



DIGITAL TRANSFORMATION

Securing Strategy & Execution

Summary

The digital transformation affects all businesses in every sector and it is probably one of the most important transformations for the near future. Therefore, it should be high on your organization's strategic agenda. The Darwinism of business is brutal for those who waits. If you do not embark on the digital transformation journey, your competitors will and soon you will not be able to be competitive. However, the digital transformation is a difficult transformation to perform. In order to succeed please ensure that the digital transformation does not end up being just another channel into your existing daily operation. Embrace it as an enabler for innovating throughout your whole value chain. Ensure that it disrupts your existing business model, operating model and the way you deliver customer experience. If done well the digital transformation will give you competitive advantages that will let you outperform your competitors. This white paper will highlight what capabilities that needs to be in place as well as how to execute the transformation successfully. However, the most important part is up to you and your organization, you must have C-Level commitment, because the digital transformation starts at the top.

Digital Transformation – Don't just dress up for window shopping

The Darwinism of business is brutal for those who wait. The demand for change is increasing as well as the speed of change. This is true for all companies in every sector. An example of this is the Fortune 500 list. Of all the companies present on this list in 1955, only 71 companies remain today. Of the companies on the Fortune 1000 list today, only 30% of them will be on the list within 5 years. The demand for change is continuously increasing as well as the speed of change. The digital transformation is probably one of the most important paradigm shift that all businesses need to adapt and adopt, and a natural part of any business strategy. However, it is not enough to create a new digital channel, i.e. another shopping window for your business. You need to utilize the digital transformation as a way to innovate your entire business, throughout the whole value chain in a connected way. Connected way means that from a customer perspective there are no disconnected moments where the customer does not know the status or next step is within the customer journey. Be aware, the digital transformation is not only about digital, it is about new ways of doing business, cultural change within business and possibly, about turning your strategy and who you are upside down.

Business Dynamics has identified three main areas within the digital transformation that are drivers.

Customer Experience

Customer behavior has changed. Today customers' demands that your present content and offers that are relevant for them, i.e. customized to fit their need, throughout the value chain according to their customer journey. Customers of today do business on their preference with companies they trust and that are transparent. They are also enlightened, often better informed about your and competitors' products/services than you are. They are empowered in a way that have a great impact, be good or take the consequence. All this is available for them within a few clicks on their smartphone. This can either be a possibility or very scary for a business. Our recommendation, act and drive it as a possibility.

Business Model

The digital transformation gives businesses a possibility to innovate their business models. Delivering new or existing value propositions in new ways. In almost all sectors, we see new businesses exploiting the use of digitalization in ways we could not imagine just 5 years ago. In financial services, we see Fintech companies like Klarna, Atom Bank and Toborrow disrupting the old players. In the transport sector, we have Uber that are threatening the taxi companies in every country they establish an operation. The list is long, all sectors are under attack of these new, nimble companies that, through being digital, disrupt either parts of or whole businesses. Be innovative and utilize the digital transformation in such a way

Fiction vs Fact

BEST PRACTICES

provide a competitive advantage

71 companies remain today from the original 1955 Fortune 500 list.

70% of the Fortune 1000 will be replaced in a few years.



1955 Fortune 500

70% of the Fortune 1000 will be replaced in a few years

that you either become the disruptor or at least can handle the disruptions. Also, see if the value propositions that you have or products/services can be change in order to match customer needs.

Operating Model

One often forgotten part when discussing the digital transformation is the requirements it puts on your operating model. What demands will the customer experience and business model changes put on your enabling structures that you have internally? For example, let us say you are a financial service that wants to offer customers personal loans in minutes to customers. This will of course demand a very different operational model than the one that exists today in most traditional banks. So in order to meet with these demands you need to have an operating model that matches the business model and the customer experience strategy. Another important aspect in the operating model is to ensure that all personnel involved are empowered to take the decisions needed. From an organizational aspect this means that you need to push down the decision making power from management down to the people that are involved in the customer journey's.

One could of course argue that there are other important drivers that you might have to consider, like Internet of Things, Artificial Intelligence and Cognitive Systems. However, according to us, these are more of enablers in the digital transformation, supporting the customer experience, the business model and the operating model. They are extremely important for the future of any business and will reshaped companies and societies.

