

Digital Transformation & Leadership

ALCM EEP

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Session Overview

- Changing role of IT in Organizations
- Gartner's Hype Cycle
- What is Digital Transformation?
- Digital Transformation Domains: CCDIV
- Digital Leadership
 - Digital Mastery
 - Concerns around Digital Transformation
 - Change Management for Successful Digital Transformation

Changing role of IT in Organizations

First Wave (1970s)

- Automation of individual activities – order processing, bill paying, manufacturing, resource planning
- Increase in Productivity, Standardized Processes

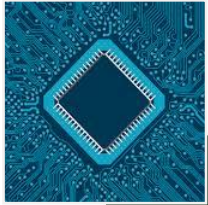
Second Wave (1980s-1990s)

- Rise of the Internet – Coordination & Integration
- Globally integrated supply chains – Productivity gains, Transformed value chain

Third Wave

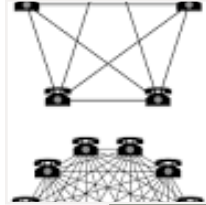
- IT an integral part of product itself, Product cloud
- Reshape the value chain; Value-chain-based productivity improvement, Triggering innovation

Paradigm Change: The Three Laws of Technology



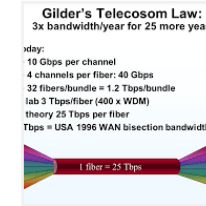
Moore's Law

- Exponential increase in computing power at lower and lower cost



Metcalfe's Law

- Effect/Value of network is proportional to the square of the network size



Gilder's Law

- Bandwidth grows at least 3 times faster than computing power -Data Reliability

Today's Digital Context

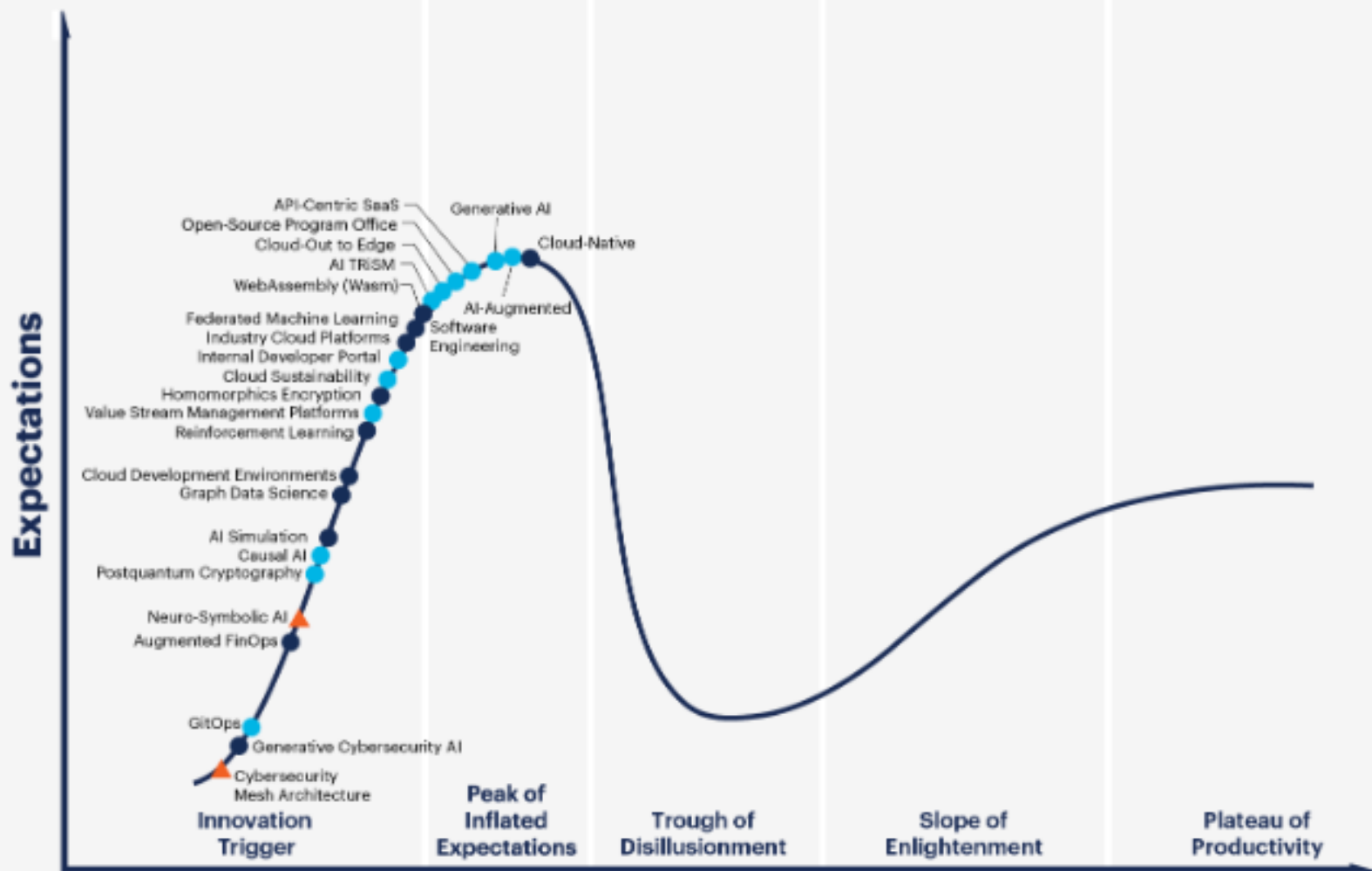
- Data reliance deepens
- Demand grows more personal
- Internal and external boundaries blur – Crowd sourcing, Digital platform ecosystem
- Products become information-rich services – Product-as-a-service
- Work adapts to a broader role for machines
- Everything accelerates

