

# Managing Digital Transformations

Senior Leadership Program

Neena Pandey, IIMV



# Session Overview

- Changing role of IT in Organizations
- Gartner's Hype Cycle
- What is Digital Transformation?
  - Technology + Strategy + Business Process Reengineering + Change Management + Leadership
- 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

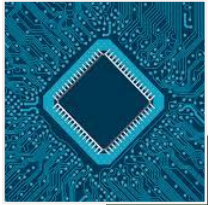
## Second Wave (1980s-1990s)

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

## Third Wave

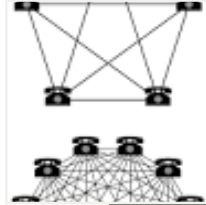
- IT an integral part of product itself, Product cloud
- Digital goods; Reshape the value chain; Triggering innovation

# Paradigm Change: The Three Laws of Technology



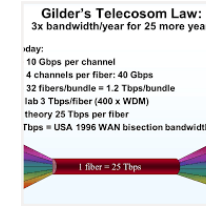
## Moore's Law

- 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

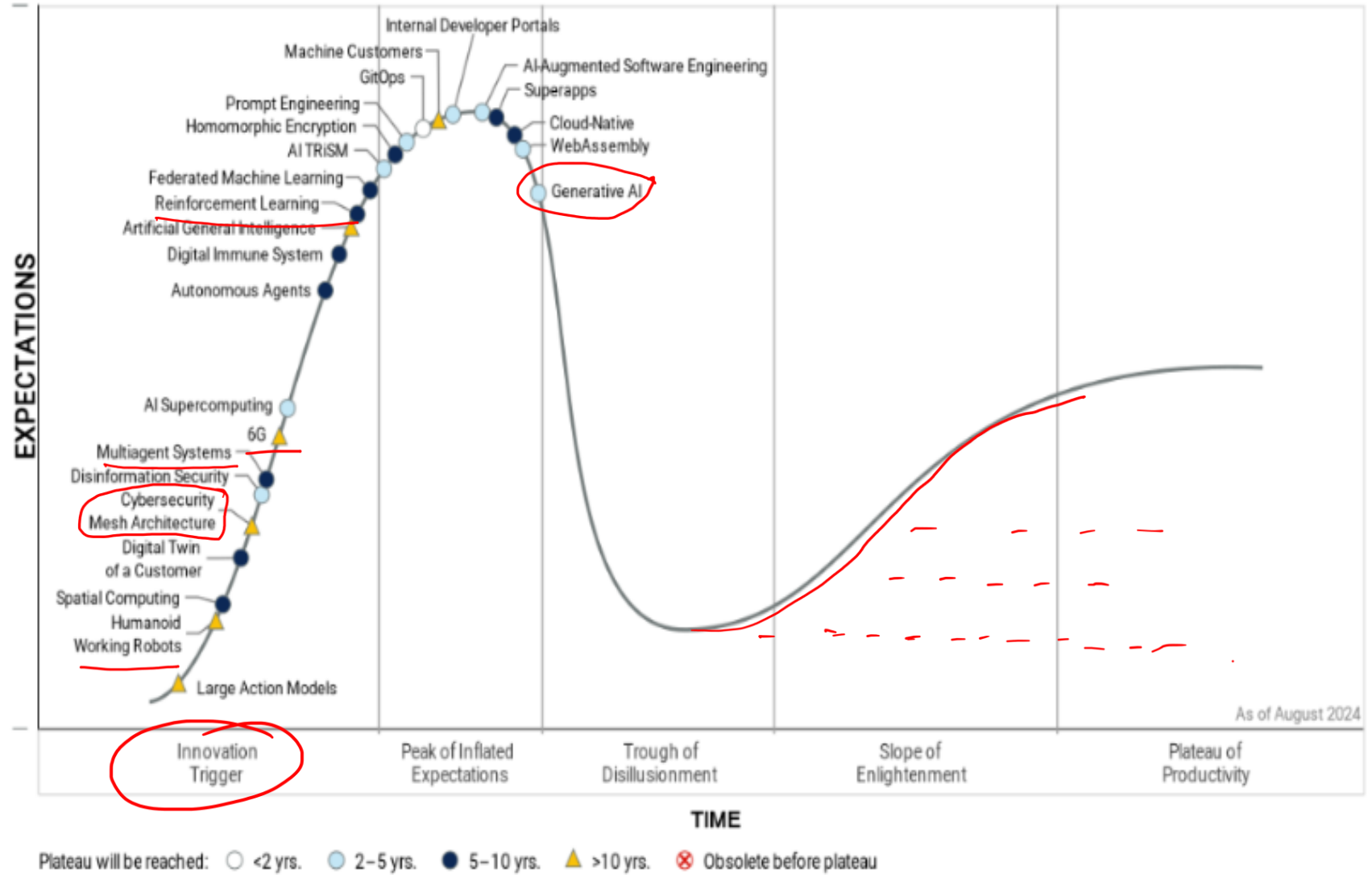
# Today's Digital Context

- Data reliance deepens - 'Real' businesses
- 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

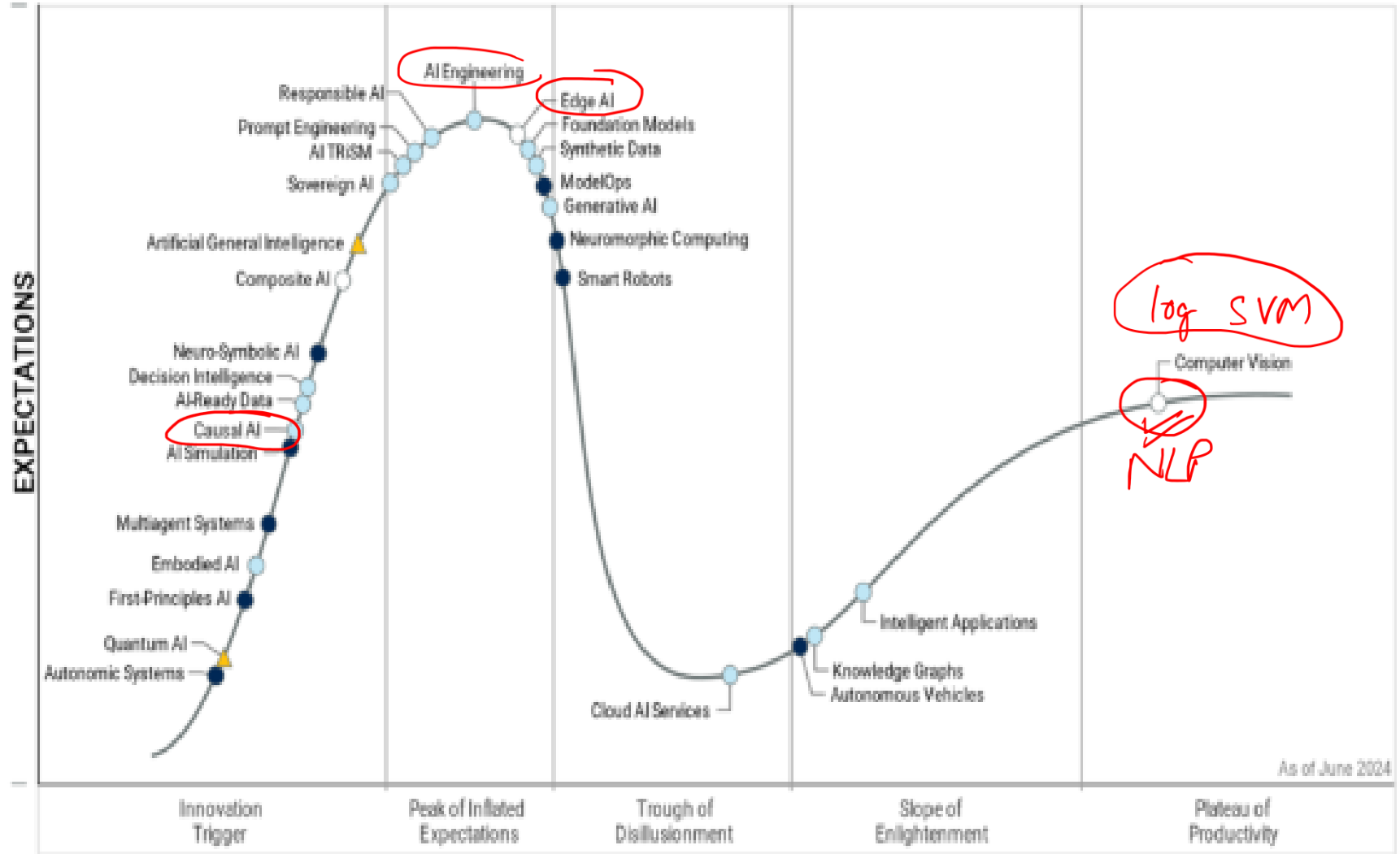
<https://www.gartner.com/en/research/methodologies/gartner-hype-cycle>

