformation has created major value across every level of the business. The top values—each cited by well over half of respondents—were in areas that both have been necessary to confront the pandemic and will be critical in the future: greater agility, improved products and services, enhanced managing/motivation of employees, enriched customer experience, attracting and retaining top talent, and accelerated decision-making.

Value Creation

In which of the following ways has digital transformation created value for your company today, and in which areas do you expect it to do so in the next three years?



EXAMPLES ACROSS ALL INDUSTRIES



BANKS

Banks found that customers were understandably wary of visiting branches. One Asian bank quickly built upon the digital transformation foundation it had spent years developing, attracting tens of thousands of new customers by ramping up its tele-advisory services and quickly implementing an application that allowed customers to submit documents electronically.



RETAILERS

Retailers discovered an opportunity in video chat to interact with customers, adopting new technology that enhanced customer satisfaction and created sales. In one case, a home retailer allowed contractors to conduct virtual home visits, aided by technology like augmented reality quick-draw tools to make their presentations easier for customers to follow.



MANUFACTURING

In manufacturing, one supplier implemented an automated way to improve pricing for thousands of product configurations, updating 200,000 price points for up to 20,000 products every week.

Such initiatives are due in part to how quickly customers across industries embraced digital technology themselves. As a result, digital transformation promises to fundamentally change how many industries will function in the future.

The healthcare industry provides a particularly striking example. As patients began using virtual care for safety and convenience reasons, healthcare providers not only ramped up their offerings but expanded them. For example, one large Midwestern provider of geriatric services added specialties like orthopedics to its telehealth offerings—something it had never done before but which patients welcomed after the pandemic made them more comfortable with virtual interactions.

While the customer-facing interest in digital technology has been apparent during COVID-19, the internal benefits of digital transformation for companies cannot be overstated. As employees began working from home, companies with strong digital processes were at a significant advantage. Digital tools allowed remote workers, independent contractors and the varied new workforce to keep connected and feel engaged.

Recognizing that disruption is the “new normal,” 90% of companies in the survey will improve their ability to adapt to external disruptions in the future. Investing in digital transformation brings long-term resilience to an organization, enabling it to react to whatever tomorrow brings.

In one telling example, a manufacturer adopted an e-sourcing platform that automatically captures all supply chain costs, including material, labor, duties and inventory carrying costs. The platform assesses the cost and likelihood of failure of a particular supplier to deliver. This real-time information allows the company to collaborate more closely with suppliers and focus on reducing risk rather than just reducing costs.

Cash flow, another key area of resilience, became a pressing concern during the pandemic as well. Using digital transformation to automate payments enabled companies to eliminate glitches and errors so that their accounts receivables are not delayed. By shifting business models and producing new offerings, digital transformation can also diversify revenue, protecting cash flow if unexpected events affect one part of the company.

Finding Business and IT Opportunities



Sanjeev Rawat,
CITO, Hutchison
3 Indonesia

The COVID-19 pandemic has brought immense challenges. Hutchison 3 Indonesia, one of the country's leading mobile communication service providers, found the pandemic also brought significant business and IT opportunities. For example, the Indonesian government gave students benefits to deal with the difficulties of the pandemic. As a result, Hutchison was able to bring many of those students onto their network as new customers.

Before the pandemic, Hutchison 3's business model was already moving toward more digital ecommerce platforms, like providing the connectivity for digital vending machines. The need for different revenue streams during the pandemic has made the need for such initiatives even more clear.

Sanjeev Rawat, CIO of Hutchison 3, says that tapping into those new opportunities required the company to make greater use of advanced technology, such as artificial intelligence and

machine learning, to monitor and understand customer behavior.

"We needed to understand what channels customers were using, such as Facebook, Instagram, and WhatsApp," Rawat says. "We needed to narrow down the microsegment of our customers so we could give them the right information, but not irritate them with too much information or information that wasn't of value to them."

The IT function saw opportunities from the pandemic as well. Most of the company's digitalization efforts had been aimed at providing the proper tools for customers. Before the pandemic, automating business processes was given a lower priority and was happening at a slower pace. As more associates started working from home, it spurred the need for automation of business processes.

As Rawat explains, "The pandemic didn't drastically change our digitalization strategy. However, people's mindset's changed. We had always had tools like Zoom and Microsoft Teams, but as people started to work from home they became absolute necessities."

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**Building
Organizational
Resilience**
Digital benefits

Digital transformation is a complex initiative that touches on every aspect of a company's operations. The organizational, cultural and operational changes affect business models, processes and human capital management.

