OVER THE LAST DECADE, the proliferation of high-speed connectivity, coupled with the pace of changing preferences across demographics, has created the need for services and solutions that are delivered faster and are easier for end-users to access. This has led to digitally-savvy players tapping into changes in customer behavior, and moving ahead of the competition by accelerating digital transformation and embracing new ways of working.

The COVID-19 pandemic has brought new urgency to the push towards digital. Global efforts to resolve the pandemic are afoot, and the prospect of economies locked down in perpetuity is not an option. However, the consensus among network operators, telecom companies, and industry analysts regarding the seismic shift in global economic activity online is unanimous: digital is here to stay and it is the way forward.

Digital Transformation Is the Only Way Forward
The pandemic's impact on businesses has been felt across all sectors. But, not all businesses are facing questions of survival. Companies that are well-advanced in their digital journeys have demonstrated more resilience in their operations despite the unprecedented shock of COVID-19 given their ability to serve customers digitally.

However, the vast majority of companies are struggling to recover control over their top and bottom lines. The future for them is also bleak given that any resolution of the pandemic will not lead to a resumption of the business-as-usual environment. COVID-19 has only exacerbated the risks and challenges organizations were already facing. These include, but are not limited to:

- *Increasing customer expectations in a digitally connected world.* This is becoming increasingly true with ubiquitous connectivity and unprecedented smartphone penetration
Increasing competition from digital natives and challengers. Unlike legacy products and services, digitally-advanced businesses can scale across geographies at a rapid pace. The proliferation of connectivity has also eliminated, reduced, or modified the barriers to entry across sectors, encouraging revolutionary, instead of evolutionary, developments.

Difficulty attracting and retaining talent. With the uptake of the gig economy and an accelerating trend of the ‘work from anywhere’ concept in the wake of COVID-19, talent in the future will have many options and companies will need to evolve their culture and ways of working to attract and retain talent.

Relaxation of regulatory controls. More competitive and innovative offerings are leading regulators to reconsider the regulatory framework to promote economic development, putting pressure on incumbents to evolve themselves to stay relevant.

For CXOs and decision-makers, these challenges emphasize the need to double down on digital transformation by making it a top corporate priority – not just to stay relevant, but to survive.

DIGITALLY PREPARED COMPANIES PERFORM BETTER

The ramifications of digital acceleration are identical across industries. For instance, in the telecoms industry, BCG recently tracked operators across markets over five years and found that the most digitally mature organizations were able to consistently improve their business results and market share.

BCG GLOBAL “DIGITAL TELCO” STUDY ANALYZES TELCOS’ DIGITAL MATURITY ACROSS 45 MARKETS¹

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1 Covers ~75% of world population
BCG’s recent Global Digital Telco Study tracked the digital maturity of organizations in the industry from 45 countries that service 75 percent of the world’s population.

Based on the BCG digital acceleration index (DAI) scores, the study ranked organizations as being Digitally Passive, Digitally Literate, Digital Performers, or Digital Leaders.

Companies in nearly all the markets measured were able to claim an average DAI that ranked them between being Digitally Literate and Digital Performers. However, the gap between leaders and laggards in each market is vast.

**Across regions, top performers have similar digital maturities; European Telco market most advanced**

Despite the six-nation GCC countries having among the world’s highest smartphone and mobile broadband penetration rates, the Middle East ranks in the lower half of markets measured with a substantial number of telcos employing digital processes ad-hoc and without any clear vision or strategy.

Factors characterizing digital top performers across markets included a digital spend greater than 5 percent of operational expenditure, allowing the development of new processes and offerings; a digital workforce integrated throughout the company and numbering upwards of 10 percent; and an organization structured for digital operations, allowing business units to manage digital lines.

**Note:** L – Laggards, TP – Top performers; TP and L refer to the top and bottom quartile of Telcos in terms of overall DAI score

**Source:** BCG
In stark contrast to their counterparts, these top-performing organizations were able to consistently grow their market share and improve their business results over five years, strategically and financially.

Organizations saw an uplift in revenues of up to 10 percent while operating expenses fell up to 20 percent. Meanwhile, customer experience improved by up to 20 percent while a re-imagined organizational culture saw employee satisfaction and retention rates improve by up to 25 percent. These tangible benefits were realized at a cost to capital expenditure of between four and six percent.

**Transformation is a Journey**

Many organizations have realized the need to react. But, they are also discovering that digital transformation can be a complex journey, that many have found difficult to advance and implement. Questions concerning how to set up governance, infrastructure and technology, new ways of working, and organizational culture can prove complicated to navigate for organizations already struggling to cope with the challenges outlined earlier.

Approximately 70 percent of organizations fail in their attempts to transform. This happens for a variety of reasons, including inadequate funding, improper governance, unempowered business units, inconsistent ways of working, legacy infrastructure, and issues with finding the right talent.

In the telecoms industry, for instance, respondents to BCG’s recent Global Telco Study who were unable to progress on their digital transformation efforts cited financial constraints and resistance from their internal organization as the primary obstacles to achieving their goals.

For organizations that will inevitably find themselves compelled to undergo digital transformation, it is essential to understand what they hope to achieve from it. A question that can otherwise be phrased as, “Where do you want your organization to be in the next three to five years?”

While the tools and applications deployed can be adjusted, the underpinning methodology, practices, and principles behind any transformation will remain broadly the same.
When organizations pursue digital transformation, what they want to adopt is operational agility, new ways of working, re-imagined journeys, and flexible technology architecture. Regardless of the industry, the themes across digital transformations remain broadly constant.

In a recent complex and large-scale digital transformation undertaking with one of our communications and technology clients in the Middle East region, we identified five imperatives to deliver a successful digital transformation, as outlined in Exhibit 1 above.

