

LOG 206

M9: Digital Business transformation

Department of Logistics

Molde University College

Spring 2018

Madonna

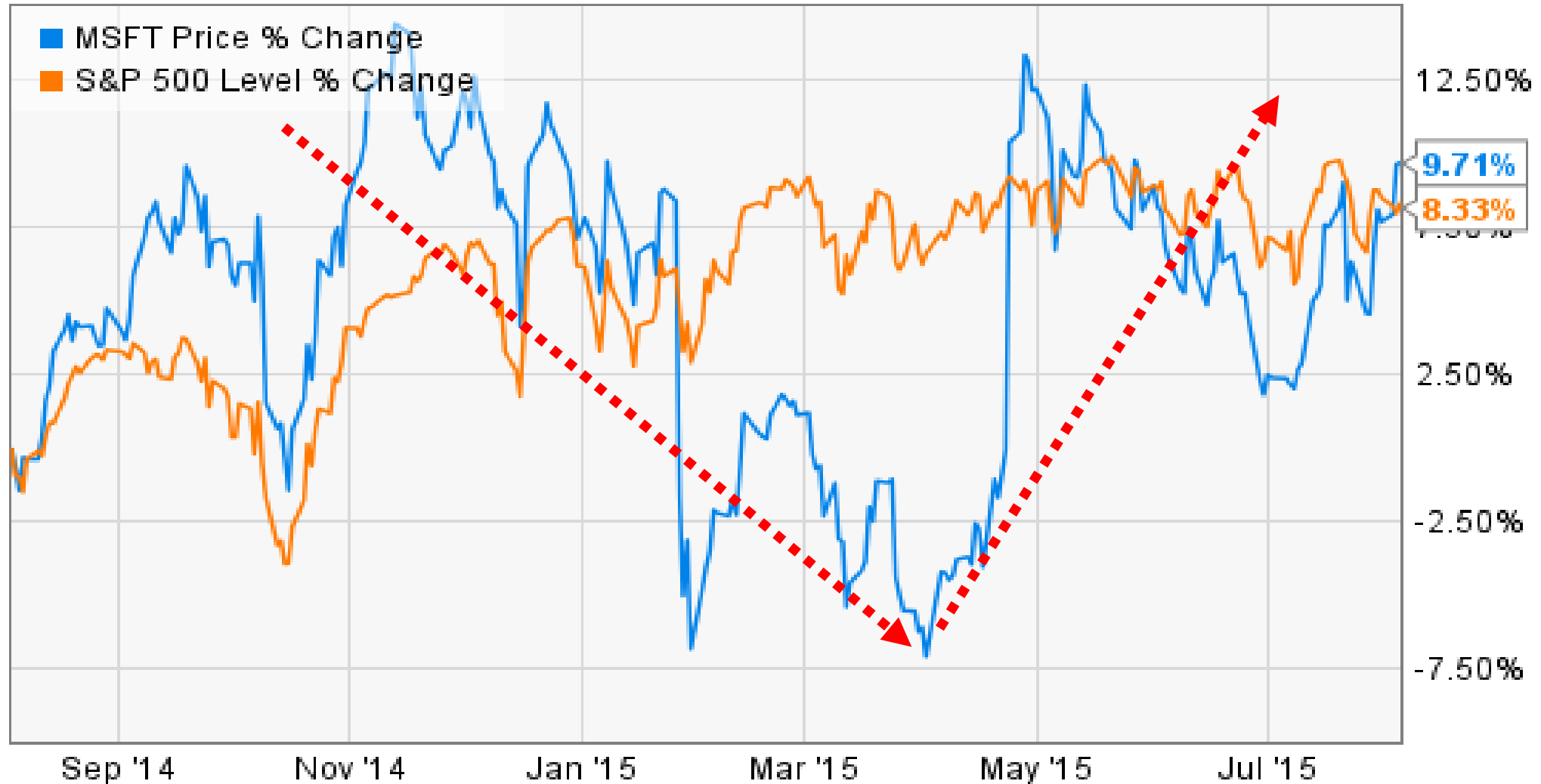
- Queen of Pop since 1980s
- Dominated for three decades since her debut album



Her secret?

“I think reinventing yourself is vital to your survival as an artist and a human being,” - Madonna

Microsoft vs S&P 500



The Motley Fool

Aug 05 2015, 5:07PM EDT. Powered by **YCHARTS**

Microsoft embarks on transformation.....