To identify best practices when it comes to implementing these complex efforts, the study examined the practices of those 22% of respondents determined to be industry leaders in digital transformation, in terms of profitability and revenue growth.

The study found two commonalities. First, companies require a holistic digital strategy and executive vision. Leaders are especially secure that they have a strong digital vision. This is critical since a clear, concise vision, which inspires a sense of urgency, is necessary to speed digital adoption through middle and senior management, and then through the rest of a company's ranks.

Digital leaders put primary value on rapid

transformation, knowing that market conditions are sure to change. However, leaders see their digital strategy as a balancing act. A third of leader respondents say they will sometimes let an opportunity slip by to place themselves in a better position later on. And 17% take the long view that it's better to transform right than transform fast.

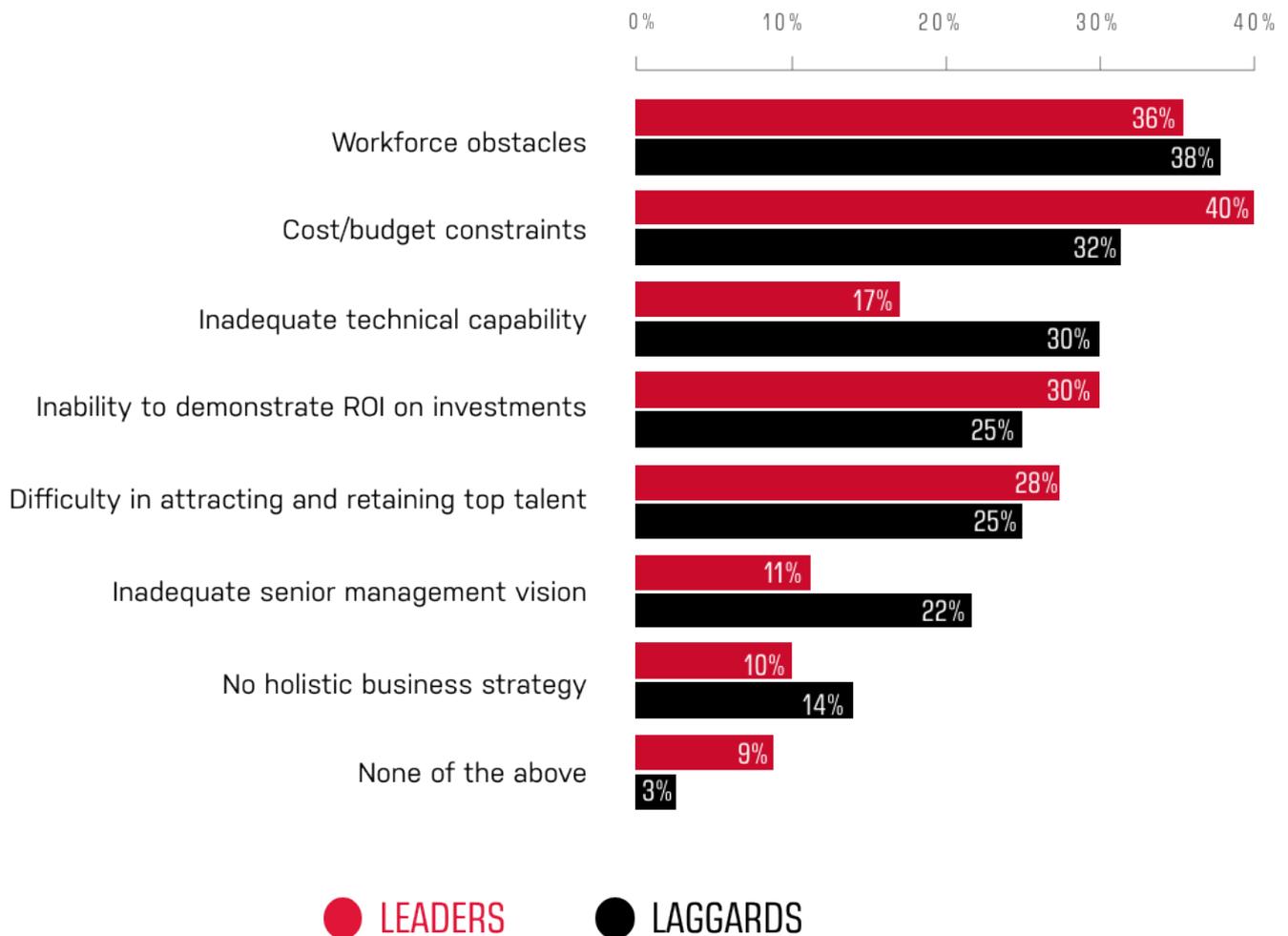
Having a mix of long-term and short-term orientations makes sense given the nature of digital transformation. It is an ongoing process rather a project with a completion point. Instead of something that is "done" to a company, digital transformation must be embraced as part of the organization's culture.

