

The challenges of Digital Transformation

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Market capitalization oct 2012

This [Yahoo Finance](#) based list is up to date as of October 02, 2012. ^[9]

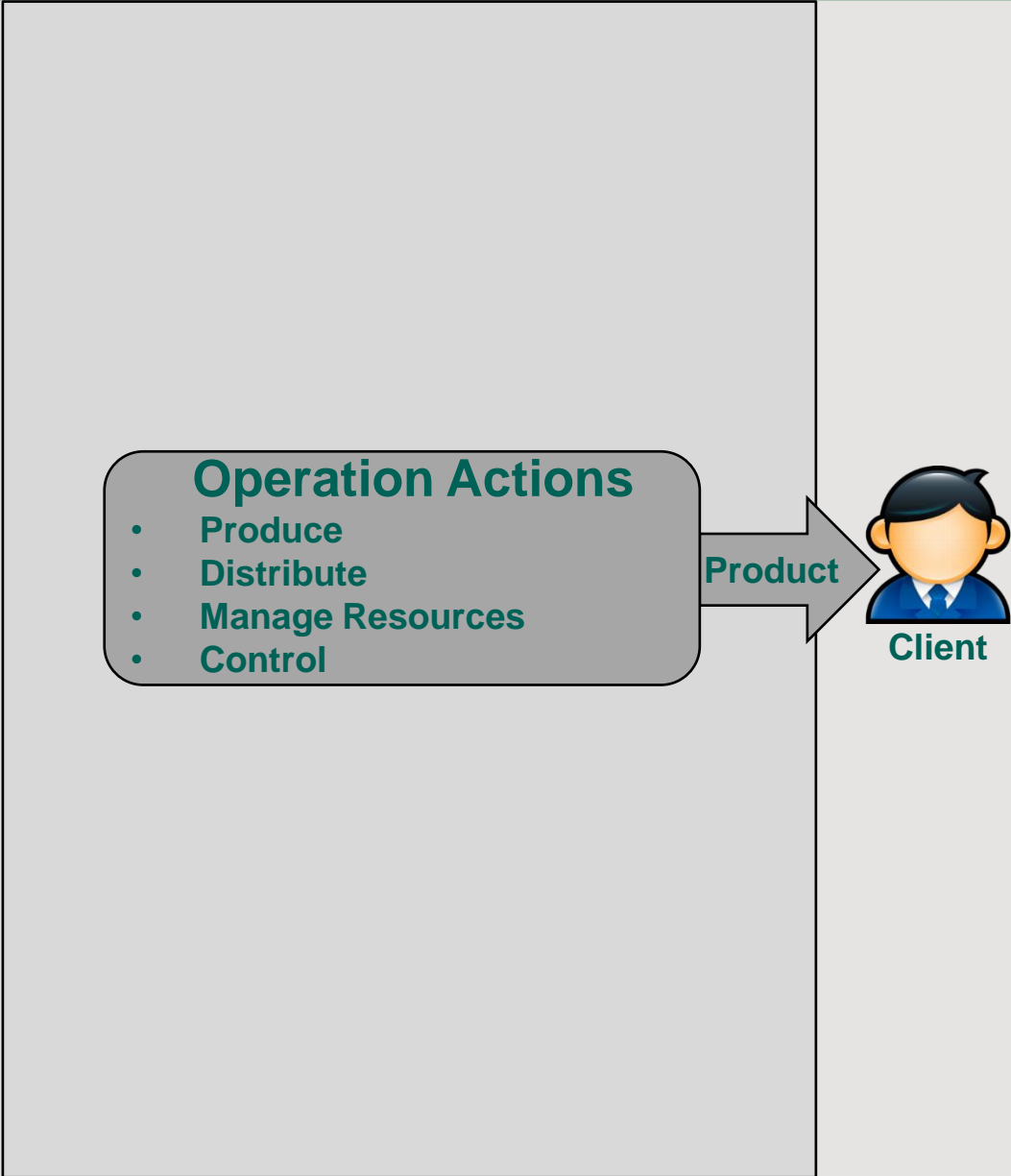
Rank	Company	Industry	Market capitalization (billions)
1	 Apple Inc.	Digital	\$623.78
2	 Exxon Mobil	Oil and gas	\$427.64
3	 Microsoft	Digital	\$250.01
4	 Wal-Mart	Retailing	\$249.71
5	 Google	Digital	\$245.97
6	 General Electric	Conglomerate	\$240.44
7	 IBM	Digital	\$239.29
8	 PetroChina	Oil and gas	\$236.36
9	 Chevron Corporation	Oil and gas	\$229.93
10	 Royal Dutch Shell	Oil and gas	\$223.16

From a hardware vendor to an integrated Customer Solutions. Revenue from \$1,3M in 2006 to \$26MM in 2011.

