The Big Pivot
From Disruption to Digital Transformation

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Introduction

In 1987, R.E.M. had a hit song called “It’s the End of the World as We Know It (and I Feel Fine).” At the time, it was a satirical pop song. Today, those words mean something completely different. The world as we know it is ending, and the way of life we once knew is over.

Travel bans, supply chain disruptions, quarantines, closed offices and other shifts have catapulted organizations worldwide into an unprecedented business environment. From the onset of the pandemic, companies have been in a constant state of heightened flux. Whether they’re in the process of adjusting, recovering or strategizing for the future, the reliance on IT and digital solutions has been front and center.

No industry has been untouched by the global pandemic and most companies have been forced to quickly change their IT priorities to keep pace with its impact. Some industries — like travel, hospitality and manufacturing, among others — have taken a particularly hard hit. The economic fallout from COVID-19 continues to cut deep.

As the economy starts to recover, slowly and sporadically, companies are shifting out of crisis mode. While not all businesses are in the same place or following a prescribed strategy, there’s an inherent need to respond quickly and decisively by making a big pivot — turning disruption into digital transformation.

This "big pivot" is a mindset that shapes every part of the organization. It goes beyond shifting employees to a hybrid workplace to radically rethinking the workforce, making it resilient for whatever comes next. It’s more than creating makeshift operational efficiencies, it’s rightsizing the IT portfolio to create an agile, responsive, cost-efficient and resilient infrastructure. And, it surpasses strategizing for the future to genuinely embody a digital-first culture that drives innovation.

Expectations will shift — in how businesses operate and toward innovation as new opportunities emerge. Organizations will need to make the big pivot to meet any challenge head-on.
The expectation shift: Meet the demands of customers, citizens and employees

Consumers will always have the last word

What can we expect in the months and years to come on the journey to recovery? With consumers, we know they’re expecting more transparency, communication and personalization from retailers. In the last five years, 71% of consumers feel technology has personalized customer service, but 48% still note their treatment distinctly lacks compassion. The latter result came into sharp relief as customers converged en masse to online platforms during the pandemic. Organizations realized how ill-prepared they were to support and engage their customers. However, enterprises with digital platforms quickly turned to chatbots and virtual agents to fill the customer support gap. As consumers moved online, so did the customer experience (CX) strategy of these organizations. For example, to customize consumer-facing screeners, AskMD partnered with NTT DATA and IPsoft’s Amelia to deliver a COVID-19 chatbot screener using data intelligence and artificial intelligence (AI). In just five days, the solution was built to serve up to 20,000 customer queries per day and manage up to 300 chats simultaneously.

Employees have become consumers

While consumers expect better experiences from companies, employees expect more from their employers. Addressing employees as customers and putting their experience at the heart of CX strategy will serve companies well in the recovery phase. In a recent NTT DATA study, 74% of company respondents say they treat their employees with the same care they give their customers. Also, how employees interpret their employers’ handling of the pandemic could potentially make or break the corporate culture. Employees who perceive companies as handling the pandemic poorly won’t hesitate to seek greener pastures in the coming months, and they may even take their concerns to social media platforms. During COVID-19, some leaders have leaned on frequent and transparent communication to foster an empathetic and inclusive culture. This helps employees feel part of the organizational mindset and needs to be adopted as a robust strategy moving forward.

What can companies do? Continue to invest in workplace tools that support productive, secure and conducive virtual environments.

In the expectation shift, we recommend:

Keeping employees safe virtually and physically. Think of the employee identity as the latest perimeter to need protection from cyberthreats. Put in place governance for remote and physical working, and work with trusted advisors and partners to implement the right security measures.

Thinking through customer sentiment and reacting accordingly. Every point of friction with customers is an opportunity for a competitor to steal their business. Use data analytics to discover these points of friction and adopt automation and AI to set them right.

