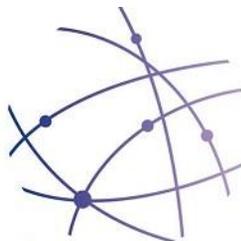


DIGITAL BUSINESS TRANSFORMATION

Move your business into the
digital age

Turn Vision Into Action: A framework for digital business
transformation



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EXECUTIVE SUMMARY

Digital technology has permanently changed the global business landscape. Rapid development over the last few decades has resulted in technology that is intuitive, easy to use, accessible and cheap. Consumers have been quick to adopt new technologies in almost every aspect of their lives and expect businesses to adopt technology use at the same pace. Additionally, an increasing number of digital businesses are being created across various industries that focus on serving the needs of the modern consumer.

The pervasiveness of digital disruption necessitates that business leaders completely rethink and transform their organizations and business to remain relevant in the digital economy.

Business leaders who already run profitable businesses, however, are often unwilling to begin the crucial process of digital business transformation. They are reluctant to innovate their organizations or explore new business models optimized for the digital economy, for fear of jeopardizing current profits. After all, why fix something when it isn't broken?

This is a valid concern. However, neither digital acceleration nor the digital future is inevitable and its impact on the global business environment is undeniable. There are plenty of real-world examples where businesses that ignored the market trends and failed to see the larger opportunity ended up losing their competitive position and were displaced by disruptors.

This white paper introduces a framework that helps business leaders confidently navigate their organizations through complex digital business transformation, while safe-guarding existing profitable business operations. The end-to-end framework focuses on turning vision into action – guiding companies through understanding disruptors, innovating business operations and creating a roadmap of transformation initiatives. Additionally, we describe several proprietary tools that have helped many organizations comprehensively assess their digital transformation readiness, identify and analyze gaps, as well as create pragmatic, implementable solutions.

We believe achieving true digital competence is not measured by technology implementations, but instead the ability of an organization to ultimately utilize digital technologies to enhance capabilities, capture and meet consumer needs and provide superior customer experiences.

THE END OF BUSINESS AS USUAL

Digital is more important now than before especially after witnessing year long effects of pandemic, digital acceleration is real and facilitated by changing consumer behaviors, needs and ever-increasing technology developments. Further, the pace of change is unfathomable and creates both opportunity as well as challenges business as usual approach. Several key driving factors that have disrupted business as usual are described as follows:

Digital technology has permanently modified consumer behavior and preferences.

With statistically over 60% of the global population active on the Internet and just over 53% active social media users, customer segments that adopt new technologies now span across all age groups, giving rise to a growing population of mobile, tech-savvy and connected customers demanding seamless cross-channel experience 24/7. The modern customer is proactive, informed and interacts with businesses and brands considerably differently than before, expecting hyper-personalization and instant gratification enabled by new digital platforms (e.g., social media).

New digital businesses are redefining the competitive landscape.

They are entering the market as formidable competitors poised to wrestle market share from companies out of touch with digital technology. Armed with a strong understanding of how to apply technology to discern evolving consumer needs, accelerate growth, generate revenue through new business models (e.g. Freemium, On-Demand, Access-Over-Ownership) and create superior customer experiences, digital businesses have a distinct competitive advantage over traditional businesses struggling to stay relevant in the digital economy. The recent Covid-19 pandemic has further accelerated digital adoption among the global consumer base, a change that is expected to last in the longer term.

Breakthrough technology developments and increased accessibility have democratized innovation.

Technology development is occurring at an exponential rate, moving ideation and discovery forward by leaps and bounds. The relentless drop in prices of components, hardware, and software has also led to an increasing ease of access to technology. This open access to unparalleled processing power, unlimited storage capacity, and cost-effective cloud computing means literally anyone can now design, develop, and innovate. The consumer is no longer just a customer, but also potentially a creator or business competitor.

Evolving global business eco-system enabled by new technology.

New powerful analytics tools have sharpened business intelligence by enabling organizations to gather, analyze, and apply insights from large amounts of unstructured data. This has enabled companies to make informed strategic decisions backed by sound data (e.g., predictive or pattern analyses). Digitalization has also created a global eco-system that is increasingly interdependent and interconnected. The associated rise of a mobile and digitally enabled workforce, adapting partner networks, and changing geo-political landscape has resulted in new and improved ways of working. Customer value propositions have also evolved with technology development. On one hand, it has increased choice and transparency – making it easier for customers to compare value. On the other, it has innovated new ways for businesses to create and deliver value to its customers, to meet their changing expectations.