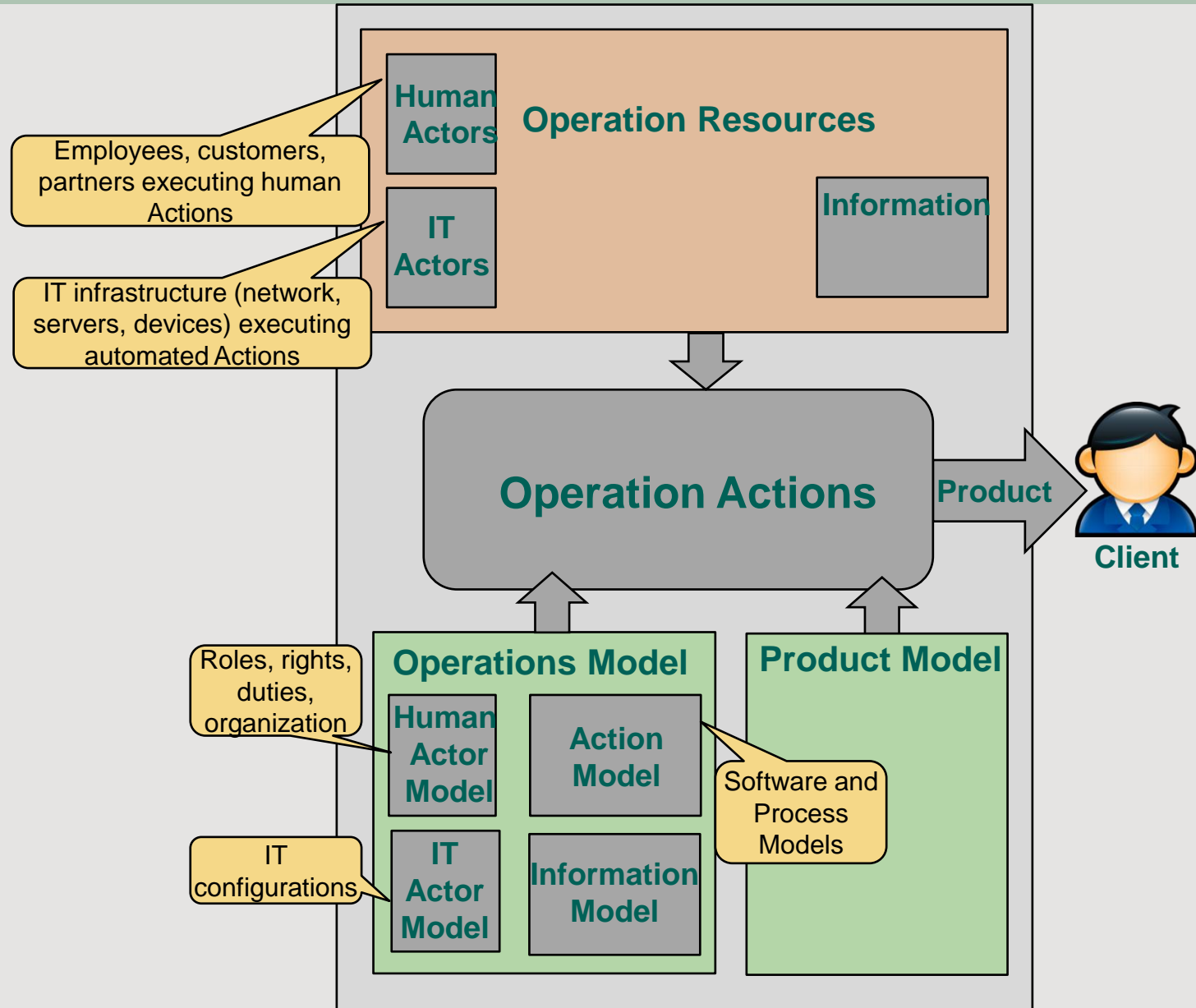
- The « 100 »: 1966 to 2006
- 19 stil in the 100
 - 15 still exist but not in the 100
 - 66 do not exist anymore

What is Digital Transformation?