Adopting a proactive, not a reactive, social media approach. Social media isn’t just a marketing strategy anymore; it’s a business strategy. Use social media listening technology to gather and analyze consumers’ data and feed that intelligence into product development and CX strategy.
Social media: No longer just a marketing tool

A recent study shows that more than 90% of brands have adjusted their creative marketing messaging since mid-March 2020, when COVID-19 was declared a global pandemic.5

Brands can’t afford to be tone-deaf right now. Consumers are expressing, loudly, their preferences, distaste, distrust and praise for businesses on social media. A strategic approach and transparency with all stakeholders — consumers and employees alike — is the ultimate communication strategy. The speed at which a “mistake” goes viral on social media should be the number one concern for brands promoting themselves on these platforms.

Consumers will readily abandon brands based on their communication surrounding pandemic responses. Case in point: The cruise industry looked ill-prepared and sloppy with its social media outreach during no sail orders early in the pandemic. Viral tweets denouncing cruise line management from passengers stuck on cruise ships shed an unflattering light on the industry. The lack of appropriate responses from cruise lines on social media was evident. One cruise line even used social media to promote visits to the French Quarter in New Orleans amid rising cases of COVID-19 in February 2020. Enterprises will need to use social media as a business operations function to help guide their decisions, and not only as a marketing tool.

The business shift: Emerge agile, adaptive and resilient

Like the Great Recession that spawned many disruptive companies, including Instagram, Square and Cloudera, to name a few, now is the time for companies to pivot quickly, adapt and be creative. Counterintuitive as it may sound, with many companies and public entities struggling to operate normally in this time of crisis, shifting funds to innovation is the quickest path to financial stability and success. And to make innovation possible, companies need flexible, modern and secure technology. The City of Austin, Texas, wasted no time responding quickly to the pandemic with a case testing, tracing and mapping solution developed on a cloud-native and mobile-optimized digital tool.6 Working with our data partner, InTouch, NTT DATA was able to help the city meet the need for telehealth using cloud-based solutions on the AWS platform. In the wake of increased cyberthreats during COVID-19, HDFC Bank swiftly rolled out secure banking solutions to help safeguard its customers from fraudsters.7

These quick responses were possible thanks to modernized platforms and digital technologies — tools that were put to work for a specific business context. The pandemic is creating opportunities that can be leveraged with a three-pronged approach:
1. Focus on finding ways to save

Savings can come from various sources, including parsing the IT environment to discover hidden opportunities for reducing operating expenses.

Look deeper into the technology landscape to gain process optimization. We helped a public sector company reduce 30% of its IT operating costs by retiring and modernizing applications. For an insurance company, we migrated critical applications to modern code platforms that reduced its overall maintenance costs. Cost benefits aside, both organizations now have improved application performance at a lesser cost as well as a modern platform ready for what’s next.

Moving to the cloud reduces storage fees and software licenses. We recently helped a multinational bottling company by turning off its mainframe and moving operations out of the data center, saving the business $10 million in facilities, licensing and other mainframe-related expenses. More importantly, cloud lends the ability to create new products and services without upfront investments — perfect for the challenges facing organizations today.

Another proven cost takeout tool is data-driven automation and using robotic process automation to overcome surges, such as erratic call volumes. During the pandemic, a large, state-wide health insurer couldn’t rely on its staff because many were indisposed or unable to connect to its network remotely. The health plan used bots to clear up a backlog of approximately 4,000 calls a day, overcoming call volume surges in a matter of days.

In addition to technology-related cost efficiencies, look at consolidating vendors or moving to outcome-based agreements that guarantee value and innovation in the long term.

2. Focus on becoming agile by modernizing

An agile operating model is more important than ever. Look for ways to increase agility by modernizing the IT environment with cloud and application modernization. Jackson National Life Insurance Company had applications that were more than a decade old and written in codes no longer supported. The legacy platform meant customers “fumble(d) around with calling the help desk” or had to deal with longer-than-average wait times. Application modernization helped improve application performance and transformed the customer experience.

