LEARNING MADE EASY

Digital Transformation





Defining digital vision

Leading the journey of continuous digital change

Planning digital transformation



Digital Transformation

Special Edition

By Claus T. Jensen



Digital Transformation For Dummies®, Special Edition

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Introduction

hile digital transformation is on the executive agenda for most organizations these days, the majority of initiatives continue to fail. Why is it so difficult to succeed? Mainly because digital transformation often is poorly defined and always involves much more than data and processes.

Digital 2.0, the current era of transformation, involves a journey that continually reimagines your business through a digital lens. Enterprises are shifting their models to capture new opportunities, and leaders are disrupting entire markets by how they apply technologies — the rest of the market has to move to keep up or be eaten.

The shift is much more significant and difficult than the move to Internet/eCommerce was in the late 1990s because this time it affects the business model and not just the delivery model. Often those tasked with executing digital transformations don't recognize the challenges associated with creating change in large, complex organizations. And too many transformation programs operate as silos without any synergy or cohesion created across these efforts.

Digital transformation can't be (only) an incubation project; it must be an enterprise-level priority for the joint business and technology organizations. Own your digital transformation journey and don't leave it to random activity and adoption.

About This Book

Modern business ecosystems need to rethink their approaches to digital transformation. This book helps you shift your model to be holistic rather than project centric. From discovering the nature of digital competition through driving your digital journey, *Digital Transformation For Dummies*, Special Edition, contains a blueprint of the steps needed to create your digital transformation strategy. These steps are

- 1. Discover digital competition (see Chapter 1).
- 2. Define your digital vision (see Chapter 2).
- Understand the digital basics (see Chapter 3).

- 4. Architect your digital platforms (see Chapter 4).
- 5. Develop your digital requirements (see Chapter 5).
- 6. Create your digital design (see Chapter 6).
- 7. Drive the digital journey (see Chapter 7).

These steps help you along the path of creating your digital journey, and I cover each in detail in the next several chapters.

Icons Used in This Book

All *For Dummies* books use icons to note certain information. I have used the following to help highlight points about the digital transformation journey.



This icon singles out key things to plan for that you should take from the discussion and file away in your brain — even if you remember nothing else.



Tip icons give you time- or frustration-saving ideas that may make your digital transformation journey easier.



Watch out for Warnings to avoid pitfalls that may jeopardize the success of your digital transformation.

WARNING

Beyond the Book

This short publication can't offer every detail about a topic. While there's insight and recommendations to drive your digital transformation strategy and roadmap, you won't find a detailed recipe for building specific digital solutions. For that, you can consult many publications about digital development and delivery, but here are a few of my favorites:

- >> Improving your odds of success in digital transformation: https://mck.co/2GVql8U
- >> Avoiding common digital transformation pain points: https://bit.ly/3b9cglp
- >> Fostering a data-driven culture: https://bit.ly/2txVAcB

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- » Understanding market gravity
- » Seeing how the digital hub-and-spoke structure is changing
- » Taking steps in your digital journey

Chapter **1 Discovering Digital Competition**

igital technologies change the competitive equation through unprecedented reach and consumer convenience. These technologies enable you to

- >> Break tradeoffs between quality and cost that were constraining in the past
- >> Create capabilities and possibilities that didn't exist before
- >> Process more data than before
- >> Reach more people and more easily
- >> Harness more resources and better combine them
- >> Drive down costs in a smarter way

Traditional business theory holds that incumbents — well-known institutions already present in a market — have a significant advantage over newcomers. (I cover incumbency in the sidebar, "What is incumbency?" later in this chapter.) Yet in the digital age, incumbents have repeatedly succumbed to new entrants, so what changed? Without a doubt market gravity remains a key competitive advantage, but digital technology changes the equation on how market gravity gets generated in the first place.

In this chapter, you see the first step in your digital transformation journey through discovering what I mean by market gravity and a bit about the evolution of the digital hub-and-spoke ecosystem structure. These pieces help you discover and understand your digital competition.

Looking at Market Gravity

If you break down market gravity into its traditional elements, all of which are related to reach, they are as follows:

- >> Market presence
- >> Market differentiation
- >> Market insight
- >> Lasting market relationships
- >> Investment power

When I say "reach," I am talking about your ability to reach and interact with customers and suppliers. While reach remains important, an increasingly empowered digital consumer adds a second dimension of market gravity that's focused on convenience:

- Ease of access
- >> Ease of use
- >> Ability to meet individual needs
- >> Cross-industry relationships
- >> Freedom to act with speed

Adding insult to injury, digital relationships transcend industry boundaries as witnessed by the example of three of the best known "digital dragons:"

- Amazon began (sort of) as a digital retailer, quickly became a market leader, then added a technology company, and now also has a physical retail grocer component.
- Google began as a market leading search engine, then an advertising platform, and now is an analytics technology company.

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Apple began as a market leading device manufacturer, then a content platform, and now holds your personal digital wallet.

This news is somber for incumbents in traditionally physical resource-intensive businesses. Huge players from other industries become new existential threat competitors, making major investments to own and expand lasting consumer relationships in any space adjacent to their current areas of strength. Combined with digital logistics that lower the barrier of entry for national or global reach, this necessitates a complete overhaul of traditional business strategies.

While incumbency still matters, you're now competing with non-traditional entrants in an asymmetric war for digital and physical steerage. As vertically integrated capabilities disrupt traditional access paths for people and data, a lifelong consumer relationship is for many businesses becoming the most important control point to nurture and grow. The modern consumer has free choice, yet that choice is increasingly influenced by community reputation and awareness.

WHAT IS INCUMBENCY?

Incumbents have a long history in an industry and are typically optimized for efficient use of (expensive) physical resources at scale. Nontraditional competitors have the advantage of building for convenience from the start; incumbents need to leverage their existing positions and legacies to counter that advantage.

Some would argue that digital technology has been around since the mid-1990s and that durable relationships remain local. This was a reasonable assumption for the first decade of digital transformation, yet as ever-increasing customer segments become used to the notion that physical interaction is only needed when digital breaks down, the market dynamics have irrevocably changed, and incumbents must act accordingly.

If you're looking for proof points, all you have to do is look at the retail sector and then realize how seismic this shift really is. Not only are digital solutions inherently more convenient, but also digital technology amplifies the ability to quickly generate new reach, and with a much lower level of investment than has historically been possible.

No matter what business you are in, the battle for the relationship of the future is being fought now. You need to figure out what your combined tactical and strategic responses will be.