As these elements converge to transform the global business landscape, traditional organizations are faced with an inevitable decision – **go digital or go home!**

THE DIGITAL IMPERATIVE

Traditional companies will need to undergo organization wide transformation that goes beyond implementation of a new technology solutions, in order to thrive and remain relevant in the global digital business landscape. Organizations need to embrace agility and stop thinking of business functions in a siloed fashion to manage uncertainty, continuous technology development and leverage market opportunities.

Instead of knee-jerk reactions that call for short-term solutions, digital transformation centers on leveraging new technologies to understand the evolving needs of digitally connected consumers (i.e. their behaviors, preferences and motivations), and delivering customer experiences that exceed expectations.

In other words, organizations that can look deeper into critical business dimensions such as strategy, operations, people and technology will effectively succeed in the digital age. An organization wide transformation of this magnitude requires significant adjustments to traditional business models. This is basically the process of re-thinking the business, as well as re-aligning resources, physical assets, processes and investments based new customer value propositions. This process can be complex and challenging, however, the results can be quite dramatic.

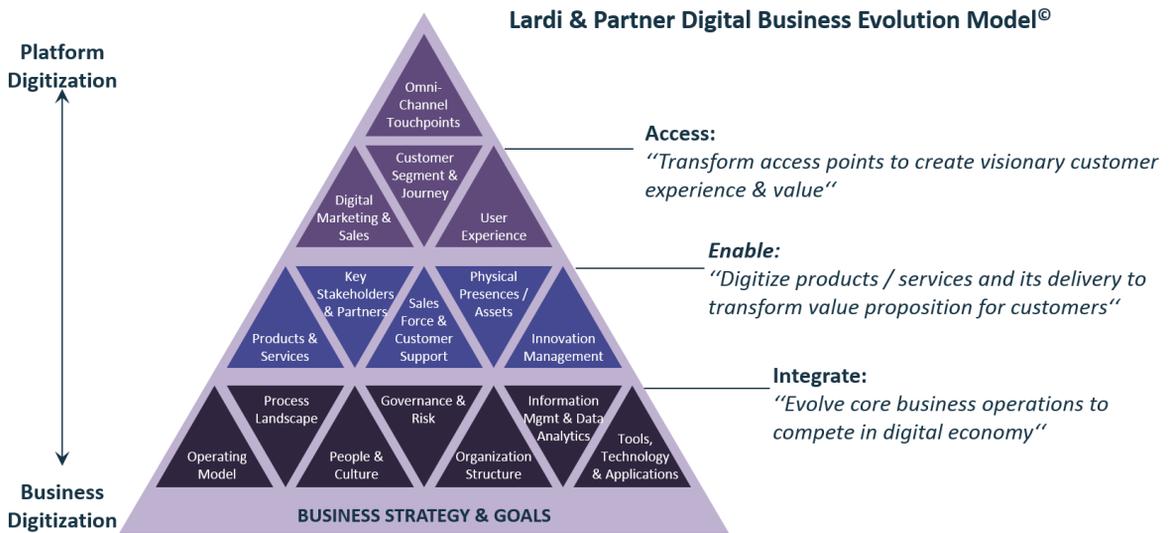
The global business landscape is unravelling, as new digitally-enabled businesses stake a claim in the market and create competitive pressures for traditional organizations. These new entrants are focused on meeting the modern customers' needs and utilize disruptive technologies to enable improved customer experiences and business solutions. Traditional players struggle to keep up with digital businesses that are designed to be more fluid and responsive (i.e., lean, dynamic operations, optimized processes, flat organization structures etc.).

In a typical business environment, concerns over daily operational challenges take precedence over new or innovative solutions. This is further reinforced by top level communication and organizational metrics. Traditional approaches, such as creating an app or using social media to communicate with customers, only scratch the surface of digital transformation. Companies need to look deeper into their operations, review the evolving needs of their customers, employees and determine how to apply digital technologies to improve the business operations and offerings.

DIGITAL BUSINESS EVOLUTION MODEL

Our framework for organization wide transformation

For organizations on their digital business transformation journey, we developed a framework that helps businesses think about how such an organization-wide change will impact their business strategy and goals. The Digital Business Evolution Model is an essential tool that provides businesses with a comprehensive digital transformation blueprint that guides them as they prepare for the digital economy.



The Digital Business Evolution Model has three essential levels, as described below.

Access

How well do you know your customer today? Transforming how they access and interact with their customers enables companies to better understand the needs and meet the expectations of today's digital customers.

Enable

Incorporating digital elements in product/service offerings and its delivery transforms the company's value proposition for its customers. While complex to implement, such digitization will bring demonstrable benefits as demand for more immersive customer experiences (converging physical and digital) increases with time.