Business Architecture, the enabler of the digital transformation

Business Architecture can be defined as, "A blueprint of the enterprise that provides a common understanding of the organization and is used to align strategic objectives and tactical demands". The role of Business Architecture is to breakdown the strategy and objectives, the customer experience vision, the business models and operating model requirements into enabling structures (target operating model) that needs to be in place in order to deliver.

The area of business architecture is of course very extensive. In general, one can say that it consists of;

- Business Model
- Customer Journey Mappings
- Capabilities
- Business Processes
- Roles and Organization
- Information
- Technology



Enabling structures – supporting the digital transformation

When extending the business to become digital, it is important to understand the kind of journey's customers want and the context in which they go through this journey. From a customer perspective, understand what moments of truth really matter and design these moments according to what you want the experience to be. Don't forget to design these touch points with a human touch to it. It is also important to try to find journeys that customers do not know they need. This is truly a place where innovation comes to play.

Business Dynamics has identified specific capabilities that are of importance in the digital transformation.

Real-time automation in value-chain

The digital and the analogue customer journey is a connected journey through your value chain. In order to process and deliver product/service in the digital age, you need to have support for automated processes and decision-making.

In the moment proactive personalization

The customer wants to have proactive personalized offers like customized pricing information, configurations, installation, scheduling etc. In order to be able to do this you need information around the customer that you can act upon and package it via predictive or prescriptive ways so that the customer benefits of it.

Contextual interaction

Contextual interaction is all about ensuring the progress for the customer. Meaning that you need to be able to provide the right content in the right channel at the right time and all this in total transparency to the customer. You also want to ensure that a customer can move between the channels (digital and analogue) without having to re-do any work or need to explain to a person what they have done so far.

Engagement innovation

This capability is about ensuring that your customers are willing to become an ambassador for your company and want to buy more products from you, i.e. up- or cross-sell. An important part of this is to understand all the micro convergences that happen along a customer journey that will ensure engagement. It is important that all touch points are engaging the customer in a positive way and that they can connect to an emotion when buying your products or services.

Technical considerations in the digital transformation

Then technology and tools come to play. We have often seen large powerful organizations go straight to the honey jar focusing directly on Data Warehousing, sourcing of data, BI systems etc. This always proves to be more or less unsuccessful. You have to set your division of labor, i.e. divide your strategy into tangible initiatives before you start discussing technology. Technology is there to support what you want to do, not the other way around. When focusing on technology it is crucial that the whole value chain covered and impacted by the portfolio is addressed.

The capabilities that we listed will of course put demands on your internal IT-infrastructure. In order for you to manage all the customer journeys throughout your organizations value chain you need to have;

- Master Data Management (MDM) system managing customers (counterparties), products and agreements
- Case Management and Business Process Management system managing each customer case in a structured way. Automating as much as possible
- Business Rules- / Decision Management Engine managing automating any business rules or decision rules in the processes
- Calculation Engines, ensuring calculation of data needed in order to calculate risks etc.
- Customer Relationship Management systems, connected to MDM to store non master data
- Enterprise Data Warehouse with both predictive and prescriptive analytics functionality

A piece of advice regarding technical considerations, if you want to have real channel transparency through omni-channel, i.e. doing business the same way from a desktop or mobile device, by telephone or in a bricks and mortar store, you need to utilize these functions listed above as one digital platform. You cannot use existing infrastructure that are in siloes. We have seen so many implementations in organizations where they have tried doing the digital implementation in silos and it will not work. What happens is that your customer will get a disconnected customer journey as soon as they shift between channels. Therefore, it is our strong recommendation that you invest in a case management / business process management to begin with in your digital transformation journey.



Establishing a digital transformation portfolio

In many enterprises, a righteous fear of large initiatives exists. Today many organizations talk about and use agile development methods. Agile development methods can be a very effective tool, used in the right context. It is tempting to start small, using agile methods and to go for low hanging fruit. There are, however, major drawbacks with such an approach.

One such drawback is that the organization might end up only with a bunch of digital storefronts. Behind those storefronts, nothing would have changed. We believe that such an approach only would leave the company in the same situation as before but with a nice façade.

Another drawback is the apparent risk for losing the transparency between the different channels in the company. A digital transformation should enhance the transparency. Starting small would mean starting in many places approximately at the same time. Building that way would mean that so many things would need to be coordinated that the uncontrolled coordination would be costlier than the actual transformation. Coordination, transparency and control are key success factors in any major transformation.

