At a recent Director Briefing, Oceania Technology, Media & Entertainment, Telecommunications Market Leader, Jenny Young, led a wide-ranging discussion about the role of the board in preparing companies for the upside of digital disruption, drawing on the findings from EY’s recent Digital State of the Nation report. This paper summarises the key take-outs from the conversation.

Digitisation is the Fourth Industrial Revolution: the integration of technology into business and production processes to make them more self-sustaining and more efficient. EY predicts its impact will be as great as that of the transition from manual to machine-based production, with profound implications for every industry. To succeed, organisations will need new types of business models with radically different workforce strategies.
Australia is now a nation of digitally driven consumers

Australians are highly engaged with the digital sector. In 2016, the average annual household spend on digital services and hardware was $3,400. With near ubiquitous smartphone usage, and spending an average of almost 7 hours a day online, consumers now research products and services in-store and comment on them all the time.

This is creating a very different level of consumer engagement and empowerment. Customers increasingly expect a seamless digital experience that many companies are still not providing. Slick front-end digital experiences are not always matched by digitised back office and supply chain processes. With 40% of consumers prepared to leave a brand if its digital experience isn’t up to scratch, this is a wake-up call for a lot of businesses.

How should boards respond?

1. Insight and empathy
   A deep understanding of Australians’ digital behaviours and beliefs.

2. Acute strategic focus
   Investments must be visionary, targeted and optimised.

3. Prioritisation
   The danger is to think the new digital world is just about technology. The real challenge is to identify high-value areas for digital innovation.

4. Action
   While many organisations struggle to define their long-term digital strategy in an uncertain world, this cannot be a barrier to immediate action. Organisations that innovate by testing, failing fast and learning will be stronger competitively than those taking a wait-and-see approach.

Consider digital as an organisation-wide enabler

Encourage every part of your organisation to consider how digital technologies can support corporate strategy. The starting point is for operations to be infused with digital end to end. EY is currently seeing a lot of operational gaps, especially in back office and fulfilment processes. In this regard, automation at scale can improve the customer experience as well as dramatically improving effectiveness and efficiency. This doesn’t mean digital interaction is always the answer. Sometimes ‘human’ is the best interface. Many face-to-face services are still thriving. But they are delivering more value when they are enhanced by technology: using data analytics to connect a customer with the best person to help them with their issue; using machine intelligence to bring additional insights and real-time information to someone making a decision or providing advice.

For example, in financial services, hybrid robo-advisors improve service quality by handling simple customer demands quickly and efficiently, and seamlessly transferring more complex enquiries to human advisors via the customer’s channel of choice.

Understand the power of automation

The real value in robotic process automation (RPA) and other process automation technologies does not come from making a human process digital – but in using technology to get a better outcome in a fundamentally different way.

The role of the board in process automation implementations is to ready a workforce for the speed of change they bring. Whereas, previously, a core organisational platform could take years to implement, automation technologies such as RPA can deliver outcomes in months or sometimes weeks. In this environment, employees are developing ‘automation anxiety’ – the fear of being replaced by a machine.

According to EY’s recent Digital State of the Nation report:

- 94% of Australians research products or services online
- 90% are currently on at least one social media network
- 30% have given feedback to a company on social media in the last 12 months
- 88% own smartphones - one of the world’s highest levels of adoption

90% of Australians are currently on at least one social media network.
Boards need to address this issue head on. Executive teams must know what the future looks like and be open and transparent about the coming changes. Then they can be proactive about preparing people and assisting them to develop the skills they need to adapt to the future of work. This will both increase the return on digital investment and also minimise workforce disruption and brand risk.

**Engage across corporate siloes**

Because digital spans the whole enterprise, companies need ownership across functional areas, with the Chief Digital Officer becoming a steward across the organisation. Many businesses are using a customer journey methodology that brings together multiple functions to work through and resolve customer pain points. EY is seeing the best outcomes when key stakeholders are part of the thinking and design up front. Agile approaches – where small experiments fail quickly – are also paying dividends.