Another NTT DATA client in the financial sector was able to scale its Microsoft Azure usage during the pandemic to support remote work needs. In the adversely affected retail sector, a Canadian client was able to scale and support the growing demand for its grocery pickup and delivery system because of its recently upgraded, cloud-native capabilities. Even as companies adopt cloud, it’s important to follow best practices, including autoscaling, monitoring usage, avoiding overprovisioning and remediating existing cloud footprints for untapped savings.

In the business shift, we recommend:

**Responding rapidly.** Act quickly to keep the business stable and running. Adopt cloud, application modernization and robotic process automation to reduce costs and lay the foundation for digital transformation.

**Focusing on the future.** Think about future investments now that will modernize the organization. Revisit the transformation of legacy workloads. Take advantage of digital technologies.

**Investing in innovation.** Shift funds to digital innovation. Make investments based on the benefits the business thinks it will get over time. Modernized apps that are responsive to the business should be revenue drivers.

**Rearchitecting for resilience.** Adopt zero trust and decentralize the architecture for better IT security management. Introduce security governance in remote environments. Secure by design and build app security into the development process.
3. Focus on security to build a resilient enterprise

A recent study revealed a 238% increase in cyberattacks against banks from February to April 2020.9 Carl Wearn, head of e-crime at cloud cybersecurity services provider Mimecast, spoke of how retail and manufacturing sectors were hit the most during the early months of 2020.10 As companies’ workforces moved to remote work, literally overnight, email threats, as well as endpoint and network vulnerabilities revealed the tenuousness of security systems and underscored the epithet “there are no shortcuts to security.” Going forward, double-down on building a resilient enterprise by rearchitecting IT based on zero trust. Consider decentralizing the IT architecture to move security closer to the endpoint and factor in security across the network, apps, devices and end users. Focus on security governance and include security early in the application development process. This will be critical to reducing security vulnerabilities when more applications are introduced into the ecosystem. Lastly, continuously monitor and educate stakeholders and truly make them a part of the security ecosystem. Because digital identity is the newest layer in the security perimeter, it could be the weakest link in the chain if not managed securely.

The coming months will bring many opportunities to leverage data, AI and evolving technologies. These new capabilities will enable better business decisions to serve customers and grow revenue while also protecting the enterprise from future crises.

The opportunity shift: Step into the future with an innovation-first mindset

COVID-19 has broken several assumptions around work, learning and health management, as evidenced by the pivot to work from home, learning from home and telehealth. In a recent NTT DATA Services/Dynata pulse survey, 85% of U.S. employees currently working from home say even after the pandemic subsides they would like to continue to do so at least once a week.11 Many educational institutes worldwide have announced they’re moving online for the next academic year. Telehealth is set to increase by 64.3% in 2020 and will see a sevenfold growth by 2025.12 These cultural shifts will have long-term and fundamental impacts on society, as well as on how we work, learn and live.

The pandemic also broke several assumptions about organizational safety and our ability to use data and automation effectively. The massive increase in threat factors and economic losses due to organizations’ inability to use data and automation effectively to support customers or remain profitable underscored this.

The coming months will bring many opportunities to leverage data, AI and evolving technologies. These new capabilities will enable better business decisions to serve customers and grow revenue while also protecting the enterprise from future crises.
Data: The new currency

Organizations have struggled for decades to truly operate and transform using data. During the pandemic, they quickly realized that fast and easy access to data insights is critical to meet customer, citizen and employee needs. Reliable forecasting models that helped retailers stock shelves with commendable precision suddenly couldn’t match the mad rush for toilet paper and processed food. At the same time, farmers were forced to dump their products in pits. AI models train on reliable datasets, but global disruption — never factored in before, unlike storms, wars and even epidemics — drastically altered customer behaviors and made those datasets untenable. While AI models might continue to be accurate in the future, companies will need to visualize their data differently to be successful. Using data to pivot quickly and efficiently has become critical. In 2019, NTT DATA created a dynamic pricing model for a budget truck rental company that helped it weather volatile and erratic demands during the pandemic. According to recent NTT DATA research, although 79% of organizations say they understand the value of data, only 10% use it to transform their businesses by either entering new markets, adapting or inventing a new business model, or selling to third parties. The study concludes that a data-driven culture, the right data technologies and strong governance are critical for success in the new frontier.13