# Gartner's Hype Cycle for Emerging Technologies, 2024



# Gartner's Hype Cycle for Artificial Intelligence, 2024

## Hype Cycle for Artificial Intelligence, 2024



Plateau will be reached: ○ <2 yrs. ● 2-5 yrs. ● 5-10 yrs. ▲ >10 yrs. ⊗ Obsolete before plateau

# Digital Transformation



# Latest Technologies & Impact

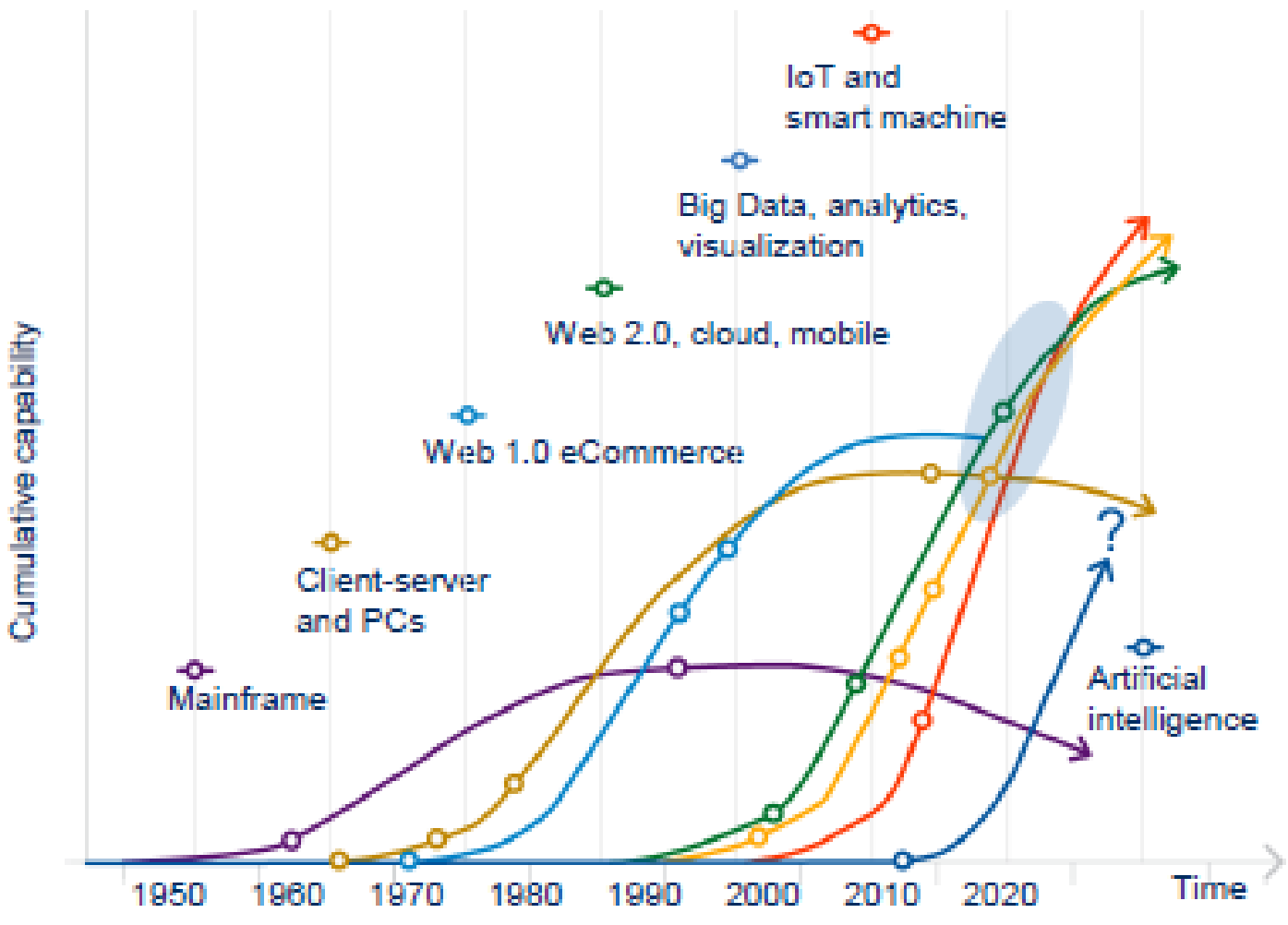