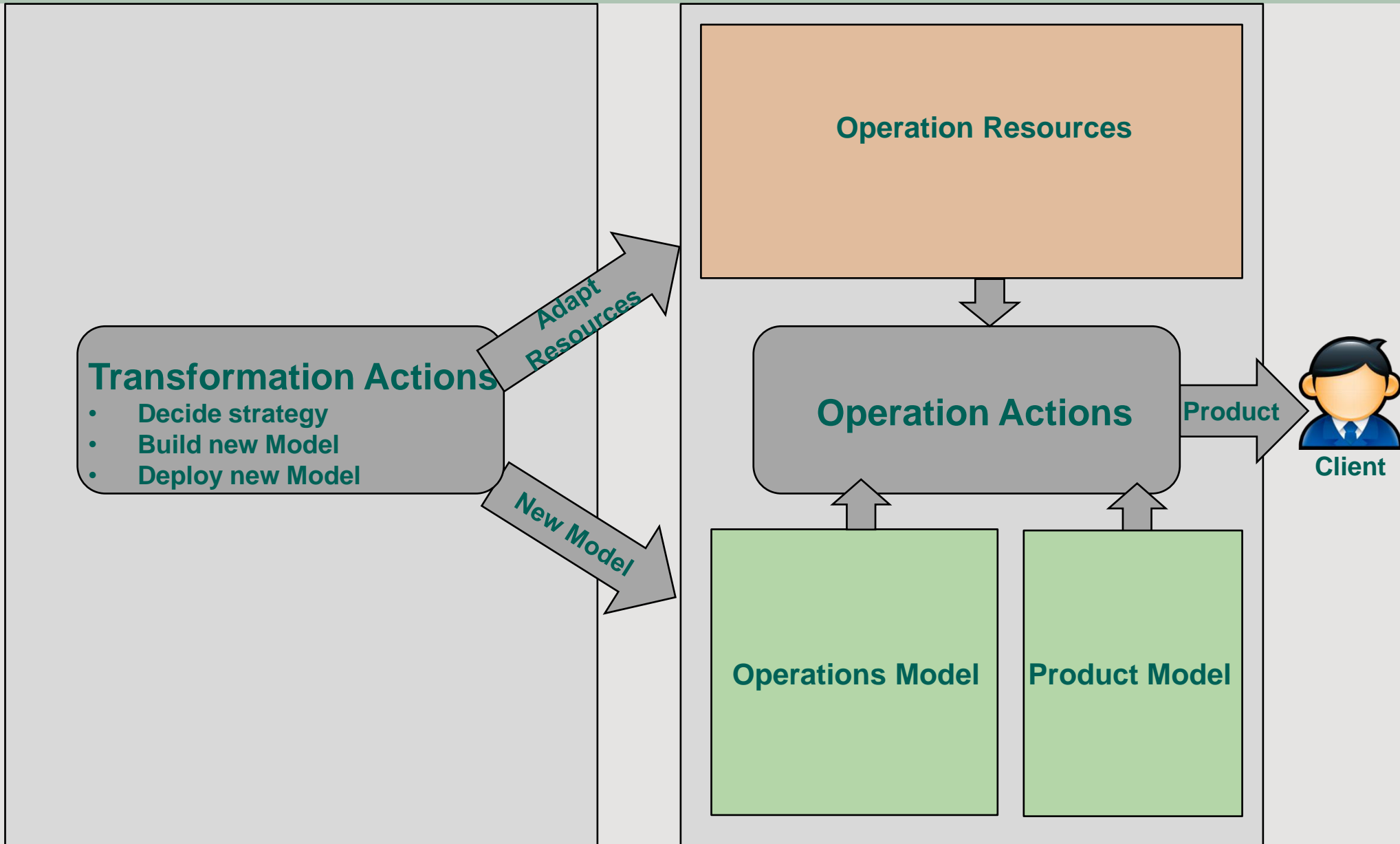
To deliver a Product to the Client, the Enterprise must Operate