Gartner Hype Cycle

<https://www.gartner.com/en/research/methodologies/gartner-hype-cycle>

Gartner's Hype Cycle for Emerging Technologies, 2023

Hype Cycle for Emerging Technologies, 2023



Plateau will be reached:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- ▲ more than 10 years

As of August 2023

Digital Transformation



Digital Transformation Domains: CCDIV



Customer



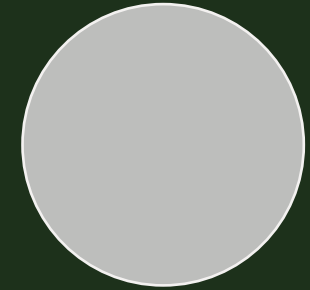
Competition



Data



Innovation



Value
Proposition



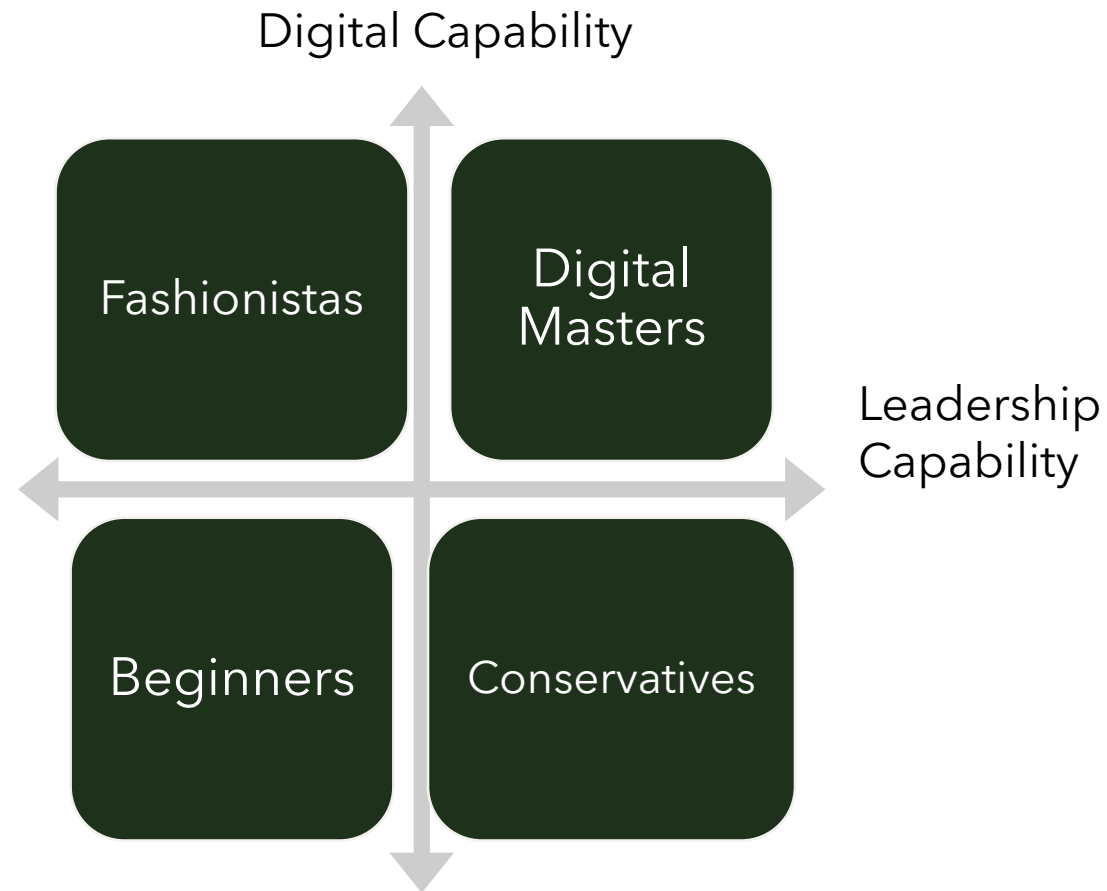
GE Industrial Internet

<https://www.youtube.com/watch?v=KzXfFDJWgmQ>

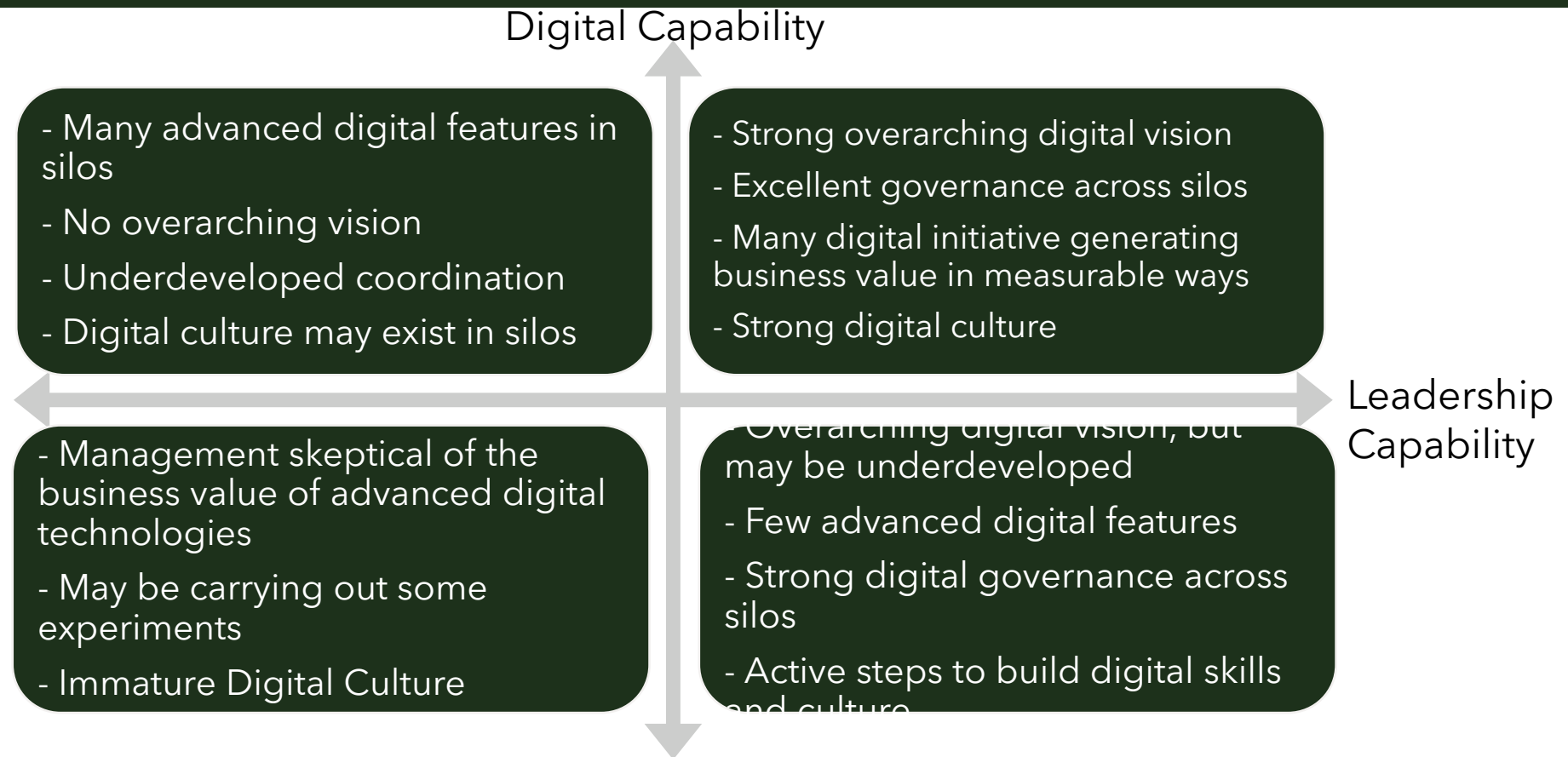
The DNA of Digital Masters

- Digital Capabilities - the *what* of technology
 - Where and how to invest in the digital opportunity
 - Size of investment is not as important as the reason to invest or the impact of investment
 - See technology as a way to change they do business - customer engagements, internal operations, and business models
- Leadership Capabilities - the *how* of technology
 - Committed leadership is the lever that turns technology into transformation
 - No examples of successful digital transformation happening bottom-up
 - Clear and Transformative vision, start critical initiatives and engage employees to build out the vision