**1. Institutionalized Digital Governance**

BCG developed a business-led digital portfolio and established a digital transformation office with supporting processes to empower the business to execute transformation initiatives with robust governance and incentives. How it was done:

- Established alignment among executives on key strategic choices for the digital agenda, including scope (specific units vs. organization-wide), the extent of products/services redesign (simplify and rationalize vs. zero-based rebuild), and more
- Identified specific KPIs to baseline, define ambition and track the digital evolution of the organization
- Developed a business-led portfolio of initiatives to deliver on the digital ambition aligned with business priorities
- Revamped legacy corporate processes to support the digital transformation (e.g. agile funding, agile sourcing, etc.)

**2. Reimagined Journeys**

BCG launched an iterative journey reimagination adopting new ways of working to streamline the experience for customers, employees, and partners to create a mechanism, enabling a new operational model for the client to rapidly launch products and services delivering an unparalleled experience. How it was done:
• Identified the potential journeys for reimagination and prioritize based on desirability, viability, and feasibility, aligned with the digital ambition

• Launched pilots to revamp the prioritized journeys and demonstrate business value with new ways of working

• Developed playbooks to standardize the new ways of working across the organization, incorporating learnings from the pilots

• Scaled-up the re-imagination journey, building on the learnings of the pilots and leveraging the corporate new ways of working playbooks

3. NEXT-GEN TECHNOLOGY AND DELIVERY
BCG supported the client to migrate to a modular technology architecture and revamped the traditional IT delivery model to decommission legacy infrastructure in favor of next-gen digital capabilities. By doing this, it supported the transition into a cross-functional delivery set up to enable the agility to adapt to the dynamic market environment and improve faster go-to-market. How it was done:

• Developed and executed a technology evolution roadmap aligned with business priorities

• Defined and launched a transitional roadmap supported by well-thought-through migration strategy and decommissioning plan

• Transitioned the legacy IT setup into a “digital factory” by embracing new ways of working (e.g., Agile, Design-thinking)

• Piloted a revamped delivery model trough lighthouse projects and eventually scale it across the organization

4. DIGITAL TALENT AND CULTURE
Instilled a digital mindset among leadership and employees to embrace the new ways of working to infuse digital and innovation in company DNA, and rapidly build its digital capabilities. How it was done:

• Designed and launched a “Center of Excellence” strategy and operating model to support scaling-up the new ways of working

• Developed digital workforce strategy leveraging digital portfolio including other relevant inputs (e.g., end-to-end delivery model)

5. UNLOCKED THE POTENTIAL OF DATA AND ANALYTICS
BCG implemented use cases that were aligned with strategic priorities with a clear goal to deliver revenue potential to enhance the customer experience. This was vital to help identify opportunities to monetize data and build the required capability to unlock future potential from data and analytics. How it was done:

• Initiated capability build-up to implement prioritized use cases

• Created analytics monetization strategy

• Aligned analytics operating model with clear roles and responsibilities

TYPICAL PITFALLS TO AVOID
Lack of CEO and leadership focus
One of the most common pitfalls we see is the loss of momentum in the transformation journey due to the lack of commitment from the CEO and leadership team. When this happens, often the middle-management lose the excitement and become sources of resistance to change. Transformation requires a strong commitment and steering from the top for effective execution. This can be avoided by establishing a transformation office reporting to the CEO or senior-most executive with clear accountability to track the unified agreed KPIs and outcomes.

Legacy culture and mindset
Digital transformation is a complex journey and often falls prey to an organization’s legacy mindsets demonstrating strong resistance to change. One way organizations
can drive the change is by setting a tone from the top to ensure the organization embraces change. One example could be the CEO and the leadership team adopting the agile ways of working principles.

**Unclear governance bodies with a lack of authority**
Digital transformation agility is often challenged with too many governing bodies (e.g., Steering Committees and Working Groups) that do not add true value. Senior leaders need to be close to the transformation and advise on its implementation - this can be achieved by establishing a unified governance body limited to the audience empowered to make the decision.

**Legacy corporate functional processes**
Legacy corporate processes are typically not designed to achieve the agility required to deliver the required support for the transformation. We often see the organization’s legacy processes (e.g., sourcing, which typically could take a long time to onboard a required partner) slowing the transformation’s journey. This can be mitigated by defining certain critical processes (e.g., sourcing, funding, and hiring) and adopting agile ways of working to fast-track the transformation.

**Multiple and fragmented corporate initiatives**
Most corporate initiatives have multiple strategic priorities with in-flight supporting programs. This typically causes delays in initiatives kick-off, funding, resource augmentation, and overall prioritization. This could be avoided by deprioritizing fragmented initiatives and focusing on a consolidated corporate portfolio with a dedicated focus on the transformation.

**The Path Forward Towards Digital Transformation**
2020 had accelerated the drive towards digital, and the need for organizations today to digitally transform their operations is paramount. Digital is here to stay and it is the only way forward. The imperative for companies both in the Middle East and around the world is to ensure the right implementation of digital transformation to ensure survival and success in the post-pandemic era.

Leaders who set a long-term agenda to be proactive in establishing the vision of a digitally-led organization will be those who
can fulfill all the requirements of a complex journey.

Through its presence in every major market across the world, BCG’s specific know-how of regional challenges allows it to leverage extensive digital expertise and global experience to create leading practice solutions.

By working hand-in-hand with teams to scale digital capability and new ways of working, BCG can help set your organization up for sustained success and navigate the course into a brave new future.

To learn more about how BCG’s deep understanding of the Digital Transformation agenda can focus on your highest priority initiatives, accelerate outcomes, and help your organization leapfrog into a digital future, please contact us.

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Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

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