## Technology

- IoT, IIoT, Analytics, Cloud Computing
- AI/ML, Robotics, Additive Manufacturing, AR/VR

## Business Impact

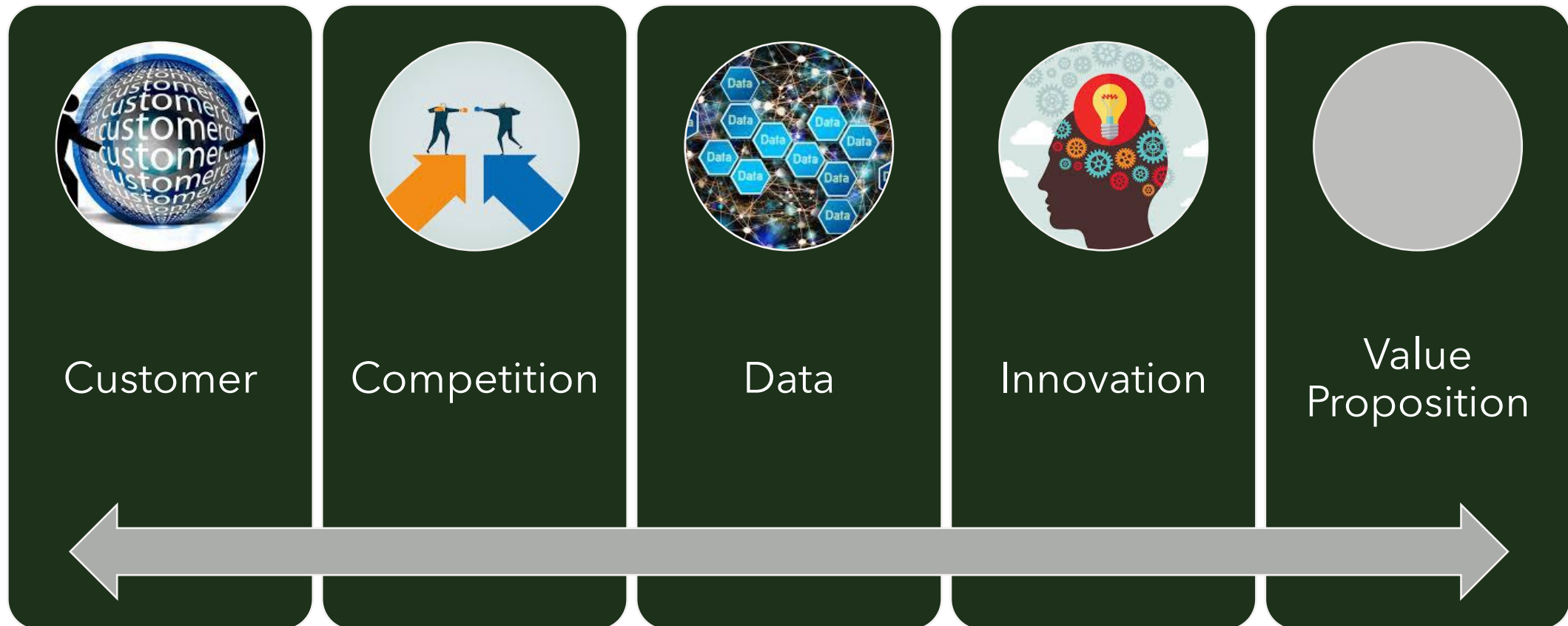
- Process Improvement; Enhanced Customer Experience
- Efficient Operational Processes, Alternative Business Models