Four Levels of Digital Mastery



Your level of Digital Mastery: To Start With



Building Digital Capabilities: Compelling Customer Experience

Complex Task

- Substantial increase in customers' expectations
- Integrating new digital channels into existing operations
- Digital interactions force an evolution in culture - new clock-speed, new decision-making methods, new rules

Digital Masters

- Designing the customer experience from outside in
- Creating reach and customer engagement - omni-channel (access), engage, connect, collaborate
- Seamlessly mesh the physical and digital experiences e.g., Metropolitan Museum of Art - Change before you must!

Building Digital Capabilities: Power of Operational Processes

- Hidden nature of operations makes it particularly valuable source of competitive advantage
- Difficult to copy as it comes from processes, skills, and in-company information
 - Better predictive maintenance
 - Analytics solutions for better demand planning, inventory management etc.
 - Enhancing transparency, traceability in supply chain management

Building Digital Capabilities: Reinventing Business Models



Reinventing industries - leveraging ecosystem - Apple, Playstation, Airbnb

Substituting products or services - Fuji film, Encyclopedia Britannica

Creating new digital businesses - Nike + - multiple connected components - a shoe, a sensor, an internet platform, a device (iPhone, iPod, Xbox) - a GPS watch

Reconfiguring value delivery models - GE Industrial Internet - From product to outcome-based services

Building Leadership Capabilities

- They turn digital investment into digital advantage
- Getting people started & getting everyone moving in the same direction
 - Crafting your digital vision
 - Engaging employees
 - Right digital governance model
 - Technology leadership capabilities

Crafting Your Digital Vision

- Transformative Digital Vision
 - Identify strategic assets (Competence-based - product design expertise, flexible & efficient operations)
 - Creating Transformative Ambitions - Substitution, Extension or Transformation
 - Defining a clear intent and outcome
 - Evolving the vision over time
- Substitution - facing crisis because of a major industry shift
 - Pages Jaunes - French Directory Service Provider
 - Not in the business of printing books, but in connecting small businesses to local customers
 - Gave audacious business goal 30% to 75% revenue from digital
- Extension - opportunity offered by digital technologies - Gaylord customer experience
- Transformation - company's next long-term shift - GE's Industrial Internet

Engaging the Organization at Scale

- Strategic vision is only as good as the people behind it
- E.g. Pernod Ricard (Wine & Spirits):
 - From “Make a friend everyday” to “Share a new idea everyday”
 - Crowdsource your employees to co-create solutions
 - Deal with digital-divide by raising the digital IQ of the company

Governing the Transformation

- Large Complex organizations are full of entropy
- Governance: to steer the company's digital activities in the right direction
- Two Key Goals:
 - Coordination: Prioritizing, synchronizing, and aligning initiatives across the enterprise
 - Sharing: Using common capabilities and resources (people, technology & data)
- Key mechanisms for digital governance:
 - Steering Committees & Innovation Committees
 - Digital Leadership Roles
 - Shared Digital Units

Building Technology Leadership Capabilities

- Integrated and symbiotic relationship between IT and business
- Merging the skills and perspectives of business and IT leader to lead transformation better
- Better IT Governance
- Digital Masters
 - Shared understanding - 32% higher than others

- The hard thing about these transformations is not technology. It's the sociology.

Oracle's CEO, Safra Catz

Why do Digital Transformations fail?

- Expected results fail to materialize: unsuccessful efforts to scale digital innovations beyond every pilot work
- Reasons
 - Lack of buy-in
 - Cultural misalignment
 - Lack of communication
 - Not providing training & support
 - Unspoken disagreement among top managers about goals
 - Problem: What to prioritize, how to measure progress - Not clear
 - Solution: Define not only the opportunity but also the problem it solves, and how the company will build organization around the desired solution
 - *Must be done before investing!* - For e.g., Why cloud strategy?
 - Difference between capabilities supporting the pilot (R&D) and capabilities available to support scaling it

Top Digital Transformations Challenges for Organizations

Challenges

How to adopt the org structure for digital businesses?