Discovering the Evolution of a Digital Hub-and-Spoke Ecosystem Structure

Most industries already have a hub-and-spoke structure, a structure where hub institutions facilitate industry level services for smaller players, effectively acting as service providers for their part of the industry ecosystem. One of the widely known examples of a hub-and-spoke structure is the SWIFT network in the financial sector, but there are many others. Historically, hub-and-spoke structures have arisen through consortia efforts, yet in the last two decades the emergence of dominating digital platforms have changed the pattern as witnessed by these examples:

- Amazon.com is a hub for merchants selling goods.
- >> The Apple App Store is a hub for selling iOS mobile apps.
- >> Netflix is hub for distributing digital media content.
- >> Uber is a hub for local transportation.
- >> Airbnb is a hub for vacation accommodations.

Importantly, none of these five examples are dependent on any kind of consortia or standardization effort; rather, they emerged through the gravitational pull of a single industry player. Based on the strength of digital consumer relationships, digital platforms have the potential not only to rapidly create hub-and-spoke ecosystems in the few industries where such don't yet exist, but more subtly they can also overthrow existing hub-and-spoke systems in favor of completely different ones.

Statistics show that billions of dollars are being invested in durable consumer relationships, and these strong relationships transcend industry boundaries, posing new types of threats for single industry institutions. These trends will lead to intense asymmetric competition and a rather chaotic business environment for the next 5 to 10 years.

In all likelihood, by 2025 the new digital hub-and-spoke structure will be permanently settled in your industry of choice. Your organization should have a plan for future success: hub or spoke? I cover each approach in this section.

Understanding what it means to be a spoke

While asymmetric competition is intrinsically difficult to deal with, it does provide opportunity for continued differentiation. For continued success, a spoke organization should address the following key issues:

- >> Differentiation strategy: As a spoke, a differentiation strategy is increasingly difficult to maintain as competition happens on the terms set forth by your hub partner you must find a way to project differentiation through the tools provided by the hub platform.
- >> Platform dependency: As a spoke, you are likely tied to the platform success of your hub partner choose wisely or, alternatively, pursue parallel hub platform partnerships.
- >> Pricing strategy: As a spoke, premium pricing can only happen if your hub partner provides the means to maintain and exhibit the necessary differentiation. Lobby for your differentiated value proposition and create a strong relationship to the hub owner, if possible.



In a digital universe, you have a largely binary choice of business strategy direction. Unless you have your own platform play, you're almost certainly bound to become a spoke to someone else's hub. All of the major digital platform hubs will attract many other spoke players, and to a casual observer all these spoke players may look awfully similar to you.

Understanding what it means to be a hub

The alternative to being a spoke (see the preceding section) is to launch your own platform play — to become a hub player in your own right. Unfortunately, few succeed in this endeavor, and only persevere through strength of knowledge and relationships. For those few who are successful, out-sized value will be generated.

To maximize your chances of success, address these concerns up front:

- >> Influence creation: As a digital hub (unless you're already very large in volume or consumer relationships), you must be able to generate influence and gravity an order of magnitude beyond your physical size and without adding unsustainable strain to your limited physical resources.
- >> Insight generation: As a digital hub, you must continuously derive insight from (large amounts of) operational data to drive improved differentiation and personalization. Data is one of the most important unfair advantages for a platform owner.
- >> Professional services: As a digital hub, you must be able to act in the role of a professional technology service provider, acknowledging that the need to also be a technology company can be uncomfortable but is necessary for a digital platform play to succeed.

- » Tweaking your current mindset
- » Striving for digital differentiation
- » Discovering the dimensions of digital transformation
- » Attracting consumers with digital gravity
- » Focusing on business innovation

Chapter **2**

Defining Digital Vision

fter you've discovered your digital competition (see Chapter 1), the next step in your digital transformation is to define a good and robust digital vision. This may require changing your mindset about what vision means in the first place. Most dictionaries define vision as the ability to think about, or plan for, the future with imagination or wisdom. While the definition certainly still holds for digital vision, traditionally vision has been cast in the context of a future that you had a pretty solid idea about. This isn't the case with digital transformation because you're only just beginning to realize everything digital technologies can and will do to change the world around you.

In this chapter, I give you the details of what it takes to create a good digital vision.

Changing Your Mindset

Digital transformation is difficult to fit into a preconceived notion of your business structure. Unless you set out to disrupt yourself (which is a road that could be traveled but is difficult to navigate for most), you probably don't want to change the overall business vision of your institution.

Having said that, you *do* need to formulate an explicit digital vision, stating how you're going to apply digital thinking and technologies to improve your market position, serve your customers better, or optimize your internal processes. In other words, your digital vision will most definitely change how you go about pursuing your overall business vision.

Pursuing Digital Differentiation

The expectations of your customers are already being trained outside your business, maybe even outside your industry. The experience that consumers have when they interact with digitally native companies inevitably colors what they perceive to be a good experience everywhere else. This is true as customers but also as employees. And this in turn changes everything.

Convenience and ease of use are now table stakes. Integration is foundational, as shown in Figure 2-1. Consumers expect

- >> A coordinated experience
- >> Insight to help them achieve their goals
- >> Integration that gives them access to everything



FIGURE 2-1: Meeting your consumers' expectations, customers, and employees.

These things are built on a foundation of security and stability. It's expected that you make sure that consumers never have to register more than once and that you integrate data from many sources. It's expected that you understand your consumers' goals and provide them with actionable insight. Not even a great

experience is differentiated; consumers expect you to remember everything and to curate and coordinate all messages and interactions.

Excellence means striving for sophistication and quality in everything you do. Digital consumers are picky, so losing a customer in the digital world is often only a matter of a click or two. Excellence is definitely a necessary ingredient of digital differentiation, but it's rarely sufficient.

Most business and technology folks have to deal with asymmetric competition. Asymmetric competition happens when different players are on different business strategies, trying to carve out differently shaped pieces of the market. This means that your customer base will be impacted in unexpected ways by nontraditional competitors.



To understand your true differentiation, you need to look for the intersection between the solutions you can bring to market and your unfair advantage that any (new) competitor would have difficulty matching in a digital ecosystem. A well-known example is how FedEx shifted from tracking planes and trucks to giving the consumer the ability to track individual packages directly.