Microsoft CEO Gears The Company For Change, And A Renewed Focus On Productivity And Platforms

Posted Jul 10, 2014 by [Darrell Etherington \(@etherington\)](#)

411
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FORTUNE



The Man Who Is Transforming Microsoft

On the road with Satya Nadella's traveling revival show.

A blustery autumn afternoon in Dublin. Sudden clouds have cooled the red rays of a setting sun, and the resulting grays cast soft shadows on the faces of students lazily slumped in their seats in the lobby of the library at St. Patrick's College

Microsoft's successful transformation: From Microsoft to Microcloud

JACK GOLD, J.GOLD ASSOCIATES @JCKGLD FEBRUARY 1, 2017 3:04 PM

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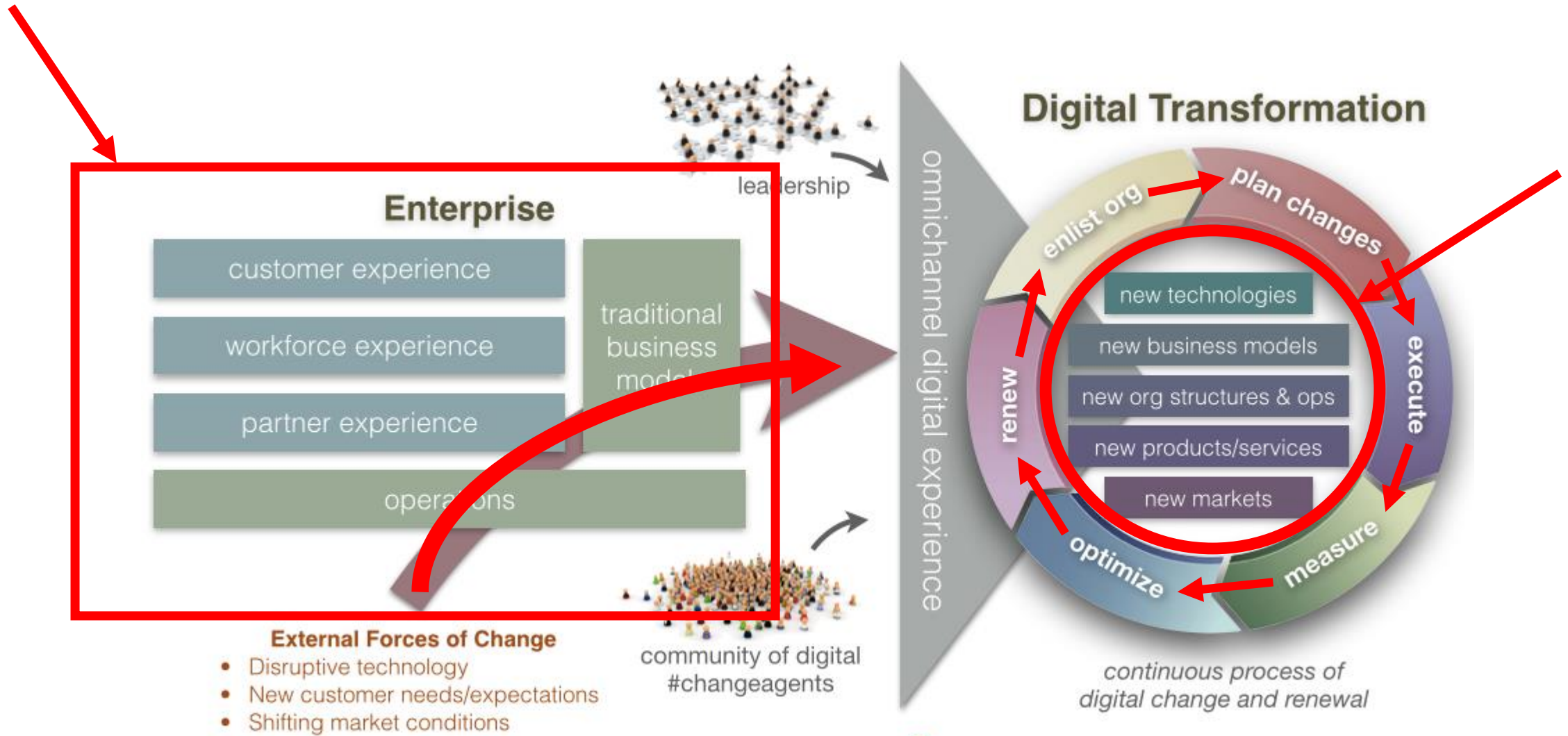


