

# AGENDA

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## Opinion

### Digital Transformation Needs to Be a Priority Across Industries

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Just as Amazon has reshaped retailers' cash flow and fintech companies such as Stripe, Lending Club and PayPal are rewriting traditional banks' business models, digital technology is having a similar impact on a range of industries. The growth of digital technology may threaten businesses, but companies can often embrace this change by cultivating their internal talent and elevating the importance of digital expertise.



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Many companies often have the opportunity to drive digital transformation and avoid disintermediation from customers and novel competitors, yet unlike the banking and retail sectors, most industries have not had the imperatives to develop the data-centric culture that shapes an organization structure, nurtures talent and tunes corporate governance.

Too often, companies have information silos, existing data-savvy talent is in support functions rather than the front line, and the board of directors is far from digital-ready to guide the required transformation. A heightened sense of urgency is required around talent diversity and corporate governance, with both needing a fresh perspective on digital imperatives.

#### Driving Digital Innovation

Almost all large companies today say they are pushing digital innovation, but we've found that many of them are measuring success the wrong way. For example, the dabbling of some of the pharmaceutical companies in digital can be mistaken for real traction if measured by the number of published apps, or team members' titles with "digital" in them. Unfortunately, for many pharmaceutical companies there currently is no real sense of urgency, likely because of an inability to measure the cost benefit of a digital strategy given the lack of comparables in this area. But the relatively short history of digital disruption has taught us that when a business case for a digital transformation becomes clear, the outcome is inevitable, and it does not favor a static incumbent.

The more an organization is product-centric, the less it is ready for diverse talent to execute on a data- and client-centric digital transformation. In automotive, talent has historically focused on brand, design and performance features. In pharmaceuticals, complex drug discovery and a regulated commercial-model environment of scientific skills created an insular industry that seldom valued an external or non-traditional perspective, even when coming from within the organization.

Products are of course important, but data and analytics are central to digital transformation and the future balance sheet of a company. Yet executives without product subject-matter expertise are too often discounted, and tech talent hired into newly created digital roles may not mesh well with product-centric executives or culture.

CIOs of non-digitally transformed companies need to step up to the task. There are a few key traits that signal potential for promoting CIOs into digital transformation roles, including the curiosity to seek out new ideas, the insight to draw conclusions and synthesize plans, the engagement to communicate a contagious passion to team members and the determination to navigate a complex organization. For CIOs with these traits, this is a once-in-a-career opportunity to transform their own role or step into a new one — moving from an internal support function into the forefront of a digitally enabled business.

For digital initiatives to take off, CEOs need to embrace a wider definition of a diverse talent pool, through a sense of urgency toward a digital transformation. Boards need to support this wider definition and apply it to their own ranks, since the same talent gap exists at that level too. Most boards also lack digital know-how, and our recent research with pharmaceutical companies is indicative of what we're seeing in other traditional product-centric businesses: Of the top 20 pharmaceutical companies, only 25% have a non-executive board member who could be considered tech-savvy. And out of those individuals, only a few oversaw or even lived through a digital transformation.

Only through this openness to a wider definition of a relevant talent pool will high-potential internal resources succeed in taking on key, executive-level digital roles.

CEOs and boards must push for this change and realize that in many cases the talent they are searching for is right in front of them.

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