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Going digital

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Digital transformation is not just a by-word.

A recent article from *cio.com* revealed that companies are increasingly launching digital initiatives to expand or build digital capabilities aimed at business efficiency or increasing revenues. Market intelligence firm IDC estimates that about 40 percent of all technology spending will go to digital transformations, with enterprises spending more than \$2 trillion in 2019.

Digital transformation has been defined as the acceleration of business activities, processes, competencies and models to full leverage the change and opportunities of digital technologies and their impact in a strategic and prioritized way (*cio.com*).

Microsoft, meanwhile, says digital transformation is about reimagining how to bring together people, data and processes to create value for customers and maintain a competitive advantage in a digital-first world.

Philippine Long Distance Telephone Co. (PLDT) chief revenue officer and ePLDT president Eric Alberto was quoted in one news article

as saying that the reality of today's world dictates that enterprises leverage technology to propel their business forward and ensure their long-term strategic survival and viability, even as he warned that it could be the end for some businesses if they do not go digital.

A study conducted by Microsoft released last year showed that while 86 percent of enterprise executives

in the Philippines believe that business success depends on going digital, only 32 percent of Filipino executives surveyed have full digital transformation strategy, 43 percent still progressing, and 25 percent have limited or no strategy in place at all.

But now, a new IDC study commissioned by Microsoft unveils the huge benefits of going digital, not only for businesses for the country as a whole.

According to the study, about 40 percent of the country's gross domestic product will be derived from digital products or services by 2021 while digital transformation is expected to add 0.4 percent to GDP growth annually.

The research, titled "Unlocking the Economic Impact of Digital Transformation in Asia Pacific," expects that in three years' time, digital transformation will add an estimated \$8 billion to the Philippines' GDP, and increase the growth rate by 0.4 percent annually.

The study predicts a dramatic acceleration in the pace of digital transformation across Asia Pacific economies considering that last year, only three percent of GDP was derived from digital products and services created directly through the use of digital technologies, such as mobility, cloud, Internet of Things and artificial intelligence.

Microsoft Philippines managing director Hans Bayaborda said that the country is clearly on the digital transformation fast track while organizations in Asia Pacific are increasingly deploying emerging technologies such as artificial intelligence as part of their digital transformation initiatives, and that will accelerate growth even further.

The survey, conducted with 1,560 business decision makers in mid and large-sized organizations across 15

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economies in the region including 100 respondents from the Philippines, identified five key benefits to their bottom line from digital transformation. These are higher profit margins, greater productivity, increased revenue from new products and services, improved customer advocacy, and more cost reductions.

Business leaders expect to see more than 50 percent improvements in these key areas by 2020, with the biggest jump expected in profit margin and productivity.

The study showed that 93 percent of organizations in the Philippines are in the midst of their digital transformation journey.

IDC Asia-Pacific research director for digital transformation practice lead Daniel-Zoe Jimenez noted that the pace of digital transformation is accelerating, and that by 2021, at least 48 percent of Southeast Asia's GDP will be derived from digital products and services, with growth in every industry driven by digitally enhanced offerings, operations and relationships.

Leaders in the region are looking to invest in emerging technologies like AI which includes cognitive services and robotics, and IoT, and are more interested in investing in big data analytics to mine data for actionable insights than others.

Microsoft Asia Pacific president Andrea Della Mattea said that there is a pressing need for organizations to adopt a leaders' mindset to fully build their digital ecosystem – from employees, to customers, to partners – in order to grow their value chain.

Respondents in the Philippines felt that 92 percent of jobs will be transformed in the next three years due to

digital transformation, and 65 percent of the jobs in the market today will be redeployed to higher value roles, or reskilled to meet the needs of the digital age.

In the Philippines, Microsoft recently partnered with UnionBank to support its digital journey with blockchain technology on Azure, one of the first Southeast Asian banks to conduct such trials. Microsoft's technology allows the bank to have wider coverage at a lower cost, lower risk, and greater efficiency, reach a big under-served market in rural areas of the Philippines, and offer a more open and transparent system, which will help promote greater financial inclusion in the Philippines.

According to Microsoft, organizations in Asia Pacific need to accelerate their digital transformation journey to reap the full benefits of their initiatives, and to address the invisible revolution brought about the mass adoption of AI. More importantly, companies need to focus on capitalizing their own data in order to gain new market insights, create new digital products and services, and monetize data through data sharing securely, and in collaboration with its ecosystem.

To become a digital transformation leader, the company recommended that companies create a digital culture within the organization, build an information ecosystem which includes converting data into capital assets and enabling data sharing and collaboration internally and externally in an open yet trusted manner, develop future ready skills by retraining and reskilling its workforce so that workers are equipped with future ready skill sets such as complex problem solving, critical thinking and creativity for the digital economy, among others.

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