Digital business transformation

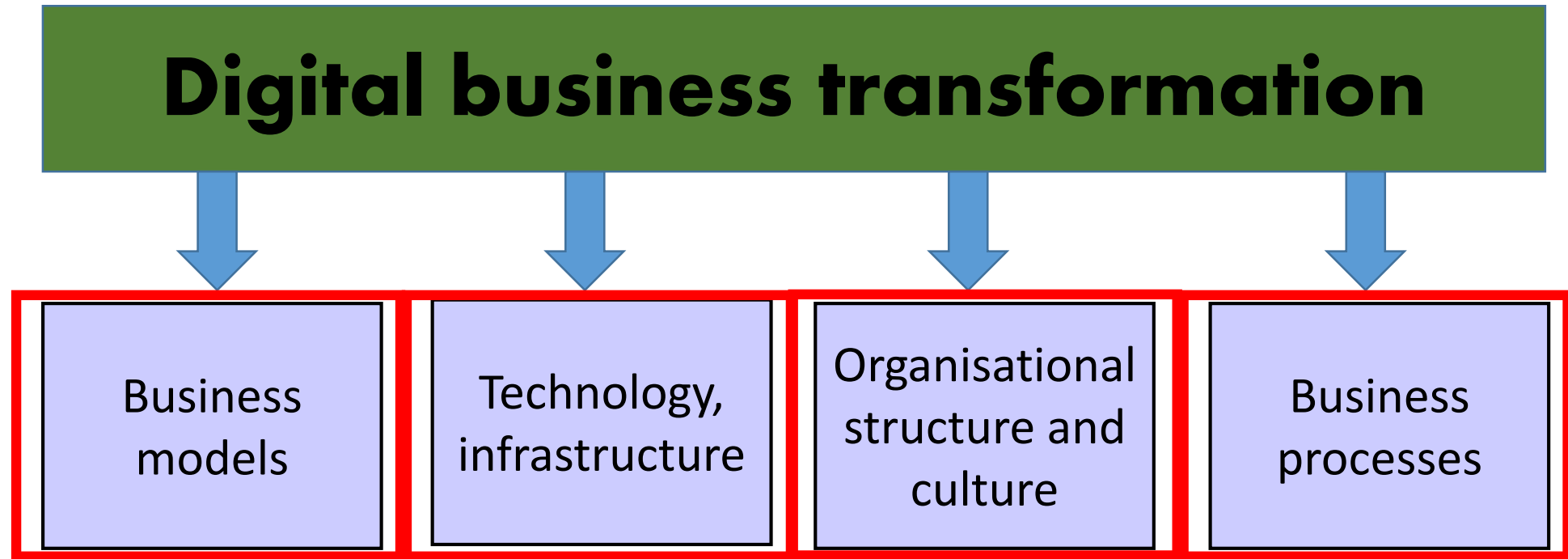


Significant changes to organisational processes, structures and system implemented to improve organisational performance through increasing the use of digital media and technology platforms.

Digital business transformation.....