Consequently, the survey found the issues companies need to address in advancing their digital strategy tend to revolve around culture and bottom-line concerns, such as assuaging workers about change/job loss, finding adequate budget at a time when competition for resources is increasing, and addressing inadequate technical capabilities.



Overcoming Challenges to Digital Transformation

What are the biggest internal challenges faced by your organization in designing, planning and implementing digital transformation?



Successful companies are taking a methodical approach as they advance their digital strategy. Creating a platform for new digital services (37%) and establishing digital innovation labs and centers of excellence (36%) stand out as particularly valuable in the success of digital transformation strategies.

Centers of Excellence (CoE) are typically comprised of a diverse team of specialists that understand a company's value chain, customer needs and existing technology. They act as an information hub that connect different stakeholders and business functions, helping identify areas where artificial intelligence and other new technology can have the most impact; select and manage vendors; and address any fear of change. As a result, CoEs can help address both the technology and cultural issues that surface during digital transformations.

Digital platforms—frameworks that connect suppliers to customers—are built around agility. They can scale as fast as they can add partners, providing an external gateway to innovation and new service offerings. In this way, they epitomize all the benefits that digital transformation can bring.

Other key contributors to digital strategy are introducing automation (34%), understanding emerging technologies (34%) and implementing agile development processes (33%). These initiatives tend to be clearly defined and measurable, providing greater confidence as companies reinvent long-standing processes. They also demonstrate how digital transformation must be integrated into the fabric of a company. Companies get the most benefit from digital transformation when they factor in both technology and people, which is at the heart of agile development.

Most importantly, the survey found that leaders invest in the full spectrum of digital technologies, from advanced analytics to augmented data management to Robot Process Automation (RPA). The gaps between the leaders and laggards in certain areas of technology spending are striking, demonstrating leaders' belief that digital transformation can touch every aspect of their operations and they must examine every opportunity to stay ahead of the competition.