Before you look for differentiation, though, you need to deeply understand your target audience, your particular digital consumers. Not only do you need to understand them, but also you need to be able to reach them. So create a strong partnership with the chief marketing officer of your organization and discuss how to profile your organization digitally. I cover this topic more in Chapter 6.



Even if the war for the consumer relationship is currently invisible in your industry, it doesn't mean it isn't actually there. You need to be actively vying for attention and building strong and lasting relationships with your intended consumers. Make those consumers feel like you're the best partner possible and that you understand even their unmet needs. Lastly, if you have reason to brag and strengthen your brand reputation, do so effectively; don't just rely on word of mouth.

Learning the Three Dimensions of Digital Transformation

You can easily get lost in the excitement about all of the new technologies that power digital transformation. But, instead, you should look for the underlying structure of change. Three dimensions matter to your digital transformation journey:

- >> **Digital:** Using digital channels web, mobile, Internet of Things, or something else for new ways of interacting
- Digitize: Turning your data and processes, structured as well as unstructured, into zeros and ones so you can apply computational power to automation and optimization
- >> Digitalize: Reimagining the set of services that you provide to the market and incubating new ones that are either purely digital or based on a hybrid between physical and digital resources



Making progress in any one of these three dimensions is based on your ability to generate trust and excitement in your customer base or in your employee population. All change is difficult, even when the change is for the good. Make sure that your digital transformation strategy includes how to generate the necessary trust so you can deploy new engagement models, change and optimize existing production patterns, and generate adoption of new products and services. Think about how you can turn your legacy into advantage through layers of (local) differentiation — in your product, in your employee experience, and in your digital community engagement.

Increasing Your Gravitational Pull

A key part of your digital vision is how you attract not only digital consumers but also other ecosystem players to become part of your business platform or service offering. This attraction force represents your digital gravity.

So how do you create enough digital gravity in the face of asymmetric competition? Remember that everyone else is on this path

too, and some of the competitive players, such as Google, Apple, Amazon, or Netflix, will be larger than you, so you aren't going to be the biggest; you have to become the *best*.



In order to successfully compete in an increasingly digital environment, you need to figure out how to generate ten times or even 100 times the digital gravity compared to your physical size. This requires tough conversations about what truly differentiates your business model and whether that differentiation can be untethered from (increasing) consumption of physical resources. Anything you can digitize and deploy in a digital channel is a potential candidate. If that thing also represents digitalization, a new service, or a new way of doing the same thing better, you have a winner candidate.

Focusing Leadership on Business Innovation

The need for business innovation is driven by the need to turn legacy into advantage. If you can't do that, you're immediately at a disadvantage compared to new entrants that have no legacy in the first place and aren't burdened by existing processes or resources.

Not only do you need business innovation, but also you must move from a model where innovation is discrete and disparate to a model where hybrid integrated systems and processes are driving innovation into day-to-day operations. This shift needs to be on the agenda of senior leadership and simultaneously permeate all layers of the organization so that great ideas are caught and acted on.



To drive business innovation, focus on the value-based integration of

TIP

- >> Systems of engagement: The solutions and processes that engage your customers and partners
- >> Systems of record: The solutions and processes that run your core business
- >> Systems of insight: The solutions and processes that generate new insight for external productization or internal optimization

Innovation at an enterprise level happens in the intersection between these three types of systems. This intersection is also where you want your technology team to focus. What is the set of technologies that can drive such integrated innovation at an accelerated pace? How do you make sure that technology becomes an amplifier rather than something which slows you down? More about digital basics, such as APIs, in Chapter 3.



Stepping up to the plate first and foremost requires the will to do so. Make an active decision to lead and shape the future hybrid business model across traditional and digital methods. Look for ways to extend your reach without straining your physical resources. And root your market approach in a lifelong partnership with the digital consumer — it's expected and required. If you're looking for continued differentiation, decide that you have the ability, the right, and the obligation to become a "digital hub" — then define and pursue the path to get there. In a hub-and-spoke ecosystem there is a binary outcome: You're either a hub yourself or a spoke to someone else's hub. Attempting to be isolationist independent will almost certainly fail. I cover hub-and-spoke ecosystem structures in Chapter 1.

- » Learning that customer experience is vital
- » Using mobile and cloud to your advantage
- » Accepting and embracing openness
- » Knowing that it's all about orchestration

Chapter **3**

Understanding Digital Basics

fter you define your digital vision (see Chapter 2), the next part to creating your digital transformation blueprint is to understand and address the digital basics. Digital basics are the approaches and technologies without which digital transformation is doomed to fail. These are the most fundamental things to include not just in your roadmap, but in the values and mindset that you're establishing across the organization. These things can amplify business innovation. Interestingly enough, they rarely overlap with the latest hype in the media; instead, they're much more mundane and fundamental.

In this chapter, I give you four examples of digital basics to strongly consider including in your digital transformation approach.

Recognizing that Customer Experience is Critical

Most organizations I have met state clearly that they're focused on customer experience. But are they? Is it the co-created experience as the customer sees it, or as designed by you, with your predefined notion of what the customer needs and wants?

The ways we reach customers are evolving. We've moved from millions of websites to billions of connected devices. Digital consumers are empowered by social media and are becoming outspoken about good and bad experiences — this voice has an outsized impact on your business as a result. In such an environment, the most basic of the digital basics is simply to remember in everything that you do that customer experience is absolutely critical.

Customer experience isn't just about efficiency once you're engaged; it's as much (perhaps more) about ease of access and about the emotion left behind when an interaction is over. We've all been in situations where no matter how good a product objectively is, if we're left annoyed, irritated, or maybe even angry, we won't be a return customer, and we may also share with all our friends why they shouldn't go to this particular company for service.

Understanding the Currency of Mobile and Cloud

Most people will readily agree that mobile and cloud technologies are some of the components integral to an accelerated digital transformation journey. Yet what powers those technologies? How do you integrate them with your existing assets so you can turn legacy into advantage?

The answer is *modern* APIs, the successor to traditional application programming interfaces (the acronym is the same, but the concept changed). The key word is *modern* — lightweight constructs that expose business capabilities and data to channels, partners, and remote technology environments. Not having an API today is like not having a website in the 1990s. Exclude API management from your digital strategy at your own peril.

There are many kinds of APIs, and although most media hype is about a few public APIs, the vast majority of meaningful business APIs is focused on unlocking value in a business-to-business (B2B) model, or even for internal integration. APIs can be for your own innovation or to "sell" directly to external parties. While many APIs may not last long, this should be seen as an opportunity, not a problem.