Key aspects to consider for transformation

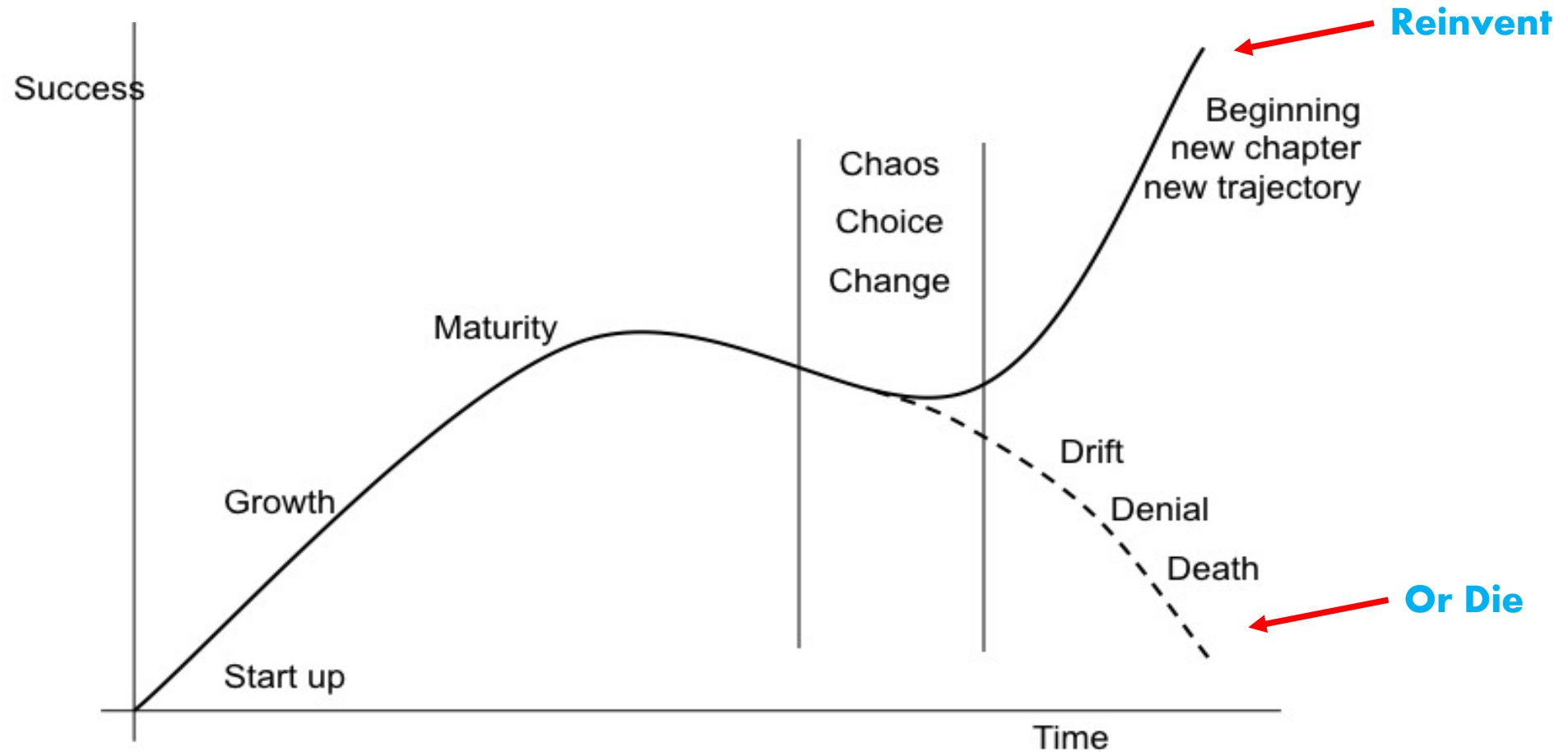


Reinventing business model

- Business models are perishable; success today does not guarantee success tomorrow.
- The ever-changing competitive environment challenges the essence of relatively stable business models
- Remaining competitive requires ability to execute on the current business model while thinking of the business model of tomorrow