Data-driven automation and AI: From lip service to reality

For years, companies have been paying lip service to automation. Until COVID-19 exposed those without true automation. Now, companies must make automation a reality. The technology aspect of automation is easy to implement. It’s the cultural barriers to automation that must be overcome, because automation is rarely a high priority for all stakeholders. Although it might serve the chief executive officer’s needs, it could be seen as cumbersome and costly to the chief information officer or the chief information security officer, who might have to make multiple changes to systems or introduce complex security protocols. Executives will have to come together to determine an approach to AI that works toward the greater good of the organization to win in the post-pandemic world. The business case is just too strong for an increasingly technology-driven intelligent enterprise as executives strive toward cost efficiency and optimization, productivity and improved CX.

New technologies: Ready to deliver

Data may be the new currency, but other AI-enabled technologies, the internet of things (IoT), artificial reality (AR), virtual reality (VR), blockchain, 5G and quantum computing will drive the new economy. For example:

- IoT principles, where devices — including phones, sensor-based devices and other equipment — collect real-time data to monitor hotspots have been adopted by many states and counties to track and trace COVID-19 outbreaks.

- AI and analytics could help cities and governments develop targeted responses to public health emergencies based on information gathered from various sources, instead of blanket guidelines.
Win with an innovation-first culture

Companies spend time, talent and money seeking thrilling breakthroughs, but it takes more than ideas and technology to lead with innovation. Apple founder Steve Jobs once said, “Innovation has nothing to do with how many R&D dollars you have. It’s about the people you have, how you’re led, and how much you get it.”

There’s no disputing that investing in people and nurturing an innovation mindset across the organization will enable creative thinking and actions made with conviction and purpose, as well as help organizations succeed. The key lies in what the business is trying to transform. It’s easy to try and overhaul something glamorous or attention-grabbing. It’s better to stop and think about what matters most: creating a better CX, increasing value and/or offering better services. Innovation should be driven by value; companies and governments alike need to create that value for a stakeholder network that includes customers, suppliers and the business itself — it’s not enough to maximize value solely for the owners of a business.

While companies will do well in investing in these technologies to become digital-first organizations, those that nurture innovation will lead the pack.

• Blockchain could transform supply chain companies by leveling out the entire ecosystem with a transparent digital ledger, saving time and money.

• AR- and VR-enabled meeting rooms would mean having colleagues “physically” beside us, fostering true collaboration, instead of merely being faces on a monitor.

• Quantum computing has the potential to usher in a computational paradigm shift, solving complex problems in minutes compared to months.

• Conversation agents based on natural language processing, with more human-like voices and empowered by 5G, could enable complex conversations in which loans are approved unerringly or patients diagnosed accurately.

Data is the new currency...

...enabling the adoption of new technologies...

...to create an innovation-first culture that wins
Companies should set their sights on long-term impacts

COVID-19 has blindsided all of us, and in many cases, necessitated short-term changes. But not all employees will continue working from home, not all sales deals will be closed without a handshake, and not all brick-and-mortar stores will keep their doors shuttered. The world will move to a blended model, where physical and digital coexist. And companies will need to adjust and readjust their strategies to the new reality for several years to come.

Consumer behavior, work/life balance and organizational dynamics will be redefined. Consumers will be exacting in their demand for honesty from brands, and brands will need to honor that trust sincerely. Work/life balance will become an actual reality, with people moving to split-shift models, choosing how they segment their workdays. Companies will have access to a global talent pool, while people will have the potential to connect with any company they want. Organizational dynamics will be redefined to accommodate these cultural shifts. And this is where organizations need to make the big pivot. The world will look different, and digital transformation strategies will be the key to that new frontier.

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