APIs are fundamentally a new hybrid channel, whose dynamics are only now beginning to be understood. Think about business APIs as products and expose via your APIs what people need rather than just "what you have." Well-designed APIs are the heartbeat of innovation. And well-designed APIs are designed with an outside-in mindset.

Accepting that Openness is a Fact of Life

Being open to interactions and partnerships is a natural part of any business and has been throughout history. Yet a digital ecosystem drives unprecedented openness in profound and perhaps somewhat unexpected ways:

- Who's influencing your business? Anyone that has a channel to talk about it
- Where do transactions happen? Everywhere that your customers want them to
- Who can access your information? Everyone who has value in doing so, barring, of course, regulatory constraints
- What's an application? Anything that computes zeros and ones, including a vast amount of software embedded in smart devices such as your car or your refrigerator
- >> Who are your developers? Anyone who writes software you can use, or for that matter that your customers use to interact with you, even a teenager in a basement somewhere



Take great care to not be bypassed in an open digital ecosystem. It's easier than ever to go around you, and it will happen immediately if you appear to be in the way.

If you want to be successful, you must accept these facts of life. You can look at change, complexity, and uncertainty in two ways: as a problem or as an opportunity. From a digital transformation perspective, the latter is preferable. For example, instead of asking how you can prevent people from saying negative things about your business, find a way to make them say positive things all over social media. And instead of considering how you can prevent people from accessing your information, step up to be a digital service provider and give them access but not physical possession.

Learning that It's All About Orchestration

Most of the upside value potential that drives digital transformation comes from innovation and growth, not from operational savings. For example, in a digitally transformed ecosystem

- >> You don't need to know how something works inside; you just need to know how to interact with it.
- >> It's easier to drive logistics that leverage someone else's resources in an integrated fashion.
- There are no boundaries to the things you can practically integrate.
- >> Your constraints are more based on who you know than on what you can do yourself.
- >> The question isn't whether you can gain deep insight about people and how they think but whether such insight is ethically acceptable.

Digital logistics is the new frontier, and it often isn't about cloud or mobile technologies; it's about orchestrating people and resources. Cloud and mobile are enablers, the means to an end rather than the destination itself.



WARNIN

It's of course desirable to leverage digital tools and technologies to also drive internal optimization, thereby improving the employee experience and helping to fund your investments in new products and services. Just don't get stuck in a mindset where the organization equates digital transformation with cutting costs and resources.

- » Knowing what makes a good platform
- » Driving platform adoption

Chapter **4 Architecting Digital Platforms**

n Chapter 3, I give you the digital basics. Here, you discover the next step of digital transformation: architecting your digital platform. Platforms are pre-integrated and connected business or research capabilities. They're built for people to "plug into," abstracting and hiding underlying IT system complexity. And platforms play a critical role in successfully generating digital gravity (see Chapter 2 for more info). If you don't have an open platform that people can plug in to, it's much more difficult to attract people to your services.



In a digital ecosystem you need to provide what people need, not just what you have. And you need to do so both efficiently and conveniently.

Looking at a Good Platform

Before you begin any platform construction, you must understand what good looks like. A good platform is cohesive, it provides an efficient and easy engagement model, and it leaves behind a good experience after every interaction. Good platforms have MOSAIC characteristics:

Meaningful: Built with purposeOpen: Connected and cohesive

>> Simple: Rationalized and easy to navigate

>> Adaptable: Based on platform and enterprise thinking

Innovative: Driving the art of the possibleConfigurable: Flexible and ready for change

In terms of the value a platform brings, think of these three dimensions: reducing IT operating cost; reducing enterprise operating cost; and creating cost avoidance, simplification, and acceleration through broad alignment to enterprise platform strategy. Additionally, from a culture perspective, platforms help you with: dismantling the proliferation of point-solutions, moving to a product mindset, and creating a financial model for shared value and investment.

Creating Platform Adoption

Successful platforms must first be adopted by their intended audience. Historically, a build-it-and-they-shall-come strategy almost never works. Instead, begin with your own organization and make sure that all your own solutions and (major) investments get aligned to your platform strategy. Then extend adoption beyond the walls of the institution.

While building the platform for your own needs, make sure it's built so its adoption can easily be extended to external platform consumers. From the beginning, consider what capabilities potential partners and customers would want in the externalization phase and take extra care to design these in a delightful and differentiated fashion. Also consider your associated business operating model so you're ready when it's time to go external, and make sure internal stakeholders will provide resources as needed to run it. Finally, use APIs to make your hub platform attractive and easy to plug into for spokes. See Chapter 1 for more on hub-and-spoke systems.

Most likely, as time passes, your platform strategy will increase in nuance and scope. For example, many organizations end up with several distinct platforms within the same overall strategy — related and synergistic, but productized for different audiences.

- » Applying product thinking
- » Improving in multiple dimensions
- » Changing your requirements mindset

Chapter **5 Developing Digital Requirements**

n Chapter 4, you look at what makes up good platforms and the importance of considering what people need. Understanding what people need requires a robust and digitally minded requirements development practice, which is the next step of digital transformation and the topic of this chapter. Much of this is good practice, digital or not, and involves

- **>> Becoming customer focused:** Understand what people really need, not just what they say they need.
- >> Understanding customer types: Tailor solutions to your customer's unique needs.
- >> Doubling down on continuous transformation: Always strive to improve and grow your solutions.
- Having clear business objectives and metrics: Remember that lack of clear business objectives and metrics leads to risk of perceived or real failure.
- Applying "good enough is good enough" principles: Understand the balance between enterprise and opportunistic up front.
- >> Thinking about scale: Think in advance about how to scale to full potential if this is a success.



Normal good practices for requirements development take on additional importance when operating at the scale and speed of digital. Digital transformation also adds additional (new) considerations, which I cover in this chapter.

Applying Product Thinking

The aim of digital requirements development is to understand what a delightful and differentiated hybrid experience looks like. And this has to be addressed in an omnichannel fashion. Not only is it important that your intended customer can interact in the channel of her choosing, but also it's at least as important that all channel switching (and yes it will happen) functions seamlessly and with ease.



Think and act as if no one is obliged to buy your products or use your services. This applies externally but also to any internal customer (for example, the people who provide physical resources for your hybrid engagement model) who's integral to your digital transformation strategy. Also, look for product differentiation in the intersection between an institution wide mission, multidisciplinary services, and the ever-changing diverse needs of your customers. In Figure 5-1, you can see the overlapping of the different areas, and you want to be in the middle.