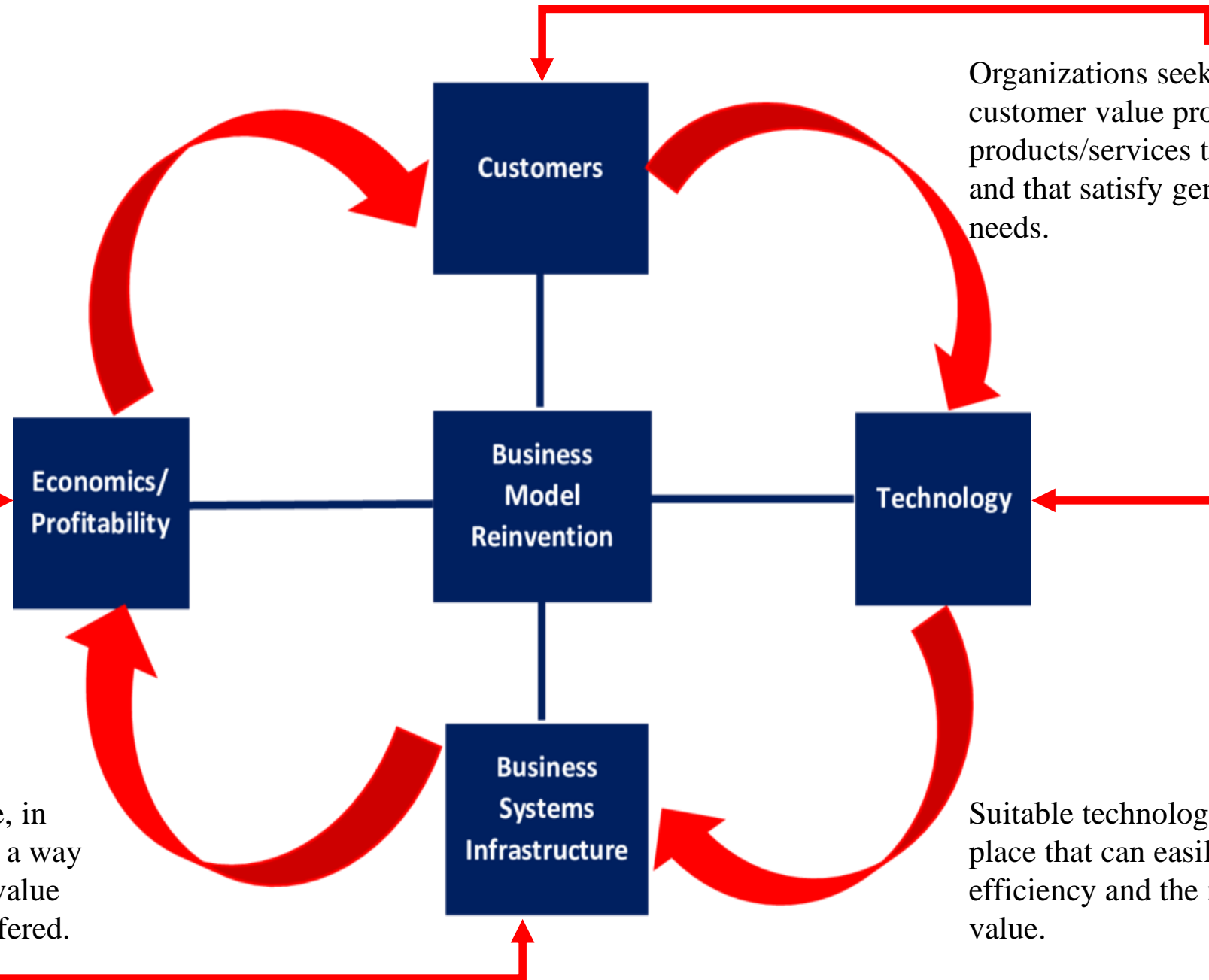
Reinvent your business model or Die



The Wheel of Business Model Reinvention

All the endeavours that have been undertaken should be economically feasible to benefit all actors involved in the reinvention process, as well as in newly configured value chains

Organizations seek ways of creating customer value propositions with products/services that are innovative and that satisfy generic underlying needs.



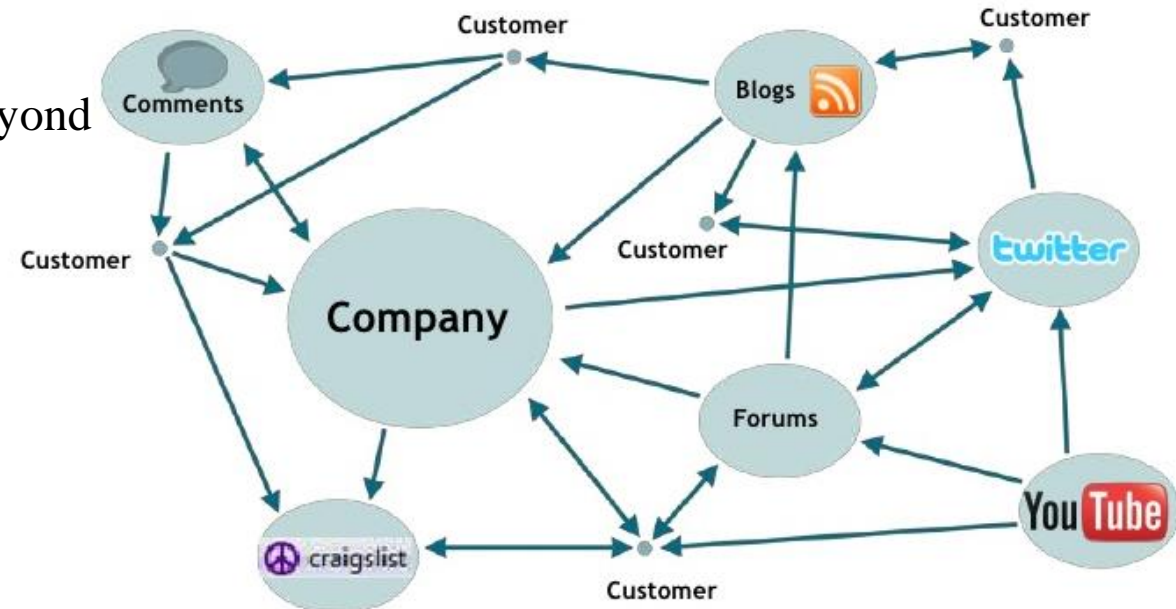
The business system infrastructure, in turn, should be configured in such a way that would enhance the customer value that has been created and being offered.

