

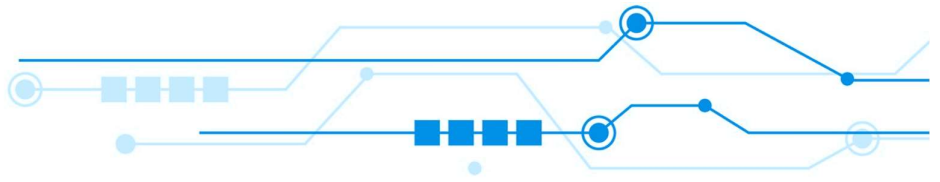
NEDs in Conversation (10 min read)  
Balancing digital acceleration with  
long term value creation

Summary of discussions | 30<sup>th</sup> June 2020



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# How ready were you?

In mid-2019 Deloitte conducted a study to ascertain the readiness of South Africa's top companies to digitally transform. 75% of the executives surveyed said they believed their company was ready for digital transformation. Now that we have experienced a black swan event, do boards reflect a similar level of confidence?

## Opening reflections

If I cast my mind back to a few weeks ago, we hosted a discussion around the role of the Board during the recovery phase of COVID-19. One of the themes we discussed was digital acceleration which initially was critical to maintaining business continuity.

Around the same time at another Deloitte event, a CEO of a leading financial services business reflected that digital transformation projects which would typically have taken two years to implement, were delivered in just two months.

In mid-2019 Deloitte conducted a study to ascertain the readiness of South Africa's top companies to digitally transform. 75% of the executives surveyed said they believed their company was ready for digital transformation. Having been asked the same question again after COVID-19 reached our shores, we see a dramatic decline in confidence (46%) with many executives questioning if they have the skills, experience and support to lead the digital strategies.

Whilst many businesses have been forced to accelerate, according to the World Economic Forum, 70% of digital transformations are not successful.

It is our belief that beyond the initial crisis response, digital strategies need to fundamentally challenge business and operating model changes.

As board members, you will also be mindful that investments and crisis responses must continue to deliver long term value for the business.

For many board members, understanding the secret ingredients of a successful digital transformation in a cost-pressured environment, whilst balancing the needs of the workforce, customers, supply chain stakeholders and others, is key to driving shareholder value.

**Sihlalo Jordan**  
Deputy Chief Executive  
Deloitte Africa

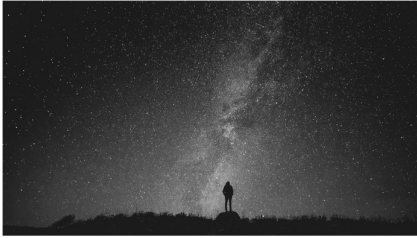
## Panel of speakers

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“Digital is a mindset. It is a new way of doing business, organised around customers, enabled by technology.”

Valter Adão  
Deloitte Africa

### Digital and corporate strategies should mirror each other

Historically, digital strategies have been created and implemented from the perspective of what the technology can do, with the needs of the customers and the market trends being addressed in, mostly separate, corporate strategies. Whilst there has been a move in the last five years towards recognising the need to challenge traditional thinking and reimagine what businesses need in a digital age, many businesses have taken the view that this is not an immediate priority. COVID-19 has accelerated the need to future-proof businesses with clear digital strategies focused on economic value and human experience, enabled and leveraged through technology.

The mindset has shifted, as boards and executives are considering digital as the critical driver of customer experience; workforce enablement; cost optimisation and even product design.

### Boards should seek a clear articulation of the value and impact of digital strategies

Digital strategies should be clearly reflected in driving shareholder value, underpinned by growth, productivity and the frictionless experience of both customers and staff.

Across organisations, we see a maturity continuum along the digital journey, with many moving from ‘doing digital’ to ‘becoming digital’.

### Who should be leading the digital strategy?

The advice we offer is that organisations should be less worried about the title and focus more on the persona of the individual in the C-suite who needs to be shaping and influencing the digital strategy.

Too often we see digital executives, whether they be Chief Digital Officers or other C-suite members, with a digital focus being mandated by the strategy of the business, and not having a voice at the strategy table.

The best qualities we see of a digital leader include:

- **Translator:** An individual with exceptional communication skills who translates across languages of technological capabilities and organisational needs;
- **Integrator:** A consummate diplomat that bridges company demands with achievable goals and converts industry trends into actionable items; and
- **Disrupter:** An individual who challenges the status quo in order to provide effective digital transformation.

Boards should question if their digital leader has the right mandate, skills and level of support. A key risk is that the underlying organisational culture, in particular amongst the executive team, stalls the change required.

# Is the business future fit?

Boards should challenge if the tactical decisions made through the pandemic will be driving value in the long term. Beware of the risk of short-term decisions becoming a ‘technology fix’ which will not deliver the long-term growth and productivity synergies desired.

## Key questions which boards should be asking of digital leaders

- How is the digital transformation programme driving shareholder value?
- Is the digital strategy an evolution in the corporate strategy, or simply a programme?
- Are the tactical decisions to accelerate digital that were made in the lockdown good for the long term?
- Is the current risk register of the board and the executive fit for the new digital age?
- How do we best prepare for future markets?
- How are we bringing a digital focus to legacy challenges?
- How are we getting digital concepts to market quickly to capture opportunities for growth?

### Digital is re-shaping the risk register

As digital transformation progresses, the operating model of the board and its sub-committees must include the guidance and governance across all digital facets of the business.

In these forums we have discussed how the risk register is changing due to COVID-19. In addition, boards should consider how the enterprise-wide digital transformation will affect the risk register of every subcommittee, whether relating to the governance of data; customer experiences; or the underlying operating model.

### Key discussion point

#### How are businesses overcoming the barrier of legacy technologies which are fundamental to the operations?

It is often true that younger companies have an advantage of the absence of legacy technologies and can therefore be more agile in embracing digital strategies. But for established organisations, there are points of resistance which hinder change including:

- Is the leadership ready to change their mindset and embrace the digital shift required?
- Assessments around digital transformation are often seen as too complex and difficult, but boards should challenge the costs associated with the maintenance of legacy systems which may not be driving the desired shareholder value.

Many boards have reflected that COVID-19 has created a ‘burning platform’ to accelerate change and challenge traditional thinking.

# Key contacts

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This summary is based on a virtual event with the same title that was hosted by Deloitte Africa's Deputy Chief Executive, **Sihlalo Jordan**, on 30 June 2020. Speakers included:

- **Valter Adão:** Chief Digital and Innovation Officer
- **Heidi Custers:** Digital Transformation Leader

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