Instead, we recommend an approach based on a strategy and on business architecture where the establishment on a portfolio of initiatives is the foundation for the transition. The establishment on a portfolio based on goals, objectives and requirements is a small investment that will drive control, transparency, coordination and sequencing. Then you can start small in a controlled manor, start, stop as you please, and ultimately succeed with your efforts.

Establishing the strategy and the business architecture for a major transformation, such as a digital one, includes the breakdown of the strategy to more tangible entities such as goals and objectives for programmes and projects, preferably contained in portfolios. This has proven to be a major obstacle in many organizations, often where larger means more problematic. So how does one do this successfully?

Setting objectives for the portfolio

One proven and often very successful method is the Objective Breakdown Structure. The Objective Breakdown Structure is a repetitive process where the key stakeholders and the management of the portfolios start to break down the objectives stated in the strategy of the company and the initiative into more tangible objectives, always taking the Business Architecture into account. The objectives are then broken down even further until they are so tangible that SMART Project Goals are formulated. Those goals are then used to identify the initiatives, i.e. the programmes and the projects that should be contained in the portfolio. Next, you aggregate the same goals until you reach the highest level and see if what you have concluded to be the Project Goals actually fulfil your strategy. If yes, you are good to go, if not, you start to tweak them again.

Typical initiatives that are identified in a digital transformation cover a holistic range of projects. It is easy to identify the customer centric initiatives, focusing on the storefront. That is natural but what also need to be covered are what is behind the front of the company. How do we produce the services provided? This means that we have to scrutinize the entire operative model



for major parts of the company in order to understand what digitalization truly means.

Crucial roles in digital transformation

In many ways, the CDO and CIO agenda coincides but here we often see conflict where there should be none. The strategy of the company must take precedence before any individual agenda. If the strategy says DIGITALIZATION, then digitalization it is.

We have seen that a key success factor of a digital transformation is the close cooperation between the CDO and the COO, who is ultimately responsible for the production of all services within the company. Again, the things behind the digital storefront is the coinciding factor. The CDO drive for digitalization of the entire value chain within the company. The COO is concerned that the operations are digitalized with a minimum impact of the same. They must in other words be very much in pace.

If a good working agreement can be established between the CDO, the COO and the CIO, planning can commence. Planning a portfolio of initiatives, either as a pure project portfolio or as a portfolio within a programme is done through Master Planning. The master planning process is normally executed through a series of workshops on different levels of aggregation. The purpose of the workshops is to establish what to do when, in what sequence and how. Dependencies are a major topic in master planning.

As master planning is conducted for the portfolio and perhaps the programme, it is vital that it is well documented. This will be the foundation for all the projects and their planning. The master plan can often be used directly to write charters for the projects. Hence, it is vastly important not only to produce, but also to keep updated.

Taking these important steps on the digital transformation path will create the solid foundation that journeys of these magnitude needs. It is not the only key success factor. Good leadership is one. Good communication and stakeholder management is yet another. It does of course not stop there. However, with these steps taken the foundation for being in control and ultimately for success are in place. Discussing stakeholder management in a text like this is natural. Good stakeholder management starts with a clearly communicated mandate and who has given it. For the digital transformation journey the mandate must be given by the very top of the enterprise. The C-level ranks. And there is another key success factor.

Summary of key success factors for the digital transformation;

- Ensure that you have a good digital strategy based on what you want to achieve in terms customer experience and that is translated into clear measurable objectives
- Addressing the whole impacted value chain with the digital transformation
- C-Level commitment with good communication and stakeholder management
- Break down objectives into an objectives breakdown structure
- Ensure that you understand the enabling structures in the business architecture. The new, or changed existing, business model and supporting capabilities is the transformation needed for your organization

- Build and maintain a master plan, taking all know initiatives into account
- Establish a digital platform with the right functionality support your entire organizations needs
- Clear delegated mandates to the roles in the organization, in order to secure the customer experience and operating model

Being successful in a real digital dransformation will be one of the cornerstones for the future of your company. It is crucial for the vast majority of future services. Today some of the services delivered by digital transformation might seem futuristic and luxurious. In the near future, however, they will be the bread and butter of your business agenda. Then personal service and customers coming to an office will be considered futuristic and luxurious.