Suitable technology should be in place that can easily leverage efficiency and the new customer value.

Key points moving forward

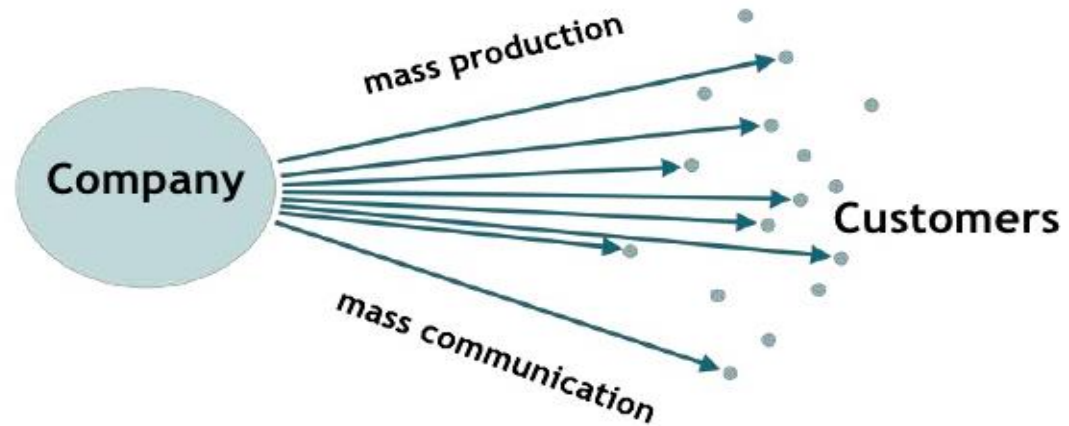
1. Harness Customer Networks

- Customers today are constantly connecting with and influencing each other and shaping business reputations and brands
- Business need to recognize that a dynamic, networked customer may just be innovation partner they will ever find.
- Learn to engage, empower and co-create with customers beyond the point of initial purchase.

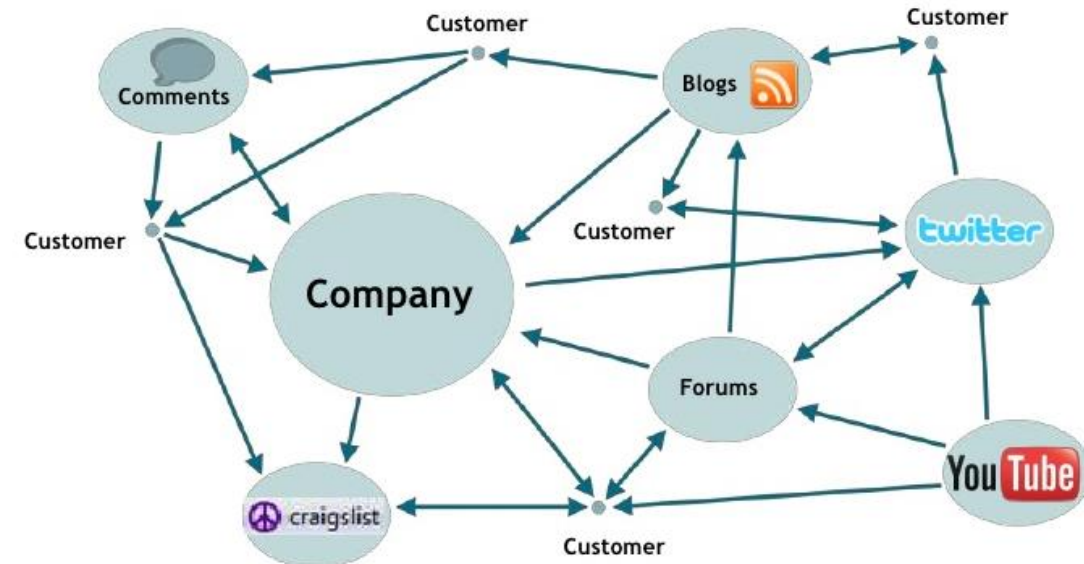


Key points moving forward

Mass-Market Model (Old school)

