

What is the
impact of digital
transformation?



The better the question. The better the answer.
The better the world works.

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

The Impact of Digital Transformation

Trying to make sense of the onset of the digital economy and how to navigate its uncertainties and opportunities challenges every leader, and the task is only getting harder as technologies such as artificial intelligence, internet of things (IoT) and blockchain sweep into everyday business decisions. They will change not only how businesses create value and operate, as well as the customer experiences they are delivering, but also what it means to be a worker in the future.

Being digital will create additional responsibilities for business leaders, stakeholders, shareholders and even for society at large. For shareholders, the ability of a digital enterprise to experiment and innovate will not only create new opportunities for economic growth but also raise expectations placed on management to deliver. For society, the enterprise is no longer allowed to act in isolation from the surrounding community.

What companies do and how they do it in the digital realm affects everything from the environment to social movements. Digital technologies seem acutely poised to impact how business gets done, and they will touch almost every function in the company over the next three or four years: strategy, workplace, customer, operations, and risk management.

Strategy, Realized

Many firms are doing digital versus being digital, that is, they use technology to fix isolated problems rather than as part of an overall strategy. Even as companies continue to ask themselves what the best way is to invest in a digital strategy, we think they must ask a completely different question: "Is our strategy fit for a digital world?"

Digital companies think differently. They have a different mindset for approaching problems, like seeking collaborations across the organization and with alliances and ecosystem relationships. They innovate like start-ups – building, testing and deploying all in the service of failing fast and iterating forward. They know how to scale. They focus on customers, not product; they think about experiences; they innovate and experiment iteratively. Because time to market is so crucial for success, it requires new organizational capabilities around innovation, creativity, rapid prototyping, testing, data analysis and a digital foundation, to name a few.



Workplace, Reimagined

The next three years will be formative for workplace transformations driving an experience that leverages digital technologies in three areas: accelerating organizational change, empowering seamless virtual team collaboration and unlocking workforce productivity. Industries most likely to be touched include health care, transportation and financial services, but the impact will be felt across all sectors.

With the creation of the digital workplace comes new responsibilities. These include:

- ▶ Obligations to stakeholders, such as automating intelligently and diligent corporate social reporting.
- ▶ Duties to employees, like teaching them skills to succeed and helping them rethink their career development.
- ▶ Responsibilities to society, which means support for the gig economy and using digital technology to improve working conditions around the world



Customers, Understood

The next few years will prove crucial if companies want to create impactful experiences that attract and delight their customers. To do so, organizations must make significant advances in two areas. First, they need to be much more aggressive about deploying advanced technologies throughout the organization, not just using them to solve departmental problems. Intelligent automation can improve customer service by dramatically shortening wait times on service calls by integrating every customer interaction. Second, traditional organizational structures need to be redrawn from top to bottom with the customer at the centre of the hub.

Several trends around the customer experience are dominating. Personalization, a product of data mining, is seen by many as the next big marketing trend; proactive marketing will use location technology to trigger offers; and consumer privacy will benefit by the arrival of blockchain-based identity management systems that will empower consumers to directly authorize with whom they will share personal data.



Operations, Reinvented

Businesses of all types are starting to seize on digital tools and techniques to automate operational processes, leverage IoT and machine learning to increase quality and productivity, and capture insights that fuel process improvement and cost savings. Digital operations at scale create better returns for stakeholders through cost efficiencies, products that respond quickly to consumer demand, and that empower a better workplace by shifting mundane tasks to robots and high-value assignments to human experts. As powerful as these potential payoffs will be, highest-level benefits will come when operations are recognized as a driver of competitive advantage rather than as a lever to lower costs.



Digitally Transform

Four key technologies have the potential to drive the most impact on business in the shorter run: cloud, IoT, artificial intelligence and blockchain. We have several recommendations for immediate action:

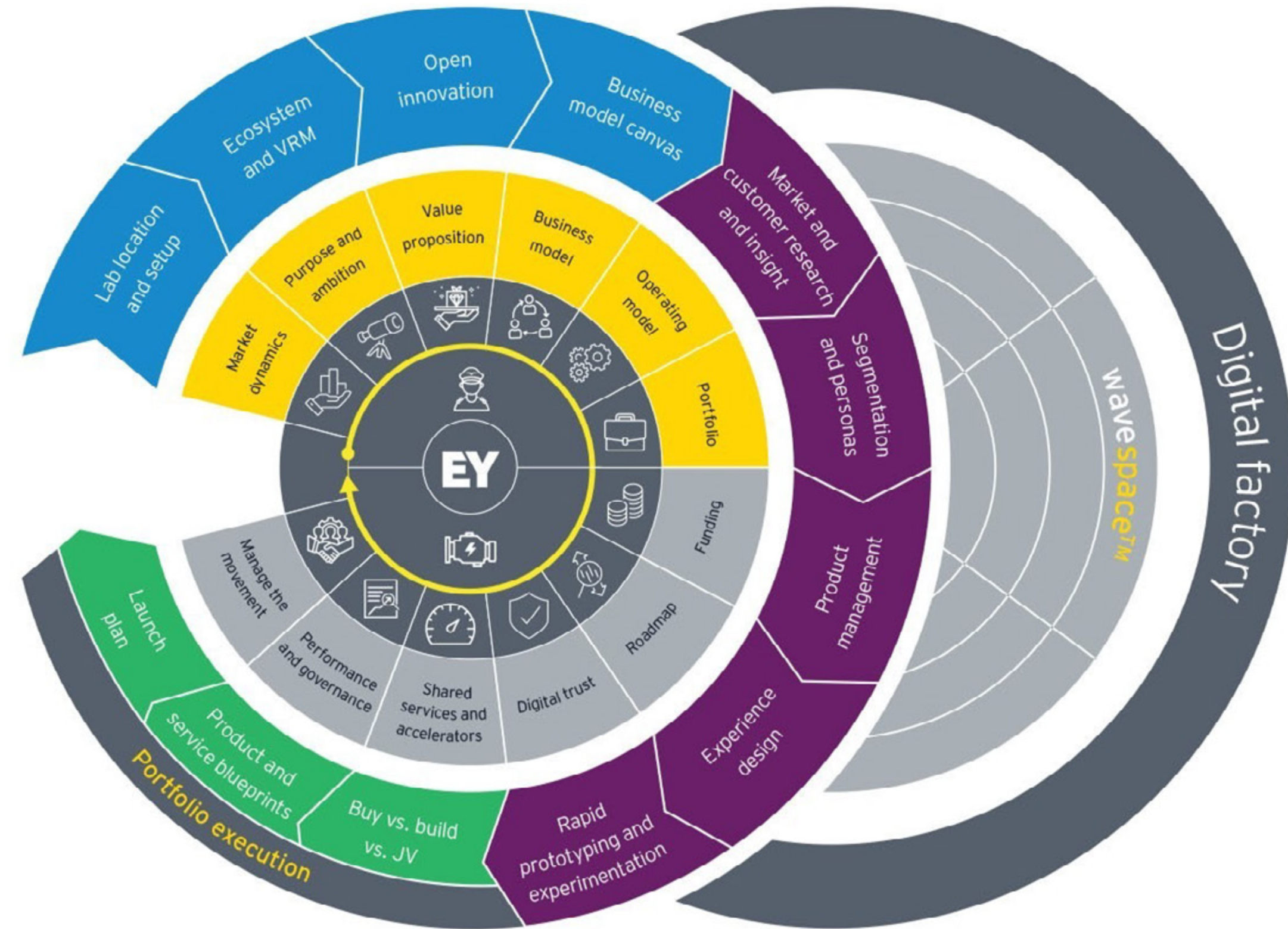
1. **Map the future:** Identify where you are located on your digital journey, plot where you want to get to, determine the execution road map, and drive support from stakeholders.
2. **Ecosystems matter:** Technological complexity and disruptive forces mean companies can no longer go it alone. Find trusted partners to collaborate along the transformation and then build a strategy around your ecosystem, including alliances, where all partners can build unique value for customers.
3. **Be confident:** Don't be afraid of the future. Step into it, one foot at a time. Be the disrupter, not the disrupted.

How EY Can Help

Today's megatrends are reshaping the world, creating abundant opportunities and essential threats. Technology, globalization and demographics are the root of the megatrends shaping the world, creating unprecedented disruption across all sectors.

We help businesses transform and evolve quickly to seize the opportunities and help mitigate the risks that digital transformation creates and transforming them into opportunities. To respond to these new challenges, companies need to:

- ▶ See the future and define their purpose
- ▶ Orchestrate, accelerate and unblock a portfolio of initiatives
- ▶ Disrupt and create like a start-up
- ▶ Design, build, test and iterate
- ▶ Plan, invest and scale up like a venture capital firm
- ▶ Embrace transformation as a continuous way of working



- The Bridge
See the future and plan with purpose
- Innovation
Disrupt and create like a start up
- Deployment hub
Plan, invest and scale up like a venture capitalist
- The engine room
Orchestrate and accelerate like a market leader
- Design, test and iteration
Design, build and test like a scale up
- Digital Factory
Accelerate and industrialise transformation

How EY Can Help

During the implementation of a technology-enabled solution, we offer more than just the technical activities involved in the project. In addition to the “standard” system integration capabilities, we provide the broad suite of services required for clients to meet their requirements and objectives in technology-enabled programs.

These services help our clients ensure the business receives the technology service it requires to drive the desired business outcomes - that the business is prepared for the solution and that the solution is prepared for the business.

Key capabilities included in technology implementation support include:

- ▶ Solution selection and partner selection
- ▶ Service strategy and roadmap
- ▶ Program delivery (program management, release management, benefits management)
- ▶ Requirements definition
- ▶ Solution architecture and design
- ▶ Enterprise application implementation

Enterprise application implementation services encompass the major activities in the systems development life cycle for providing technology solutions. We provide these services for technology offerings we have determined are strategically important in our primary domains of finance, supply chain, customer, human resources and risk across a wide range of sectors. We provide services that help clients meet their requirements and objectives in technology-enabled programs. These include a portfolio of solutions from our alliance partners Microsoft and SAP.

The primary services provided include functional solution capabilities as well as technology-specific and operations capabilities for each platform, such as:

- ▶ Configuration and development
- ▶ Systems development and integration
- ▶ Testing
- ▶ Security and controls
- ▶ Process management and improvement
- ▶ Operations/as-a-service service
- ▶ Industry application implementation



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Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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In Consulting, we are building a better working world by transforming businesses through the power of people, technology and innovation. It's our ambition to become the world's leading transformation consultants.

The diversity and skills of 70,000+ people will help clients realize transformation by putting humans at the center, delivering technology at speed and leveraging innovation at scale. These core drivers of "Transformation Realized" will create long-term value for people, clients and society.

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