**Fix the last mile**

‘Test and learn’ will be particularly important when it comes to cracking Australia’s major supply chain issue: last mile delivery. For too long, local companies have blamed Australia’s challenging geography on our failure to crack the last mile ‘nut’. We need to fix pervasive back office inefficiencies and use digital capabilities to think radically differently about the last mile. Otherwise, having practiced in similar terrain in Canada, the imminent arrival of Amazon will challenge local companies.

**Elevate the role of social media**

Social media use is now as ubiquitous as mobile. Organisations ignore it at their peril. Social is a low cost, fast service channel. Consumers expect responses within the hour. Like wildfire, crises can escalate within minutes. It’s a major area of risk for companies that are not geared up to expect responses within the hour. Like wildfire, crises can escalate within minutes. To better manage this increasingly critical channel, organisations need to elevate social to the level of importance given to branches or call centres by investing in the right technology, process and resources to support it. Developing an effective social media operating model – one that both manages risk and extracts value from social data – requires a different service model and different technical and people capabilities. In particular, automation is essential to manage the torrents of social volumes. Organisations can improve responsiveness by giving employees extended powers of delegation, but this must be balanced with appropriate risk management, including social protocols and training.

**How will the privacy debate evolve?**

At the heart of the digital revolution lies the free flow of data. This is the reality of operating in a digital environment: everything is connected and there will always be highly motivated individuals willing to break the law to feed the growing market for stolen personal or corporate information. Australians are concerned about their privacy and believe government should intervene to protect it. But they’re also rushing to share personal information with companies to get a better, more convenient service.

As a nation, we are irrational on this topic: suspicious of moves towards a national identity, but chafing at the inconvenience of having to give government agencies, or big companies, the same information over and over again. To both improve customer service and support data security, Australia needs to agree on a trusted digital identity mechanism that works for all stakeholders. Delegates discussed whether we need to take a nationalistic approach to digital identity to prevent global technology companies from ‘owning’ Australians’ personal data? Could we simply use a mobile phone number as our point of identification?

2018 may be a game changer for digital identity, as the open banking reforms play out and MyHealthRecord goes mainstream. If Australians have a good experience of opting in to share their information in return for higher value services, they will be more open to doing so across other sectors. To improve our digital readiness as a nation, business and government need to work to solve this issue together.

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**The 7 Pillars of Digital Readiness can assist boards in prioritising ‘what next?’**

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<th>Strategy, innovation and growth</th>
<th>Consumer experience</th>
<th>Supply chain and operations</th>
<th>Technology</th>
<th>Risk and cybersecurity</th>
<th>Finance, legal, HR and tax</th>
<th>People and organisation</th>
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<td>Strategy, innovation and growth</td>
<td>Align digital vision to business purpose and ambition</td>
<td>Seamless digital consumer experience</td>
<td>Enable store operations</td>
<td>Balance digital innovation with IT maintenance</td>
<td>Manage risk as business transforms</td>
<td>Automate processes and controls</td>
<td>Create a diverse culture of innovation, ideation and trialling</td>
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<tr>
<td>Customer experience</td>
<td>Drive agility, innovation and incubation</td>
<td>Personalise consumer experience</td>
<td>Data and insight driven supply and demand</td>
<td>Relayered and multi-speed IT</td>
<td>Understand broader risks of new technologies</td>
<td>Enable colleagues with digital technology</td>
<td>Lean, agile and collaborative organisation, operates at pace</td>
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<td>Supply chain and operations</td>
<td>Set digital innovations and analytics at the core of strategy</td>
<td>Engage social and communities</td>
<td>Agile and automated operations</td>
<td>Data excellence at core</td>
<td>Provide consumers and retailers with digital trust and privacy</td>
<td>Evaluate digital tax operating model effectiveness</td>
<td>Use digital technologies to enable strong collaboration</td>
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<td>Finance, legal, tax and HR</td>
<td>Leverage social and communities</td>
<td>Leverage transaction capability and mindset</td>
<td>Flexible operations and last mile</td>
<td>Fast, agile and unconstrained by legacy</td>
<td>Keep pace with increasing privacy risks and cyber attacks</td>
<td>Address legal and regulatory requirements</td>
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<td>Information technology</td>
<td>Leverage transaction capability and mindset</td>
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Start the conversation with EY

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