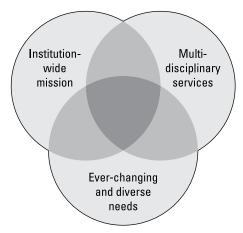


FIGURE 5-1: Differentiation happens in the intersection of three types of concerns.



Own the customer relationship, inside and outside the organization. Advertise your value (digitally); don't take a sale for granted. Communicate as digital professionals — it matters where and how you show up. Use product terminology with your digital engineering teams, talk about product purpose and value, walk the talk, turn digital insight into action, and empower your stakeholders. Finally, don't forget to include digital logistics and supply chain considerations.

Improving in Multiple Dimensions

Customers' desires are rarely linear and certainly always change depending on what pain point or delightful experience happened last. In practice, you need to lay out a roadmap that creates a cycle of improvement for three dimensions in parallel:

- >> Address the basics: Focus on improving things like access, ease of use, and process transparency.
- >> Vertically integrate: Deeply integrate key processes, platforms, and data across your entire ecosystem, regardless of whether all the pieces are technically yours to own or not.
- >> Provide new services: Create compelling new capabilities that will draw people to your digital platform by meeting an unrealized need.



Creating such a positive cycle applies to internal customers, too. After all, if you don't provide adequate tools and solutions for internal customers, they may not be on board with your direction. And if they're not on board, if they feel this is only a management initiative, they may not participate in your creative process or support the necessary business operating model changes.

To prove worthy as a professional digital service provider — not just to your own organization, but as a digital ecosystem hub (see Chapter 1) — align your dimensions for improvement with your dimensions of digital transformation (see Chapter 2 for more on

the dimensions of digital transformation). Follow and expand on these examples:

- >> **Digital:** Address the basics and provide adequate tools and technologies:
 - End-user platform (workstation, laptop, mobile device) and infrastructure
 - Internal and external collaboration
 - Connected external stakeholder experiences (customers, partners, and authorities)
- >> Digitize: Apply computational intelligence to processes and systems:
 - Vertically integrate processes and systems.
 - Perform forensic analysis of existing complex processes and systems and actively solicit investment to improve.
 - Create experiences and capabilities that improve, hide, or bypass "not so great" vendor systems.
 - Rationalize and optimize both new investments and your existing IT portfolio.
- >> Digitalize: Reimagine what more can be done through digital technologies:
 - Expand capabilities and services without straining existing physical resources.
 - Pursue the ability, the right, and the obligation to define and deploy a "partner-for-life" model.



TIP

Important new (digital) opportunities often come from a different angle than your existing business model and products — as do the other players driving toward competing offerings. Relationships are increasingly built outside physical premises, and word of mouth won't be sufficient to drive lasting partnerships.

Changing Your Requirements Mindset

After you've established the need to be consumer-friendly, how do you go about that in practice? How do you address this consumer-friendliness both globally and locally? Take a hospital, for example. At the individual level, it's imperative that every

single patient is given optimal care, but at the community level, it's also important that the hospital has resources to help everyone. These two definitions of friendly can be, and often are, somewhat conflicting. The task at hand is to build a hybrid model that balances and integrates both opportunities for differentiation and engagement.

When balancing individual needs and community needs as part of your digital transformation strategy, follow these basic guidelines:

- >> Understand how your customers are making decisions, as well as how your own organization is deciding on action.
- >> Know the context within which a decision is made.
- >> Don't miss the window of opportunity, or it will not matter how good your work is.
- >> Use synergies and insight across your institution, make sure to leverage "the power of us."

Figure 5-2 illustrates the shifts in mindset that aid your digital transformation journey. This new mindset requires abandoning several notions that have permeated business and technology communities for decades, and it requires accepting accountability even for things that you cannot directly control.

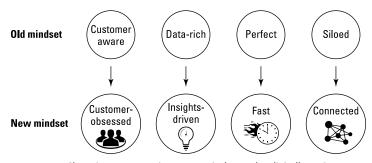


FIGURE 5-2: Changing your requirements mindset to be digitally native.

Just being customer aware is no longer sufficient; you need to be obsessed with understanding and meeting customer needs, practically and emotionally. Having a lot of data is meaningless if you can't turn the data into actionable insight. Creating a perfect solution is irrelevant if it takes too long. And, finally, silos must be broken down in favor of a holistic connected approach to solutions and interactions.



Research shows that most people are motived by "doing the right thing." When you embrace this change in mindset, you'll be able to decide and communicate with transparency and clarity of purpose. When you communicate with transparency and clarity of purpose, when everyone understands the "why," you're more likely to have people around you — internally and externally — accept the need for compromises between individual and population level needs.

- » Understanding that context is crucial
- » Creating an engaging experience
- » Keeping in mind business agility and control

Chapter **6**

Moving on to Digital Design

couple of decades ago digital channels emerged as the next wave of self-service enablement. An unprecedented level of access very quickly drove down transactional costs and shattered business models that were based on transaction markups because nobody wanted to pay for things that they were mostly doing themselves.

Digital 2.0 moves the target once again by shifting focus from portal type experiences, whether web or native mobile, to micro experiences that fit what's needed in the moment and produce a "wow" effect in the people they serve.

People want to be treated as individuals, and if your business interactions aren't social then you aren't relevant. Customers want to be recognized and expect you to remember where the conversation last left off. And perhaps more than anything else, they don't want to be bound by predefined processes and long series of consecutive steps. In other words, everyone has gotten somewhat spoiled!

The modern digital consumer expects to have a series of micro-experiences that they can orchestrate in any way they desire. Self-service has gone from self-service transactions to self-service process orchestration. And traditional business models have a difficult time keeping up.

A micro experience is action-oriented and focused on a specific situation. With your ability to differentiate at stake, this requires a different design paradigm, a design paradigm that's centered on situational context.

This chapter covers the sixth step in your digital transformation journey.

Determining that Context is Key



Good design must begin with a solid understanding of context, meaning you have a clear picture of the very person and the very situation that you're designing for. This is necessary in order to design for the combination of excellence and convenience, and both are critical to digital differentiation.

We often say a picture's worth a thousand words. Yet pictures without context are just that — pictures, with limited intrinsic meaning and understanding. Take a look at Figure 6-1. Is this person bald by choice? Is this a soldier who was just shaved as part of standard introduction? Or is this person a cancer survivor suffering from the side effects of chemotherapy? Without anything but a picture to go by, you can't know.