# Combinatorial Advantage



Source: World Economic Forum/Accenture analysis

# Digital Transformation Domains: CCDIV



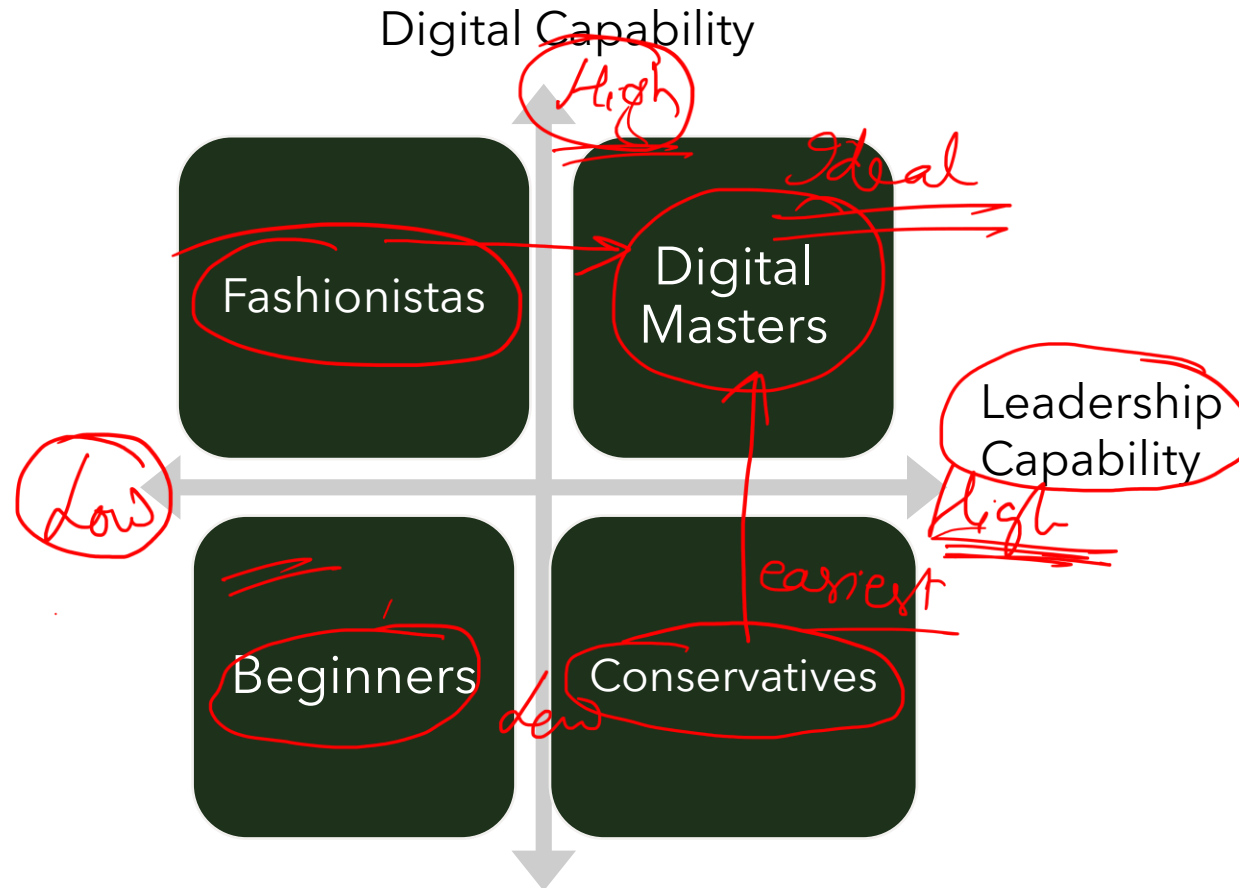
# GE Industrial Internet

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

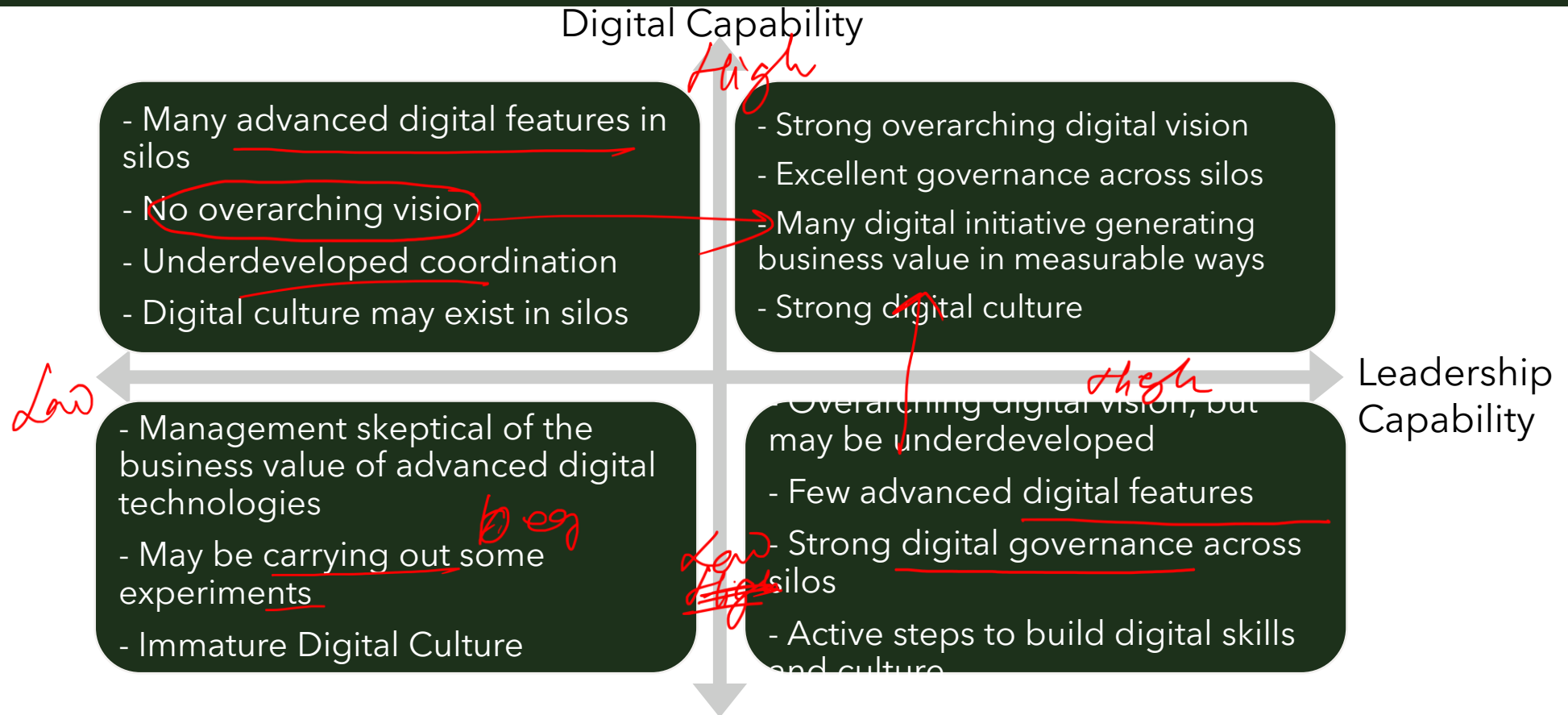