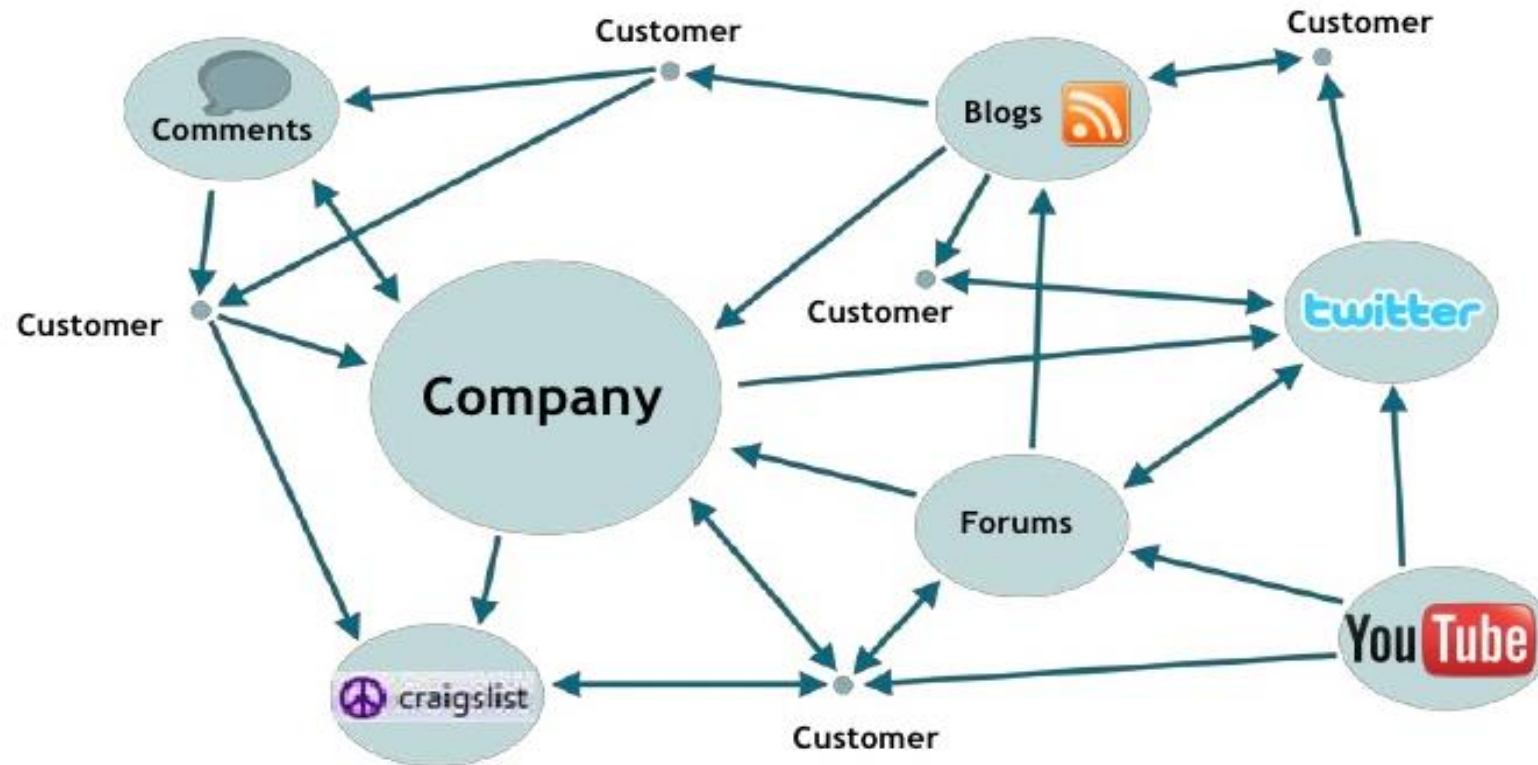


Customer Network Model (Today)



Key points moving forward

Learn to engage, empower and co-create with customers beyond the point of initial purchase.



