

# DIGITAL TRANSFORMATION: HOW TO ORGANIZE THE DIGITAL FUNCTION WITHIN THE TUNISIAN COMPANY?

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**Abstract:** *This paper aims to discuss the challenges which the Tunisian companies clash with in relation with the digital transformation and to propound a model to overcome them.*

*The types of challenges of digital business transformation have been established and a grounded sequence of processes for accomplishment of digital transformation has been presented. When the Tunisian managers know potential dangers, they could avoid or neutralize the unfavourable consequences. The model for the implementation of digital business transformation could support the participants in this undertaking.*

*Further research has been suggested, through which to validate the model for digital business transformation in Tunisian companies of different sectors.*

**Keywords:** Digital transformation, types of challenges of digital transformation, model for digital business transformation.

**JEL Classification:** Q50, Q55.

## 1. Introduction

Digitization is gaining momentum in the corporate world. New technologies are changing the way business is done and the pressure is growing for companies, which must integrate digital tools in order to remain competitive.

Many opportunities are to be seized, but many challenges also exist. What should you venture into? What must be integrated or changed? Opening an account on LinkedIn or making a "responsive" website is often not enough. Digitalization affects all levels of the company and af-

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fects the entire value chain. The organizational structure of the company is therefore necessarily disturbed. This article aims to shed some light on how to organize the digital function within the Tunisian company.

## 2. What is digital transformation?

Digital transformation refers to "organizational change brought about by the use of digital business tools and models to improve performance" (Capgemini Consulting & MIT, 2011).

Digital transformation therefore implies profound changes in the way the company operates, but not just any. It is about setting up new practices, related to the digital world, that bring added value and improve the way the company conducts its business.

## 3. Why this digital transformation?

The reasons are many and depend on the market conditions that companies face. In general, there are two types of behaviour:

**Active:** The company is proactive and seeks to take advantage of the opportunities offered by new technologies.

**Reactive:** The company is under pressure from the market to adopt new technologies.

In a "reactive" perspective, two major sources of pressure exist:

- *Customers*

They have never been as informed as they are now and are looking for more attractive prices, higher quality standards and better services. Companies must constantly improve their offers to meet ever more sophisticated needs.

- *The competitors*

New competitors offering very competitive offers appear and disturb a whole sector (e.g. Amazon, Google). The pressure can come from the industry in which the company is located, but also from other sectors of activity.

In an "active" perspective, the company innovates by exploiting the possibilities offered by new technologies. Indeed, they emerge continuously and can provide a significant competitive advantage if adopted and integrated quickly. In general, the following benefits can be acquired by the company:

- Do better, faster, cheaper than the competition

- Diversify activities
- Digitalising processes that have low added value
- Increase the visibility of the company on the internet
- Better understand and serve customers

In any case, new technologies should not be seen as a threat, necessity or investment but rather as an opportunity. Consumers are rapidly adopting digital tools. Companies have every interest to be proactive and innovate through digitalization. If the opportunities seized pursue defined strategic goals, the performance gain can be substantial.

#### 4. What changes?

As we have seen, digital transformation involves changes in the way the company operates. In order to facilitate decisions, Wade (2015) establishes a tool called "digitization piano", which lists 7 categories in which changes are possible:

- **The business model:** the way you do business
- **The organizational structure:** how you are organized
- **People:** the people who work for you
- **The processes:** how you do things
- **IT skills:** how you collect and manage information
- **Products and services offered:** your offers
- **Engagement Model:** How You Engage with Stakeholders

The organizational structure is therefore part of the elements affected by digitalization. It refers to how:

- the work is organized
- employees communicate
- decisions are made

Hierarchy, reporting, information flow, resources, etc. Who does what? Who is responsible for what? Who's next?

The goal is to organize the digital function so as to obtain an optimal organizational structure. Where to place his elements? What resources to allocate?

## **5. What are the challenges of organizing digital?**

### *The extent of digitization*

The difficulty of organizing the digital function lies in the fact that it is present at all levels of the company. It is indeed not only relegated to the department that is dedicated to it (if it exists), but it also serves as a support for all other divisions.

### *The constant evolution of the digital world*

Moreover, the technological field evolving at high speed, it is essential to update constantly. A culture of continuous learning must be put in place to be able to adapt quickly.

### *The new aspect*

Digitization is strongly linked to innovation, to "trying new things". New functions are therefore created and managers are not sure where to locate them. Considerable expectations are placed in the digital and a lot of analysis and collaboration are required to know what is needed and how to do it well.

### *Strong demand for collaboration and coordination*

Digitization is straining the traditional structures of the company, which are not made for non-hierarchical modes of collaboration between departments. It requires new communication and collaboration practices that overturn established models. The banking sector, for example, tends towards project-mode operation, whereas it was traditionally organized in silos (Mogus, J., Silberman, M. & Roy, C., 2011a).

The digital function consists of a multitude of devices, mechanisms, tools, systems, products and services distributed throughout the company. If these elements are not connected, the risk is great of falling into "digital anarchy". Defining the scope and diffusion of the digital function is fundamental.