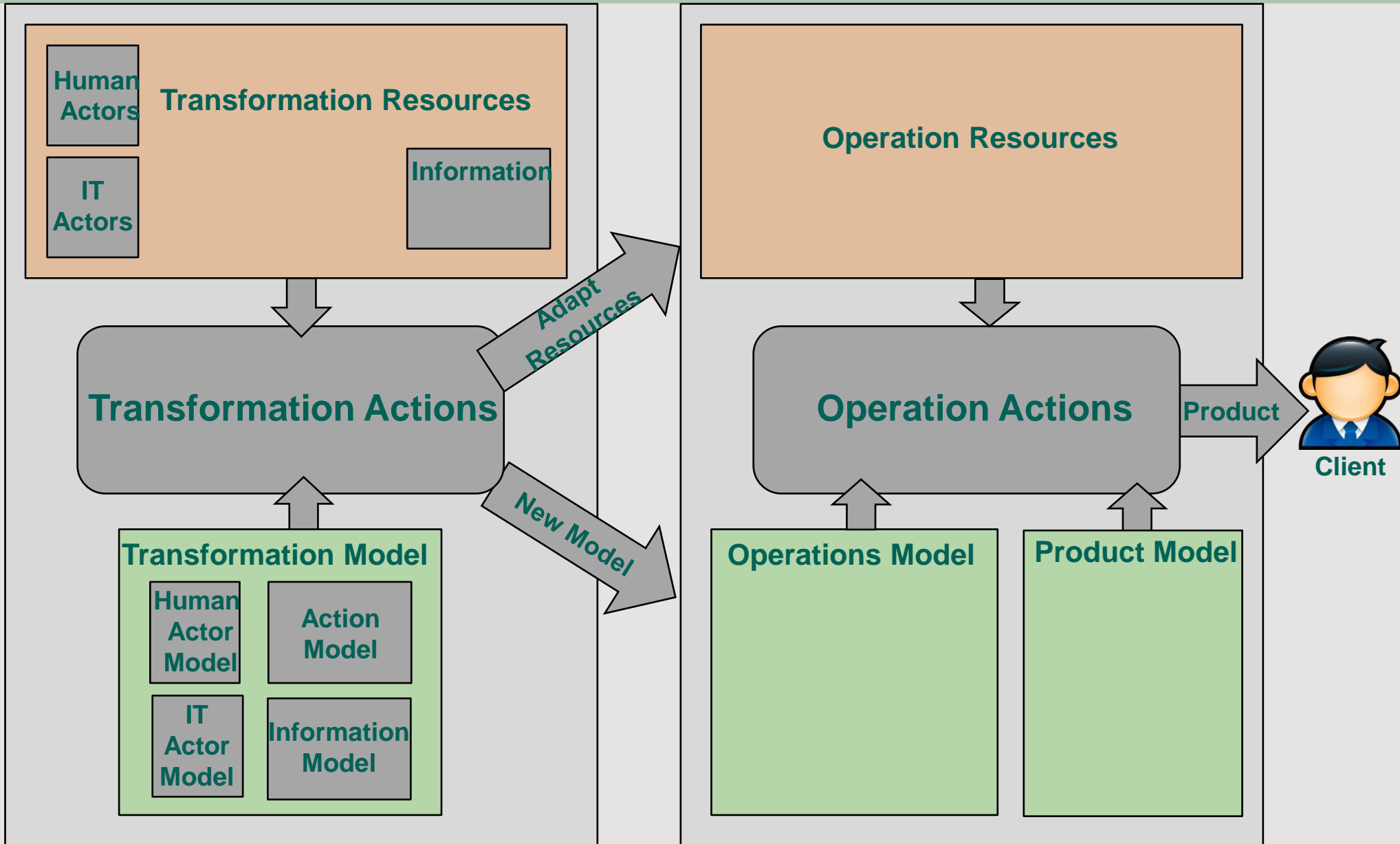
Operations are executed by Resources following a Model



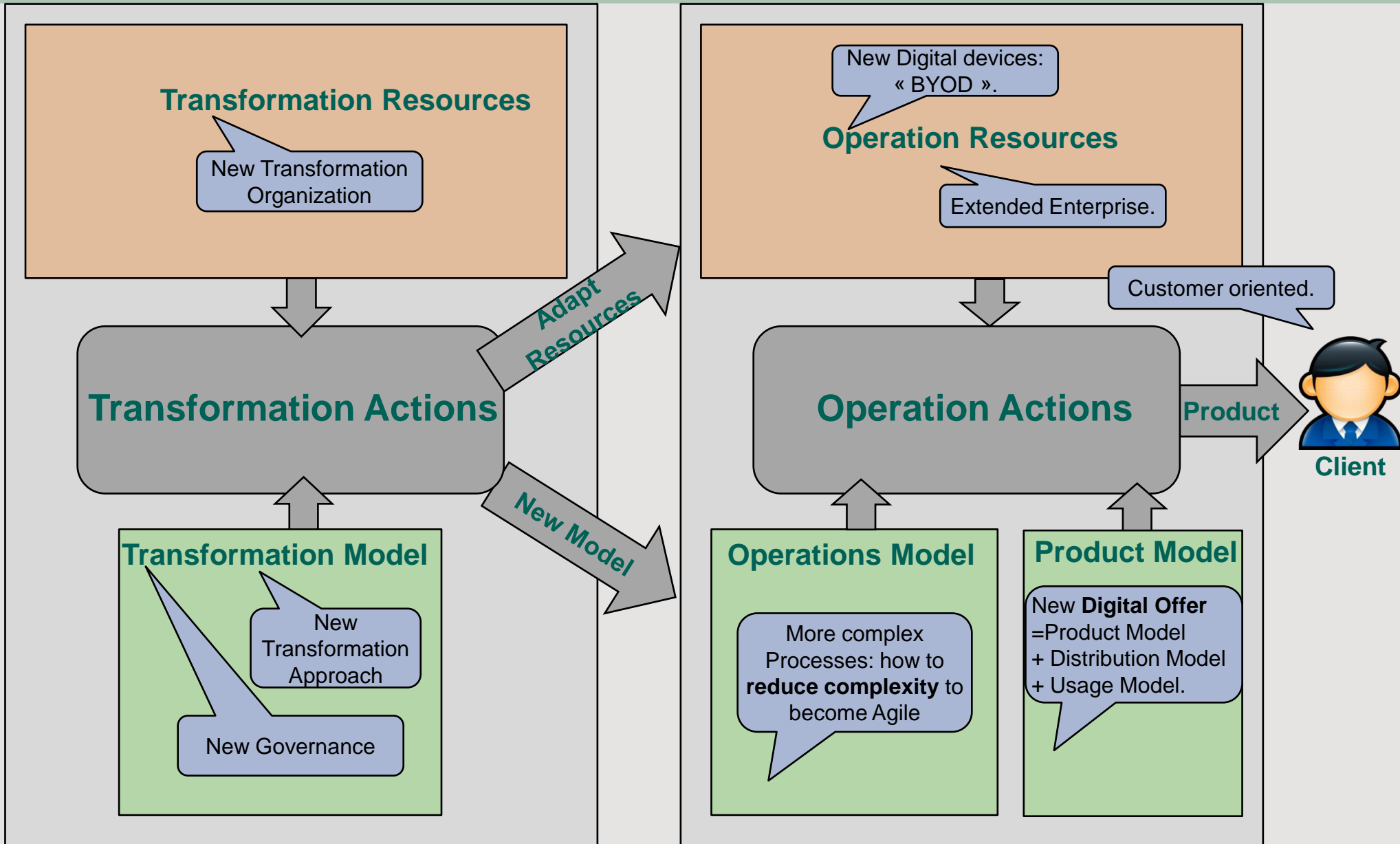
Transformation changes Model and adapts Operation Resources