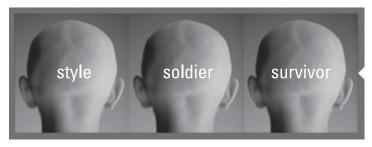


FIGURE 6-1: How a single word provides critical context.

Make sure that your digital designs address not just the façade of a scenario but rather are based on deep understanding of the people you're interacting with and of their wants and needs.

Learning the Recipe for an Engaging Experience

The objectives of good digital design are to be engaging, to entice the digital consumer to come back for more, and to attract business partners to your platform. While there will always be a solid dose of art involved in good digital design, the design considerations that I have found useful in practice include the following four steps:

1. Detect.

What business situation are you trying to improve and how do you detect that the situation has occurred? Detecting what's going on, whether via digital or physical means, is the first step in an engaging experience.

2. Enrich.

What do you know from your historical records, what insight can you add in addition to what your detectors have already told you? Using your unfair advantage, your historical insight about this customer and people like her, is the second step in an engaging experience.

3. Perceive.

What do you need to understand about the dynamic context for what's going on? Are there other sources of near-real-time information that you need to take into account? Leveraging other information sources to enrich your understanding of the situation is the third step in an engaging experience.

4. Act.

What action do you want to be able to take and how? Knowing the most effective action, and making sure you can execute, is the fourth step in an engaging experience.

To explore this detect, enrich, perceive, and act process further, let me give you an example. A young female walks down the streets of a city. She gets within 100 yards of a department store, her mobile phone is geofenced via the department store app installed on it, and a sensor goes off in the department store IT system, detecting that a frequent customer is close by. Looking at historical records, you can see that this particular customer is

likely to react favorably to a great offer. This information enriches your understanding of what to do. It's winter and cold outside, so traditional thinking would have you send a message about cold weather outfits on sale. But wait, a couple of days ago she was tweeting publicly about going to Barbados next week, so probably her mind isn't on winter but on sun and beach. You now have a better perception of what's really going on. And finally you decide to send out a great offer for some of the summer outfits that weren't sold during regular seasons and right now are just taking up space in your warehouse. This win-win situation is brought together by pursuing all of detect, enrich, perceive, and act.



Just-in-time insights are the new battleground for customer attention and durable relationships. An omni-channel experience is expected, but much more difficult to deliver than multi-channel.



The distinction between delightful and creepy can be subtle when it comes to this type of consumer experience. In this process, take care not to breach consumer expectations or even ethical boundaries in how you apply just-in-time insight. A solid understanding of context helps you here as well. Who is your intended audience and what's its personal perception of what's creepy versus what's delightful? For example, a teenager may not think twice about someone reacting to a social post — may even expect it to happen — but a retired senior could find the same thing creepy.

Designing for Business Agility and Control

Being engaging here and now is necessary, but not sufficient. The speed of change in a digital ecosystem, and in what constitutes a great digital experience, is much higher than the speed of traditional business change. As a result, you must design not only for an engaging experience in the moment but also for continuous business agility and change. And you can't sacrifice quality for agility, which is why built-in regulators and controls are also necessary.



You must reconsider the way your business controls and regulators are currently implemented. It's imperative to be able to keep up with necessary change without sacrificing quality. And it's unlikely that controls with a non-digital heritage can keep up.

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Focus on flawless execution of mission critical processes. Your mission is to serve your customers, and in a digital universe this is where you can never fail. Excellence in business critical processes (also known as how you run your business) is also important, yet it's easier to address and correct issues in that area of your ecosystem than it is to repair bad feelings left behind from a sub-optimal consumer experience.

EXPERIENCING GOOD DESIGN IN A FORMULA 1 RACECAR

A great example of a real-world object designed for business agility and control is a Formula 1 racecar. Each Formula 1 car is considered a prototype solution; it's never finished. The design objective is to enable rapid and continuous evolution, of course in the hopes to race faster.

A successful Formula 1 racing team has

- Rapidly replaceable components: The components are rapidly replaceable for race conditions and for evolution of the prototype.
- Continuous testing: The last thing you want in a car barreling down the track at more than 200 miles an hour is an untested component or connection.
- **Built-in analytics:** It's an art to balance speed, fuel consumption, and tire wear and tear during a race. Built-in analytics can give you an edge.
- Upgradable components: A season is long, so most teams upgrade various components throughout the season to either gain an edge or just keep up.
- Controls: Imagine a racecar without a steering wheel or without brakes.
- Well-designed component interfaces: You have less than ten seconds to change all four wheels during a pit stop, so design for it.
- Clearly documented builds: Nobody knows or remembers the details of several hundreds of components from chassis to engine, so good teams keep their documentation up to date.

In this way, rapid innovation is enabled by good design. Building digital platforms and solutions that follow the above principles is how you build for change without losing control.

Look for a non-rigid middle ground for change, pursuing these two things:

- >> Business agility: Critical for excellence in managing change
- Business performance and business integrity: Critical for excellence in business execution

Process integrity is a necessary foundation for both of these, and must be considered as well. Process integrity provides the ability to conduct reliable business activity in a secure, scalable environment with seamless synchronization between human interactions, information flows, and technology operations.

- » Putting in the work
- » Trusting your leader and team
- » Having exceptional advisors
- » Making sense of the adoption model
- » Transforming your talent
- » Telling your transformational story
- » Being cohesive in your message

Chapter **7 Driving the Digital Journey**

igital technology is often complicated, so it's important to make sure that people feel they're in good hands. Combat complexity aversion through elegance of expression and solutions. Tell stories to ignite energy around beginning the journey. And accept up front that success depends on large portions of your organization acting as change agents every day.

If you're reading this book from cover to cover, you've seen each step in the digital transformation journey, from figuring out your digital competition to working on your digital design. After those steps, the last one is to step up to lead and drive the journey. This chapter shows you how to put in the work and forge ahead on the transformation path.

Doing Digital Work

No discussion of digital transformation is complete without also looking at how to do digital work effectively. Traditional ways of working in IT projects have been focused on turning requirements into a specific solution. The expectation was that requirements would come from the business and that the technology team's responsibility was to build what was asked for.

This paradigm began changing with the publication of the Agile Manifesto in 2001 (visit https://agilemanifesto.org/principles.html for more info), yet for digital transformation to succeed, even agile teams aren't sufficient. In a platform centric environment, organizations need ways of organizing cross functional teams, deeply understanding consumer requirements, automating deployment processes, and more.