## 6. How to organize digital?

### A. Three general approaches

Weill & Woerner (2013) define 3 general approaches to managing the digital function:

- *Convergence*

Convergence consists of concentrating all digital resources and investments in a unit under the direction of a person, the Chief Digital Officer. This approach provides clear benefits: synergies are realized, costs and risks are reduced, some consistency exists and effective control is applied.

- *Coordination*

Coordination does not change the current organizational structure of the company. It simply adds mechanisms, in the form of committees, to coordinate activities. This translates into separate units supported by a common infrastructure and headed by a coordinating committee. This approach avoids major disruptions and facilitates collaboration between divisions.

- *Separate digital innovation hubs*

In this approach, there is no coordination. Each unit is free to manage the digital function independently, the goal being to support innovation and maximize value through localized management. It corresponds better to decentralized and very diversified companies.

### B. Coordination and sharing

More specifically, Capgemini & MIT (2011) report 4 organizational structure models in a study on digital business transformation conducted with more than 50 companies in some 15 countries.

The 4 models are defined in a matrix with two axes according to the degree of coordination between units on the one hand and the level of sharing of the digital function on the other hand. These models show how the definition roles of digital strategy, execution of operations and budget holdings are distributed. *See diagram below.*

According to their results, the most common model is that of "central coordination", although other models are frequently found too. It is interesting to note that no model is more efficient than the others.

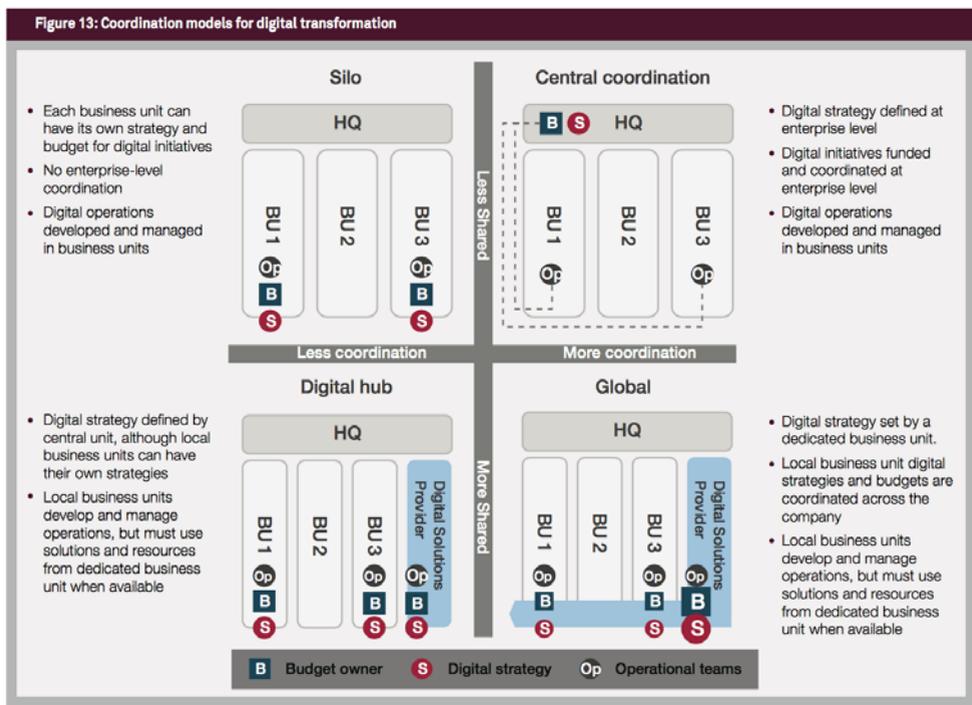


Figure no.1 Coordination models for digital transformation  
 Source: Capgemini & MIT (2011), p. 54.

### C. A changing structure

Mogus *et al.* (2011a) schematize four types of organizational structures, from an evolutionary perspective. According to them, the organizations often start with the first model and should tend to the 4th, which is the most collaborative and therefore the most able to meet the requirements of digitalization, but also the one with the most challenges.

### Informal

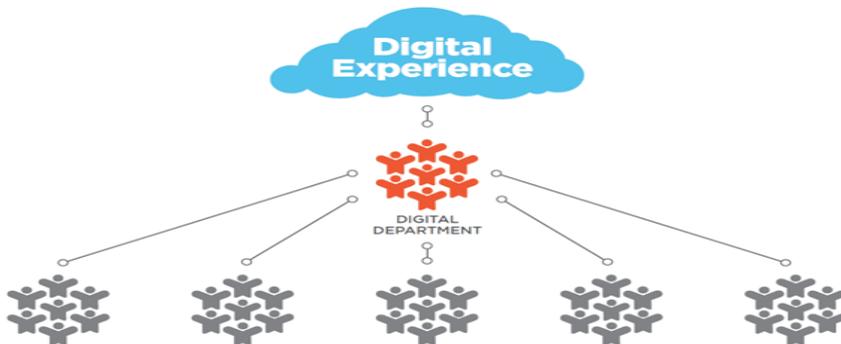
This structural model constitutes a kind of "pre-digital" phase. It shows indeed how the internet developed in its beginnings in companies. The various digital aspects appear freely and randomly in the different units of the organization. Inconsistencies and inefficiencies can result from this structure.