Digital Strategies of Successful Companies



37%

Creating a platform for new digital services



36%

Establishing digital innovation labs and centers of excellence



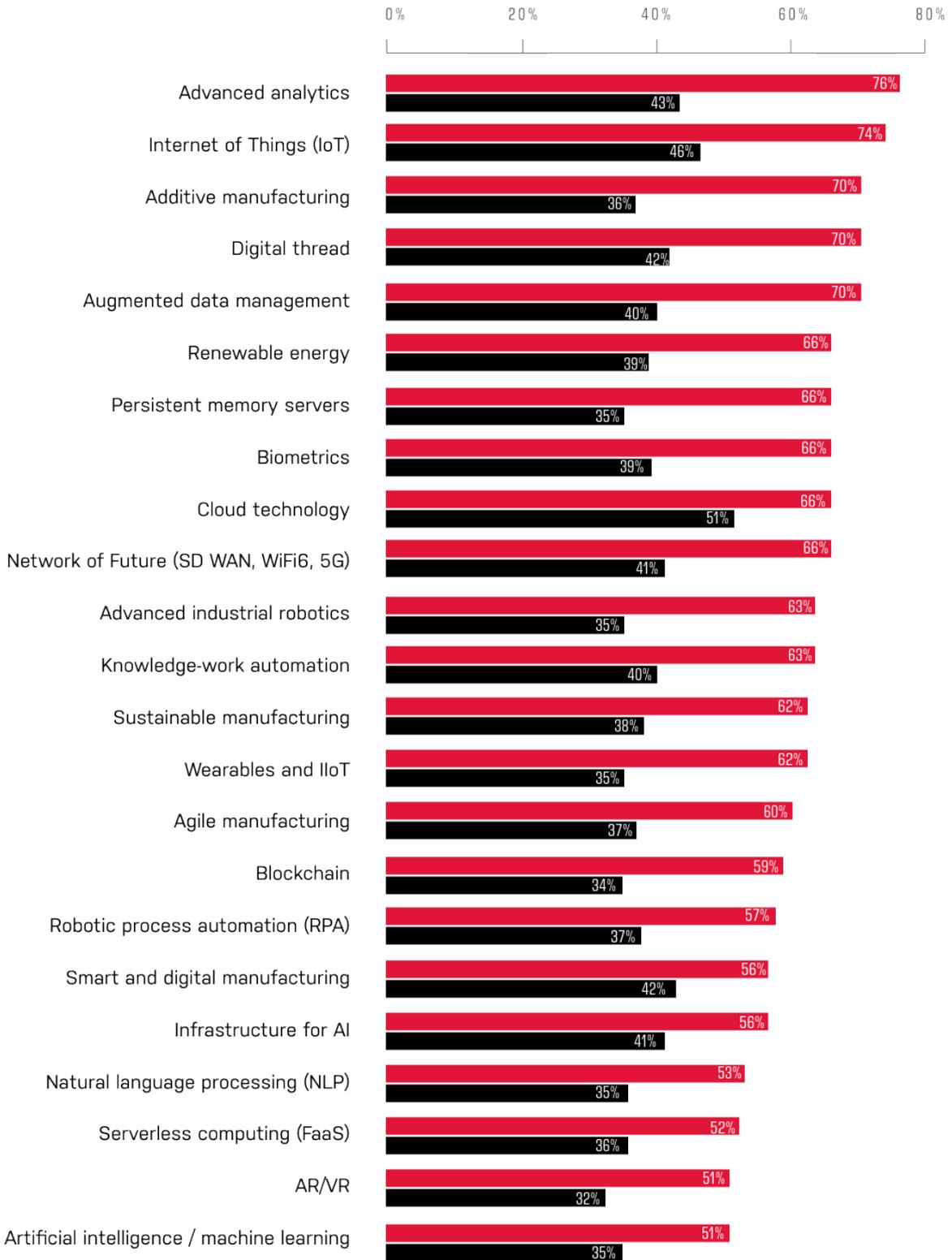
34%

Automation



Digital Strategy

To what extent has your organization implemented the following?



● LEADERS

● LAGGARDS

Over half of respondents say they have widely implemented cloud technology (54%) and IoT (52%). Nearly as many (46%) have installed innovative network technologies like wifi6 and 5G.

These foundational elements of digital transformation allowed many companies to reinvent their processes on the fly during the pandemic. For example, manufacturers can use the cloud to aggregate data from different plants, suppliers and divisions. At the onset of the pandemic, this information provided better oversight during a period when engineers were

restricted from traveling. Over the long run, applying advanced analytics to these combined data stores can dramatically improve processes and products.

Respondents from leader organizations are particularly robust in regard to the potential payoffs from digital transformation, with more than half saying it has very high potential to resolve Covid-related challenges through new processes for IT, finance, general management, customer service, sales and marketing, strategy/business development and human resources.

Building a More Inclusive Digital Future



Johan Wibergh,
CTO,
Vodafone Group

2020 has been a learning opportunity for us all. At Vodafone we recognized early on in the pandemic that being connected was pivotal to maintaining business and personal ties. We increased the capacity of our networks, supported governments with their digital agendas and helped businesses work from home.

Now we are reimagining technology to ensure that everyone has equal access to the digital

world. This requires a new social contract with governments—one that is pro-investment and pro-innovation. We have a venerable history of innovating during times of crisis. We should not lose sight of our collective experiences during the pandemic to build a more inclusive digital future.



Conclusion: Laser Sharp Focus Provides Payoff

COVID-19 has revealed the many opportunities for companies that take a proactive approach to digital transformation. This research offers a litmus test of sorts, demonstrating where enterprise stood prior to and during the pandemic and shining a light on the many more advantages yet to be gained by investing in IT infrastructure and organizational digitization.

Building on the findings of The Efficacy Index research, the new findings show that leaders are taking a laser-sharp focus to their digital strategies.

Recommendations

- Develop and promote a strong digital strategy and vision of how technology will improve agility, products/services, and the company's future prospects.
- Balance short-term and long-term orientations to show immediate success, while embracing transformation as an ongoing process.
- Foster a digital culture by building technical capabilities and assuaging workers that digital transformation will improve rather than replace their jobs.
- Employ Centers of Excellence and other tools to speed adoption and manage conflict.
- Embed digital in every aspect of your operations by investing in the full spectrum of digital capabilities.

As digital leaders can attest, companies that take this comprehensive approach are seeing benefits to the bottom-line, are able to adjust quickly to massive disruption, and are building organizational resilience as they look toward the future, seeking to lead their organizations into a whole new era.

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We are part of the USD 21 billion Mahindra Group that employs more than 240,000 people in over 100 countries. The Group operates in the key industries that drive economic growth, enjoying a leadership position in tractors, utility vehicles, after-market, information technology and vacation ownership.

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