This section describes five practices that I recommend for adoption in order to accelerate digital transformation initiatives.

Understanding the work home and the talent home

In a well-run cross functional team, each team member has two homes:

- >> Talent home: Where you learn and develop the skills, disciplines, practices, crafts, and functions that are key to the role you play on any team. Your talent can and will over time be applied to different cross-functional team efforts in other words, to different work homes.
- >> Work home: Where you collaborate on projects, programs, assignments, and products as the cross functional work efforts that combine functions and skills across departments and talent homes.

In many cases, but not always, your talent home is your organizational department, and your work home is the project or program you're working on right now.



WARNING

Don't assign the same individual talent to work in too many work homes at the same time. This dilutes value and creates bottlenecks.

Looking at Scaled Agile

The Scaled Agile Framework (SAFe) is a methodology framework that combines platform and portfolio management with agile execution at the scrum team level. SAFe is deliberately designed to embrace hybrid work efforts. For example, you can use SAFe

to coordinate, in an agile fashion, different teams using scrumbased and waterfall-based execution approaches respectively.

Considering design thinking

Design thinking is a customer experience centric way of driving requirements development. It has roots in the cognitive, strategic, and practical processes by which design concepts and proposals for new products, buildings, machines, and so on are developed.

Modern design thinking takes these ideas and merges them with research around digital consumer experiences and expectations. Most consulting houses have digital design thinking capabilities, with trained resources and design frameworks. In addition, an increasing number of organizations choose to have people with these skills in house.

Adopting DevSecOps

One way of making sure a cross functional team can focus on the product being produced, rather than on red tape processes, is to eliminate barriers between different parts of the team through process intelligence and automation.

DevOps originally focused on eliminating the barriers and handoffs between the development and IT operations teams. DevSecOps adds security as a third component and is a powerful integrated approach to streamlining processes and eliminating waste.

Pursuing hybrid cloud

Providing freedom of choice in pursuit of technology capabilities is a key component of digital transformation. Every digital transformation journey involves adoption of new tools and technologies, and it's important to accelerate and amplify this mindset shift by moving to a hybrid cloud model.

In a properly designed hybrid cloud environment, teams can choose where to develop and deploy solution components simply based on which tools and technologies make their jobs easiest. The underlying hybrid cloud fabric provides the capabilities that connect and manage solution components across a multitude of compute centers and environments.



To learn more about how hybrid cloud gives you freedom of choice, take a look at my book, The Hybrid Cloud Journey For Dummies, CVS Health Special Edition, at www.linkedin.com/feed/update/ urn:li:activity:6545069689440096257.



Be mindful of the synergy between APIs and the adoption of hybrid cloud capabilities. In a hybrid cloud environment, you have different pieces of the same solution residing in different hybrid cloud compute centers. APIs are key to connecting all the parts of your hybrid cloud solutions in a seamless and effective fashion.

Taking a Leap of Faith

Trust is a key currency when you begin digital transformation. The leader of the journey needs to be both respected and trusted in order to have key people across the organization take a leap of faith and help push the digital agenda for change.



Your own organization, as well as your external stakeholders, expects more of both you and the digital transformation team.

Becoming Trusted Advisors

Digital transformation roadmaps are typically made up of equal parts optimization, innovation, and transformation. You need to holistically

- >> Integrate the ecosystem
- Understand the customer
- >> Transform the product

Each requires trusted advisors to interpret stakeholder needs and to assure your organization that you can do this without derailing ongoing business operations.



REMEMBER

Empower people to make informed decisions; if they know the "why" of your journey, they can lead the "what." Make sure to quantify risks and mitigate them in partnership with your stakeholders.

Understanding the Adoption Model

A typical successful digital transformation journey goes through four stages:

- Discovery and experimentation: Find your competitive differentiation and lay out your digital platform blueprint.
- >> Targeted expansion: Expand and deploy capabilities across the organization, create early wins, and generate broad buy-in.
- >> Re-imagining of core processes: Use the trust generated during targeted expansion to build the right coalition for change and begin re-imagining core processes and experiences.
- >> Drive business-as-a-service: Build and deploy a next-generation business ecosystem that delivers differentiated services in a convenient and compelling fashion to external stakeholders and consumers.

While there are other frameworks out there, I personally like this one. It's practical and supports a strategy of adjacent expansion rather than requiring a cannibalistic approach to replacing your existing business model.



TIP

Build your platform capabilities in a way where they can be deployed at scale externally when time comes. It's often a good idea to first build platform capabilities for your own needs then expand to external use cases. The last thing you want is to end up in a situation where you have great capabilities deployed internally but need to re-implement them in order to be able to expand externally.

Driving Toward Talent Transformation

Having the right talent is critically important for digital transformation. But don't just look for new talent outside your existing organization, transform the good talent you already have. You can ask your existing talent to step up and do the following:

- >> Get involved with other teams. You have so much to give.
- >> Move yourself around! Try new things frequently.

- >> Bring somebody else, someone you respect, in for a fresh view on your work.
- As a matter of habit, form cross-departmental teams focused on a shared outcome.
- >> Measure the team outcome, not the individual effort.
- >> Empathize with the problem; be the first to take a leap of faith.



When engaging your employees and encouraging your talent to step up, don't forget these points:

- >> Arrogance kills companies even faster than having the wrong culture, so root it out!
- >> Be nimble in how you drive outcomes. There will be no checklist.
- Avoid A-team/B-team dynamics. Having part of your team feel that they're better, or even worse another part of your team feel they are inferior, is a recipe for failure.
- Always balance speed and quality, but never enter analysis paralysis where never-ending analysis prevents you from drawing conclusions and taking action.

Telling the Story of Us

Any change journey needs crisp meaningful language, so make sure that you define yours early in the journey. People are wary of things they don't understand, and not having words for something guarantees that understanding is limited and misunderstanding is rampant.

When creating and embracing your team's story, I suggest this phased approach:

- >> Changing what we do: Initially focus your story on concepts and vision. Set expectations and build coalitions. Redefine what's expected from individuals and teams.
- >> Changing how we think: Set the stage for technical leadership and encourage non-managers to step up and lead. Shift the focus from invention to incubation, and drive innovation that matters at scale.

>> Changing how we influence: Teach the broader team storytelling and networking skills. Use these skills as amplifiers for a journey that's a continuous transformation, not a defined destination.