Integrate

Transforming core business operations completes the evolution process, necessary to succeed in the increasingly digital business landscape. Changes at this level include those triggered by the Access and Enable level transformations, necessary to ensure sustainable benefits.

Digital business transformation may be triggered at any level or function in the organization (e.g., digital marketing, product digitization, business model innovation etc.). However, in order to effect sustained impact, transformation needs to gradually occur across every level of the framework.

DIGITAL BUSINESS EVOLUTION MODEL

Our framework for organization wide transformation

Making that leap from vision to action can be a challenge, especially when it involves a complete rethinking of how your business operates in an increasingly digital business landscape. That is why we developed an end-to-end approach to managing digital disruption, based on the Digital Business Evolution model. Our approach helps business leaders navigate their organizations from the point of understanding disruptors and the business ecosystem, through to identifying and developing the right transformation initiatives.



Situational Analysis

The first step is to conduct an organizational ‘health check’ to assess your company’s strengths, shortcomings, pain points and barriers. A review of the overall business ecosystem is necessary, so we recommend companies conduct the four Digital Transformation Health Checks we developed. The Outside-In and Inside-Out health checks focus on assessing the trends, market, organization, as well as its operations. The Top-Down and Bottom-Up health checks focus on assessing the leadership teams and employees for digital transformation readiness.

Disruptive Visioning

Innovating your current business model is next; in other words disrupting your business from within, before it is externally disrupted by the digital economy. This involves envisioning the future for your business, reimagining your company’s value proposition in this changed landscape, redesigning your business model so that it thrives in the digital economy and testing your assumptions for validity. Our Vision Lab, a series of workshop sessions we developed, has worked with many leadership teams and senior management through this disruptive business model innovation process and helped them create effective solutions to thrive in the digital economy. Based on the needs of the organization, solutions may include product or service digitization, process and operations automation, digital and physical customer experience design, as well as business model innovation.

Strategic Roadmap

Navigating your company from its current business model to the future business model your team has defined can be complex so developing a strategic roadmap is necessary to guide you through the transformation process. This strategic roadmap should include an analysis of the gaps between business models (Current vs. Future) and the identification of transformation initiatives required to address these gaps, prioritized accordingly. At this stage, an investment plan should be defined and a proof of concept developed to support the transformation process. Your company’s KPIs and success measures should also be revised as it prepares to transition to the future business model.

Build and Implement

The final step is to explore, test or implement transformative initiatives necessary to actualize your future business model. Developing a business case would prove useful - it should include a detailed plan on commitment and sponsorship needed, the operationalization process, adapting the organization and its processes, planning resources and budget, identifying transition risks and pitfalls, and defining timing and milestones. Existing assets (e.g. people, processes, channels, operations, partners, organization, technology architecture etc.) should be leveraged for digital transformation.

LOOKING AHEAD

Disruptions in the global business landscape are forcing incumbent organizations to rethink their traditional business models, existing operations, as well as archaic approach to customer interactions. Traditional approaches, such as creating an app or using social media to communicate with customers, only scratch the surface of digital business transformation. Companies need to look deeper into their operations, review the evolving needs of their customers, and determine how to apply digital technologies to improve the business operations and offerings.

In many conversations with leadership teams, we find the focus of organizations centered on technology implementation or digital marketing initiatives. While critical to the overall modernization of an organization, the sustainable value from digital transformation comes from organization wide change. The framework described in this paper provides a roadmap to help companies accelerate their digital transformation journey.

Companies will face an inevitable future and should disrupt themselves to avoid their very own “Kodak moment”. Traditional companies will therefore need innovate and transform their business model and operations in alignment with evolving needs and behaviors of modern consumers, market trends, and the overall digital economy. By focusing investments and resources on impactful transformative initiatives, organizations will be able to drive sustainable change and ensure their relevance in the new global landscape.



About the author

Kamales Lardi is a digital transformation strategist and dynamic keynote speaker. She helps companies leverage digital disruption to create new opportunities for business and generate revenue. Kamales has 20 years of experience in corporate strategy formulation, business process optimization and new technologies implementation. The convergence of these experiences have made her well positioned to lead digital business transformation initiatives across various industries. Since establishing Lardi & Partner Consulting GmbH in 2012, Kamales has advised various companies across various industries such as UBS, Swiss Federal Railways (SBB), Pfizer, Victorinox and Sanitas Insurance among others. Kamales is also a published author, lecturer, as well as member of the MBA Advisory Board at Durham University, UK. She has recently been appointed as startup mentor for the F10 Fintech Incubator & Accelerator sponsored by the Swiss stock exchange.

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