Transformation is executed by Resources following a Model

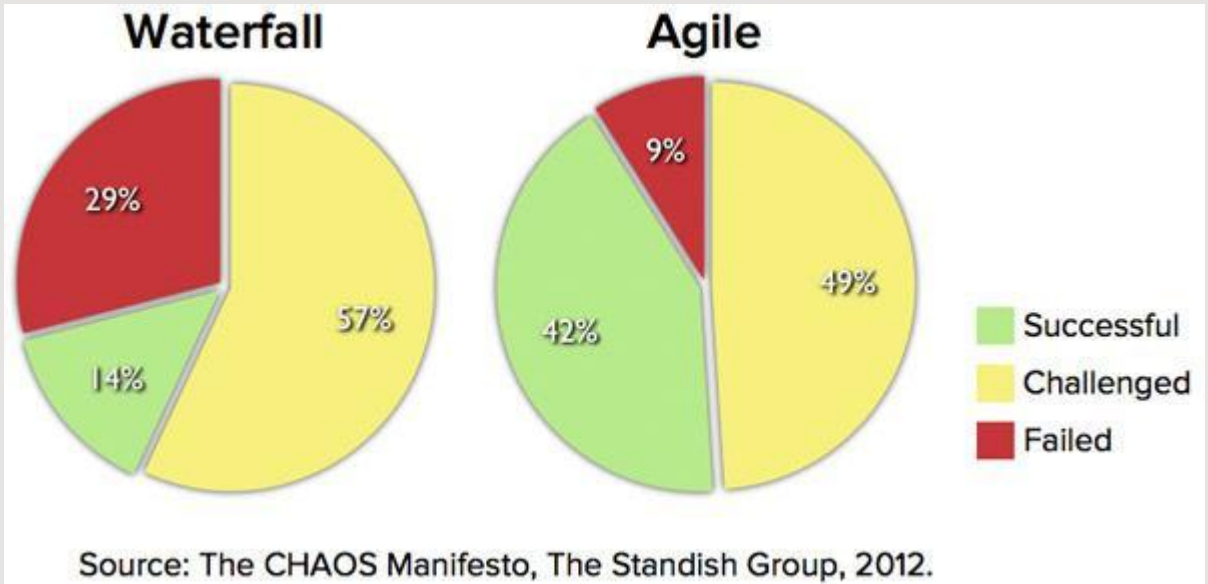


Digital Transformation



Why is it so difficult ?