# The DNA of Digital Masters

- 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 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
- Extension - opportunity offered by digital technologies
  - 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
- 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

- 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

HIPPO

# 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?

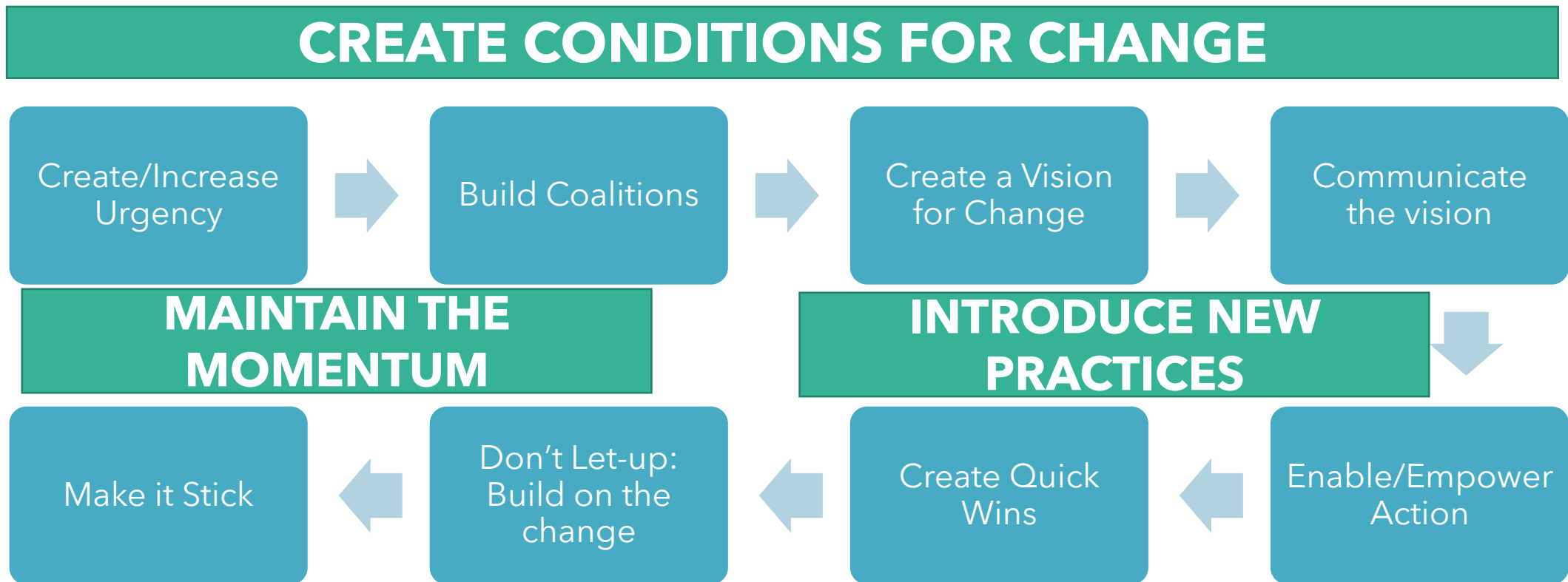
How to break down functional silos?

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>

# 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