Source: Mogus et al. (2011a)

## Centralized

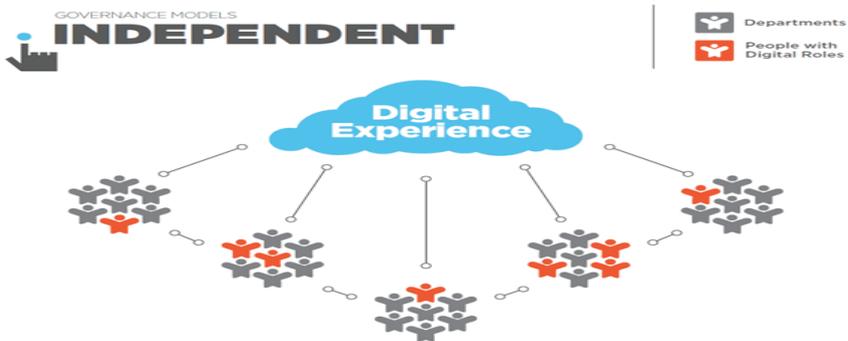
According to Mogus et al. (2011a), the centralized model is the most common. It's about setting up a silo, at the head of which is a Chief Digital Officer and from which all the other divisions are served. The benefits highlighted are the *convergence* approach of Weill & Woerner (2013), including consistency and synergies. The main problem with this structure is that it does not promote innovation and the emergence of new ideas, as collaboration and dialogue with the rest of the units are reduced.



Source: Mogus et al. (2011a)

## Independent

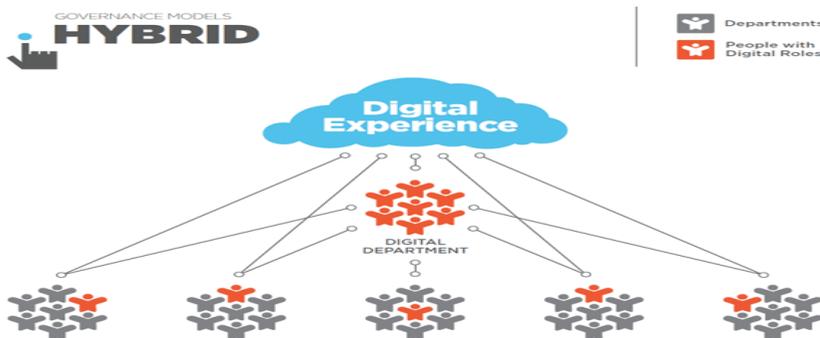
In this model, the digital function is divided into several elements scattered in each department. A certain inequality is established because some divisions can be very powerful and others much less. This induces a culture of competition, whereas it is the collaboration that is desired. In addition, resources are often replicated and there is no consistency.



Source: Mogus et al. (2011a)

## Hybrid

The hybrid model is, according to Mogus et al. (2011a), the most likely to integrate the digital function optimally in the company. In this configuration, each department has an ability to develop digital to meet its specific needs, but everything is connected and coordinated by a digital team that oversees all activities. In practice, it can be difficult to put in place because silos, competition and political considerations in organizations make it very complex.



Source: Mogus et al. (2011a)

## Conclusion

The different models that we have gone through previously seem to highlight certain characteristics essential to the optimal organization of the digital function in the Tunisian company. These include the balance between centralization – decentralization, adaptability, flexibility, collaboration, continuous learning and the development of innovation.

These models have, for the most part, been deduced from what is done in the field. However, this should not be taken as an exhaustive and detailed list of possible organizational structures, or as phases through which the Tunisian company must go. The digital world is constantly evolving and companies must adapt to it. The organizational structure is a relatively rigid element that is difficult to change quickly. Companies take time to do so and an experimentation phase is obviously necessary. New configurations will certainly appear in the future. Meanwhile, the models presented allow to highlight some ways on how to organize the digital in the company.

The key to success:

Define an organizational structure in accordance with the corporate strategy. There are no established models. All have their advantages and disadvantages and are likely to work or not. How to configure his?

In any case, it is the business strategy that will help define the organizational structure that best suits the company. Indeed, depending on the strategic objectives, it will be possible to determine the place that must occupy the digital in the company. Priorities and actions to be implemented can then be defined accordingly.

Finally, practice shows that a bottom-up approach rarely leads to success. On the contrary, a top-down approach is essential. It requires open-minded and collaborative leadership that actively promotes digitalization, thereby communicating a clear message to employees. A corporate culture that embraces change is needed to achieve the flexibility required by the digital world. The challenge of digitalization is therefore not technological. He is human.

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