Any Transformation is difficult: Standish Group 2012



Digital Transformation: even more difficult

SPEED

**SCOPE
EXTENSION**

**The Enterprise and its
eco-system**

**NEW VALUE
PROPOSITION**

**Not only Product, but also
Distribution Model and
Usage Model**

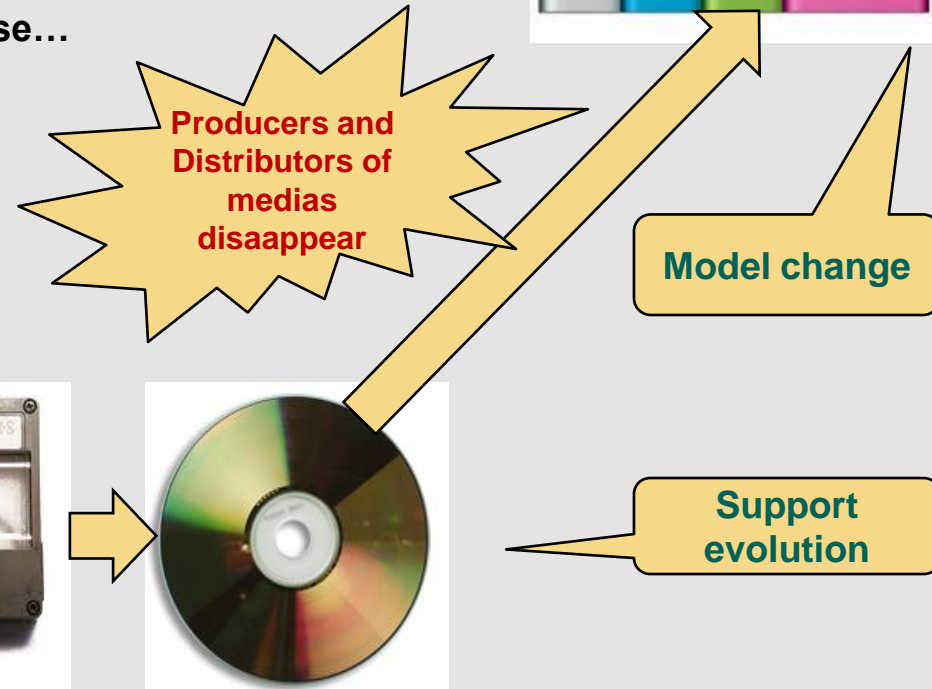
IT was a technology to **implement** business changes,
Digital is an opportunity to **change** the business

The new Value Proposal and customer management.

Music example

IPOD + iTunes

- The « **Value** » is not only listening to music on a new media
- New **distribution model**
 - Immediate buy through Internet,
 - Only buy a song and not a full album
 - Get informed on comments by other customers
- Simplicity and power of the **usage Model**
 - Bring all its music library in his car, in the country house...
 - Fast search
 - Small volume



78s



Vinyl



Tape



CD

A new Value Proposal

Difficulties

More complex products: how to imagine a new Value Proposal combining Goods, Services and information.?

Recommendations

Improving existing products is not anymore sufficient: imagine how to offer a better **Value** with a completely different Offer which includes not only the Product but also

- The **Distribution Model**
- The **Usage Model**

Reduce the number of Products.

Invest in **usage simplicity**

Also sell **Models** (such as Amazon, Franchise...).

Use **Social network**

- **Transformation** : understand the expectations and reactions of customers
- **Opérations**: communicate on Product and Enterprise

Build a specific **Customer Model** with dedicated transformation teams, and Operation team for customer data management..

Big Data analysis

The new Value chain

The extended Enterprise

Difficulties

The Enterprise must be connected to many **Operational Actors** (Partners, customers...).

The Enterprise must be accessible by different digital tools (PC, smartphones, tablets...)

Organisation must often **adapt** to new Actors.

Recommendations

Design **end to end Processes**.

Include partners in Transformation projects.

Build **interface libraries** to reduce complexity.

