Digital transformation insights: DataArt's Dmitry Bagrov calls digital transformation a myth

"Don't let the inmates run the asylum," warns Dmitry Bagrov from DataArt as he spoke to Information Age about Digital Transformation.

"Digital transformation means nothing, is the short answer. Digital transformation is a myth; it doesn't exist. All it means is that the environment has changed and there are new tools that companies need to learn how to use."

In this exclusive interview with Information Age, Dmitry Bagrov, Director at global technology consultancy DataArt, explains why the best leader for a so-called digital transformation project is someone who knows more about business than they do about technology.

What does digital transformation really mean?

Digital transformation means nothing, is the short answer. Digital transformation is a myth; it doesn't exist. All it means is that the environment has changed and there are new tools that companies need to learn how to use.

There are a lot of fancy words being thrown around, but the reality is that there's no such thing as a distinct digital transformation.

It is merely another change. It's not an event or a destination, it's a process that doesn't end – it didn't start yesterday, and it won't be completed tomorrow. It's a continuum, in existence because the world is changing, and business needs to adapt.

The world has changed, and business need to change. Businesses need to learn to use these new tools or discount them if they're not needed. If it's useful for a particular business, if it gives it some benefits then that's great. Otherwise, it's irrelevant.

If I'm a plumber, do I need to digitally transform my business? My clients now want to communicate by email, and I might speak to them by iPhone, but that's about it. It's only when a corporation gets wind of needing to change communications and so on that it suddenly gets this strange title.

What are the challenges of embarking on a "digital" transformation journey?

The main challenge is understanding why you're doing it all.

It would be easier for everyone if the word "digital" was dropped, and we just focused on transformation. The focus should be on transforming the business because the market has changed and therefore the business has to change.

Business first, technology second. Everyone should be asking themselves why they need to transform their business, not what technology they should be using.

All of a sudden "Digital" is coming before transformation, and it's as if it's suddenly a new thing – but it's not new. Just like the "new economy" that was talked about during the dot.com boom, as if the old economy and the old rules of business didn't exist anymore.

Remember the Dot.com crash, when the understanding dawned on people that to actually sell something you need to have something that people want and not just create it because you think it's cool? If you're doing user research and you're doing it without talking to users – everyone would know you're being stupid, but back in 2000 people were launching new products without research and everyone thought it was fantastic. Until it wasn't.

This is exactly the same with digital transformation. "We need to digitally transform our business," everyone is saying. It's important to ask, Why? What's wrong with it? Do we really understand what benefits we'll get from digitalisation?

Digital transformation is a fashion, like blue paint could be. And if companies put all their hope and resources into blue paint or digital transformation, they will fail. Unlike the dot.com era, however, which was one bubble, digital transformation is a lot of bubbles.

What are the benefits of transformation?

The benefits of any successful transformation is that a business becomes more effective, gains access to new markets and can serve its clients better – nothing has fundamentally changed.

The benefits depend on what changes a business needs to make.

My client wants to communicate digitally, then I go digital. My client doesn't want to buy their goods in the same way anymore, then I find a way to do it differently.

The underlying premise of what drives a business is exactly the same for every single business on planet earth. Buy something cheap; sell it higher; make a profit. There's nothing else, it's very simple.

Nothing changes just because of digital transformation, there are just more tools at our disposal that make is easier to adapt.

Competing on price or competing on quality or new features. A leader needs to ask themselves, how do we gain a competitive advantage?

How should organisations best approach transformation?

The same way you make any change in your business: you assess what kind of problem you are trying to solve.

Ask:

- Why are you doing this? What problem are you trying to solve? What do you think you will gain from this change?
- What are the risks?
- What happens if you do nothing?
- What resources do you need for this?

How would you renovate your house? Nowadays, you would be including some "smart" features. There would likely be a digital angle, but you wouldn't say "I'm doing a digital renovation of my house" because people would laugh at the pomposity. But if you say, "I'm doing digital transformation of my business", no one would laugh, although perhaps they should!

Who should lead transformation projects?

The best leader for a so-called digital transformation project is someone who has less understanding of technology than they do of business. They should understand the end goal, the benefits for the business, but heavens forfend they understand the nuts and bolts of the technology! Because if they do, they'll produce things for the sake of it. When digital transformation projects are given to engineers, they start doing things just because they think it's cool.

Technology should simply be a tool for transformation. There needs to be clear understanding the change is being made. And then, you need to find someone who can identify what is necessary and someone who knows how to use the tools. To quote Alan Cooper's famous book, don't let the inmates run the asylum.

What are the best transformation companies?

Any company that has existed for a number of years and is still around, and that would be your successful transformation company, which has, no doubt, incorporated something digital by now. Any company performing well could, technically be called a successful digital transformer.

Fujifilm is an example. IBM originally produced typewriters. Now they sell cloud. Successfully. Where's their "digital transformer" sticker?

Adobe is a great example of a company that shifted its business model completely to move with the times at pace. Their revenue initially dropped dramatically when they moved to a subscription model, but they stuck to their guns and ultimately it worked. The subscription model is now the Holy Grail for stability.

Change your business model to survive in this world or go bust.

Common questions you should ask yourself:

- Ask, why am I doing this? What is the problem I'm solving? What is the benefit I want to get?
- And if the answer is, I want to use this or that technology, then you should be sacked. Because the driver should be, my client will receive a better service, or my supply chain will be more efficient, or it will cut costs working with my vendors.
- The answer to any questions should always be business related. If it's solely about the technology – then it's rubbish.

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