How to enable continuous improvement of business processes?

How to create greater alignment between the business & IT?

How to manage growing operational complexity?

If a transformation "office" is needed to govern change efforts?

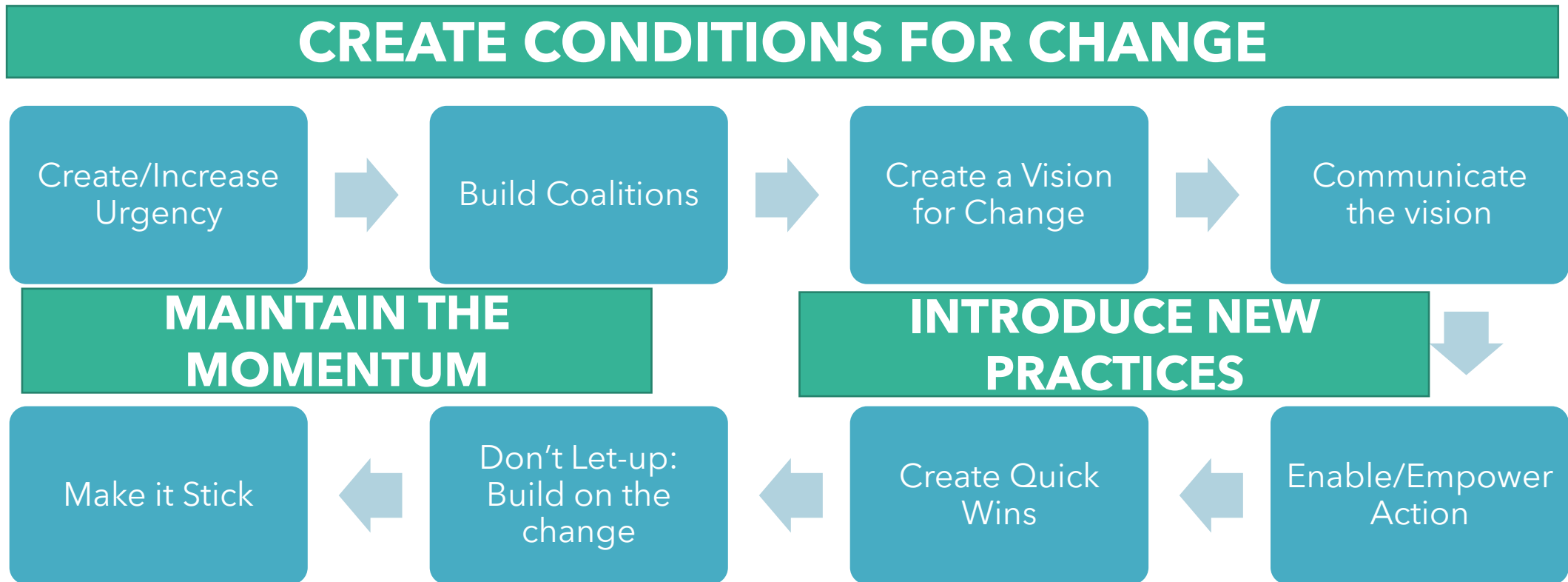
How to break down functional silos?

How to create a separate digital unit?

What is Change Management?

- Disciplined approach, structured process & set of tools for **leading the people side of change** to achieve a desired outcome
- Adoption, control and implementation of change
- Technology identification and implementation to improve productivity and profitability
- How does it help?
 - Reduces resistance, improves communication, and addresses challenges inherent in major change

Kotter's Change Management Framework



Change Management for Successful Digital Transformation

<https://www.youtube.com/watch?v=H0JLSEjN7mw>

How to sustain change?

- Identify and retain senior executives who have track records in promoting the change
- Find a successor with competencies and aspirations
- Accountability - Tie performance appraisal with the ability to sustain change
- Retention - Develop retention strategies to minimize losses
- Strengthen the induction programme and training regime for new hires
- Develop a time-phased change implementation strategy: to provide periods of planned stability between change projects

Principles of Digital Transformation

- Leadership & Political Commitment
- Coherent use of technology across domains
- Openness, Transparency & Inclusiveness
- Data Drive culture
- Protecting privacy and security
- Reinforce ICT project management capabilities
- Thorough effective business process reengineering and change management strategy
- Effective organization and governance frameworks to coordinate

References

- Digital Transformation Playbook - David Rogers
- Leading Digital by Westerman, Bonnet, & McAfee