Respect **business standards**

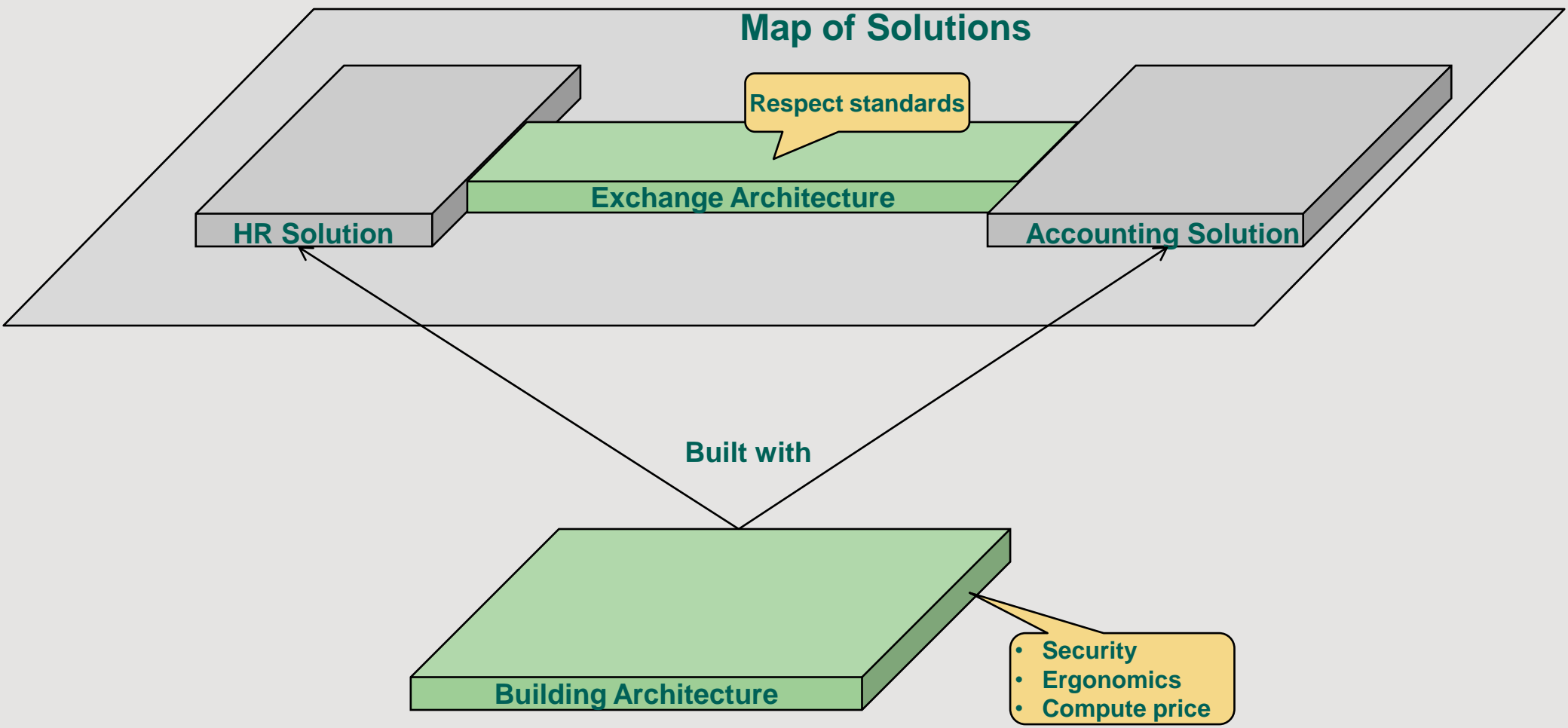
Design Business Processes which allow **different organizations**

Avoid complexity of the Enterprise Model

Reduce complexity of the Enterprise Model

Difficulties	Recommendations
<p>Difficult to reach agility if the model is too complex.</p>	<p>Reduce number of products</p> <p>Architecture and Governance are key to avoid a patchwork of Models: isolate local specificities to build global offers.</p> <p>Reduce the number of software applications, which means larger scope applications.</p> <p>Each time you listen « my activity is very specific », check.</p>