Additional tips include

- Approaching problems and stories with the goal or outcome in mind
- >> Utilizing inductive rather than deductive reasoning
- Seeking insights that can differentiate us, and being consumer centric for all external and internal constituents

Having a Shared Elevator Pitch

Pretty much everyone knows the term *elevator pitch*, but has your team spent enough time making sure it has a shared one? Imagine you're literally in an elevator with a person important to your digital transformation journey; what are you going to say? And will you say the same things as your colleagues would have, were they in this situation?

Having a consistent elevator pitch is one of the most important things to get right up front. Nothing kills momentum faster than confusion around what you're trying to do.



HP

Consider for your elevator pitch that a digital conversation is a door opener to talking about change. And make sure that you have different variants of your story so you can always talk about the kind of change relevant for the person you're pitching to.

Specifically, digital is a subject that business people, IT leadership, and software developers all want and need to know and talk about. But the conversations are different in nature depending on audience. The business conversation is about business transformation and the digital economy. The IT leadership conversation is about composable platforms, built securely and at scale. The software developer conversation is about innovation and experimentation.



An open business has different integration needs. There is a shift of focus from provider to consumer. *Self-service orchestration* is mandated, rather than predefined connections and processes. Omni-channel experiences and lifelong relationships are expected, insight and convenience are the differentiators. This must be part of your elevator pitch.

When talking about openness, include that everything is now an API. We have had the Internet of Things for a couple of decades; APIs make it mainstream, with really interesting use cases. APIs make integration points easily accessible, easy to consume. And open flexible APIs are critically important because most enterprises now live in a "system of systems" topology, with multiple overlapping and interacting domains and with no ability to impose a traditional hierarchical architecture.

- » Changing your business with the changing world
- » Knowing your transformation is never done
- » Keeping an eye on every potential competitor
- » Choosing a hub or spoke strategy

Chapter **8**

Ten Lessons for Digital Transformation

ritical to a digital transformation journey is the mental mindset that lets an organization think about digital transformation in an effective fashion. This chapter contains my top ten lessons from my own journey through the world of digital transformation.

Business Imperatives Drive the Need for Digital Transformation

"Why?" is the first question you should ask for any transformation journey. When it comes to digital transformation, unfortunately the why is often driven by forces outside your control. When your world is changing, and it is, so must your business.



WARNING

Don't get lured into thinking that the new business imperatives will go away. Hunkering down in a defensive posture is unfortunately not going to help you.

You're Never Done

Digital transformation is a journey, not a final destination. You definitely need a vision, but at the same time you need to be nimble in how you pursue that vision. Create a roadmap, but accept that the roadmap is directional, not authoritarian. Check out Chapter 2 for more about defining your vision.



If people are looking for an end destination, they aren't open to continuous change. Set clear expectations up front.

Your Competitors Aren't Who You Think They Are

Digital technologies allow new entrants to relatively easily cross what used to be strong industry boundaries. Keep your eyes and ears open, and in particular, watch out for the plans of digitally native companies as they look to expand using their existing digital consumer relationships as a base.



If you look only at your traditional competitors, you may get hit from the side by a freight train that you didn't see coming. What does that mean? You get derailed, negatively impacted, and your business is "killed." Plan for existing and new competitors coming from all angles.

You Have a Binary Choice

Digital transformation will inevitably create a new hub and spoke structure in your industry or at a minimum rearrange an existing one. This leads to a binary choice of direction, either a hub strategy or a spoke strategy. See Chapter 1 for more info.



If you don't explicitly choose a direction, that practically equates to choosing a spoke strategy.

REMEMBER

Openness Is a Fact of Life

Digital ecosystems are open by nature. Choose to embrace the openness as an opportunity rather than seeing it as a problem to overcome. Flip to Chapter 3 for more about being open.



If you keep your own systems and processes closed, you'll be passed by, and you risk making your business irrelevant.

Platforms are Necessary

Platforms help your digital transformation journey, internally and externally. Good platforms follow basic MOSAIC principles — they're meaningful, open, simple, adaptable, innovative, and configurable. I cover this more in Chapter 4.



Platforms are also the way to accelerate and amplify a hub strategy. And good APIs will make your platform play stronger.

You Can't Just Ask for Requirements

It feels so natural to ask "what are your requirements?" doesn't it? After all this is how most of us were taught to make sure we were catering to business and customer needs. Unfortunately in a digital ecosystem, typically we don't have all the answers up front. Instead, we need to work in partnership to co-create the new art of the possible.



Not including the end consumer in the requirements development process is putting your digital transformation at risk. You must make sure that you deeply understand what your end consumer really needs, not just what they say they need. Check out Chapter 5 for more on digital requirements.

Design Thinking Helps

Using design thinking is a good way of changing your requirements development practices to become customer centric. (I cover this more in Chapter 6.) While originating in design of devices,

buildings, and so on, design thinking practices have been well adapted to digital programs.



Design thinking must be learned. It's a practice like any other, so look for people and programs that can teach your team.

The Journey Must Be Strongly Led

As with any transformation journey, strong leadership is required for digital transformation. The journey will take years, and, in fact, never stops, so your arrangements for digital transformation leadership must be durable and renewable.



If the leadership of your digital transformation journey isn't respected and trusted, your efforts may fail rapidly. Look for people that are strong communicators and have the ability to turn vision into action.

You Can Build Up Your Existing Talent

Don't give up on your existing team just because they have never done this before. Many folks haven't. Instead, look to actively sponsor the learning of new skills and establish a strong learning program as part of your digital transformation journey. Focus your own energy on core soft skills because most likely your existing team already knows how to learn new technologies.



If you give good people an opportunity, they will rise to the occasion. Make sure you give them that opportunity.

Learn how to manage digital transformation

Modern business ecosystems need to rethink their approaches to digital transformation. This book helps you shift your model to be holistic rather than project centric. From discovering the nature of digital competition through driving your digital journey, you find a blueprint of the steps needed to create and execute on your digital transformation strategy. Own your digital transformation journey and don't leave it to random activity and adoption.

Inside...

- Discover the nature of digital competition
- Realize that digital transformation is a journey
- · Start with a digital vision
- See how to develop digital requirements
- Move on to digital design and platforms
- Learn how to lead and show the way

Claus T. Jensen is Chief Digital Officer & Head of Technology at Memorial Sloan Kettering Cancer Center. He leads the integration of digital technology in care, research, and education, overseeing IT and informatics resources pursuing critical objectives across prevention, detection, and treatment of cancer.

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