Operation Model Architecture: Exchange Architecture and Building Architecture

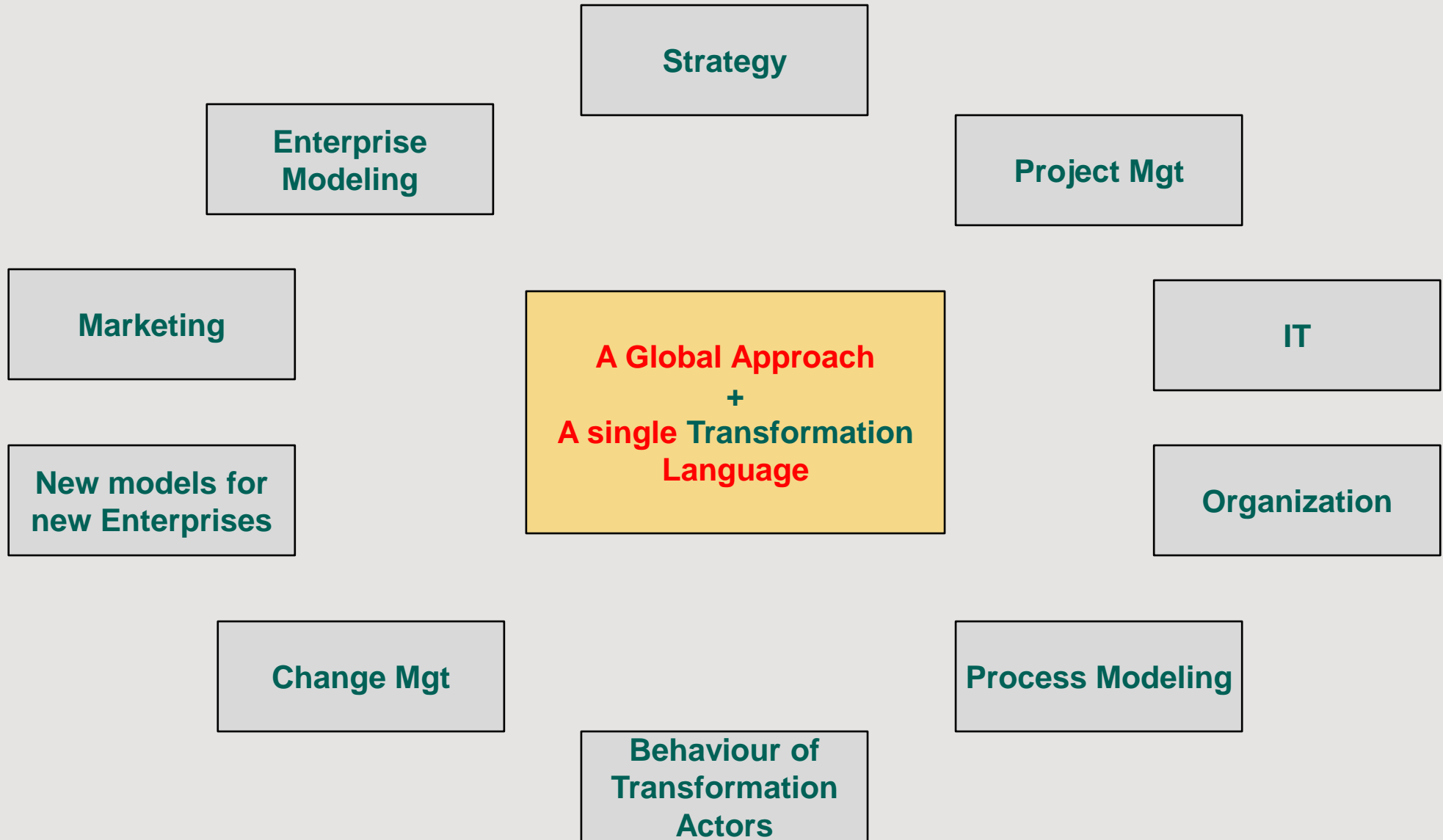


A new Transformation Approach

Agile Approach

Difficulties	Recommendations
<p>Present Approach does not allow agility.</p>	<p>Change the Transformation Model: agile approach, tools, POC, fast results...</p> <p>Favor solution customization by configuration (PLM, product factory, rule engine, workflow engine, dynamic data...) and not specific developments. Cloud evolution will help.</p> <p>Fight against bureaucracy.</p>
<p>Change management: higher steps and faster. How old generations can accept the new world?</p>	<p>Simplicity and consistency of user interface and Processes.</p> <p>Higher change mgt efforts: explain the meaning of the Transformation, training, support, ...</p>

Interdisciplinarity of Transformation



Organization and Enterprise Culture

A new Organization for Transformation.

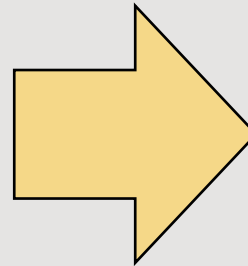
Difficulties	Recommendations
<p>Present organization does not allow fast Transformation.</p>	<p>Split Operation and Transformation teams.</p> <p>Select the best for Transformation: they can access to highest positions in the enterprise.</p> <p>Mix Business, IT, Marketing... in same teams</p> <p>Accept risks and failures.</p> <p>Create Start-Ups inside the enterprise (« intrapreneurs ») or acquire innovative companies.</p>
<p>Digital culture (Y generation): not comfortable with timing, mobiles, overactive, transparent, knowledge sharing. Controls based on results and not timesheet.</p>	<p>Define expected delivery for each team and each actor.</p> <p>Collaborative work.</p> <p>Build teams with people from different ages.</p>

Cultural change

Present Enterprise

Transformation

Operations
(Hierarchy, authority,
employee value based on
position and status)



Future Enterprise

Transformation
(Creativity, teamwork,
employee value based on
competency)

Operations

Governance

Adapted Governance

Difficulties	Recommendations
<p>Transformation decisions are more complex.</p> <p>How to decide fast Transformation projects which impact several Business Units: end to end processes, common architecture, propagation of best practices and products inside all subsidiaries.</p>	<p>End to end processes, Global Solutions and products , unicity of architecture require a strong enterprise governance and not a business unit governance.</p> <p>Some governance rules;</p> <ul style="list-style-type: none">• Top mgt must be involved not only in taking decisions but also in permanent support of common good• Top mgt must understand the Enterprise offers• Finance the common good: in 3 steps (initialization, build up, maturity)• Approve conformity of new Solutions with Architecture before approval of Soltuions.• Identfy and formalize the goal of each transformation.

Conclusion

Conclusion

Enterprises must transform Products and Processes to take advantage of Digital opportunities.

The 3 major difficulties are:

- How to transform itself fast and often?
- Which new value proposition?
- How to take advantage of the full ecosystem?

Consequences are huge on:

- Enterprise Organization
- Product offers
- Evolution of transformation approach
- HR Practices
- Transformation culture

Be Transformers and be iconoclast for the good of your Enterprise.

Questions?