Key points moving forward

1. Harness Customer Networks

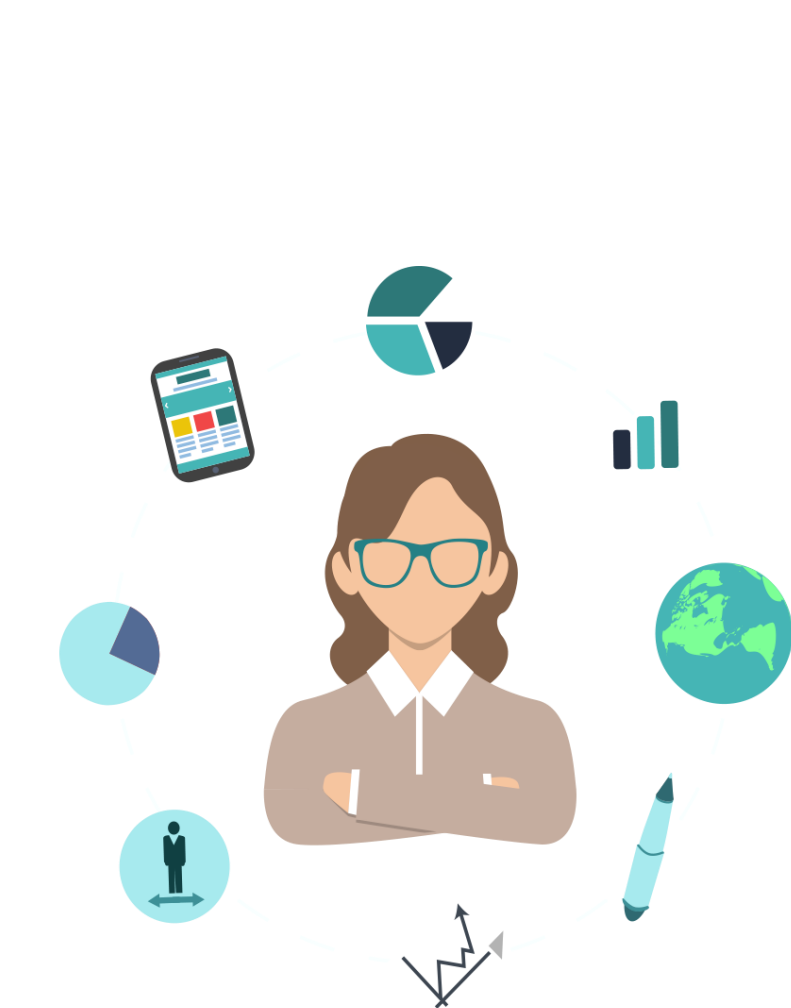
Research Insights:

- Design crowdsourcing is positively related to unit sales
- Design crowdsourcing enhances perceived reliability and usability.

Research Article

Design Crowdsourcing: The Impact on New Product Performance of Sourcing Design Solutions from the “Crowd”

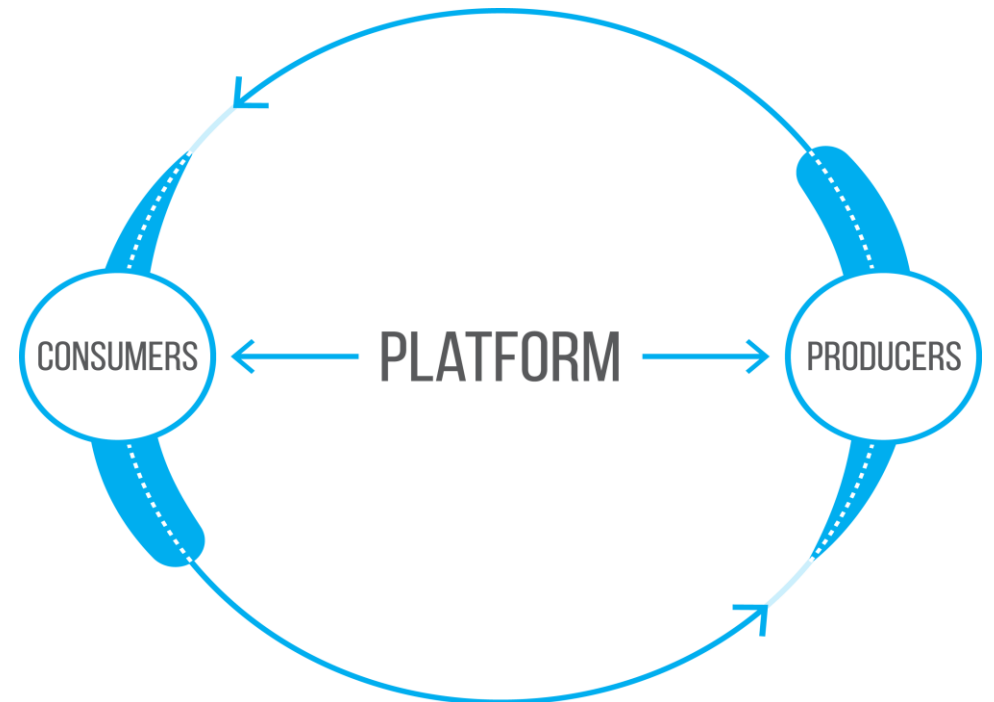
B.J. Allen, Deepa Chandrasekaran, & Suman Basuroy



Key points moving forward

2. Build platforms, not just products

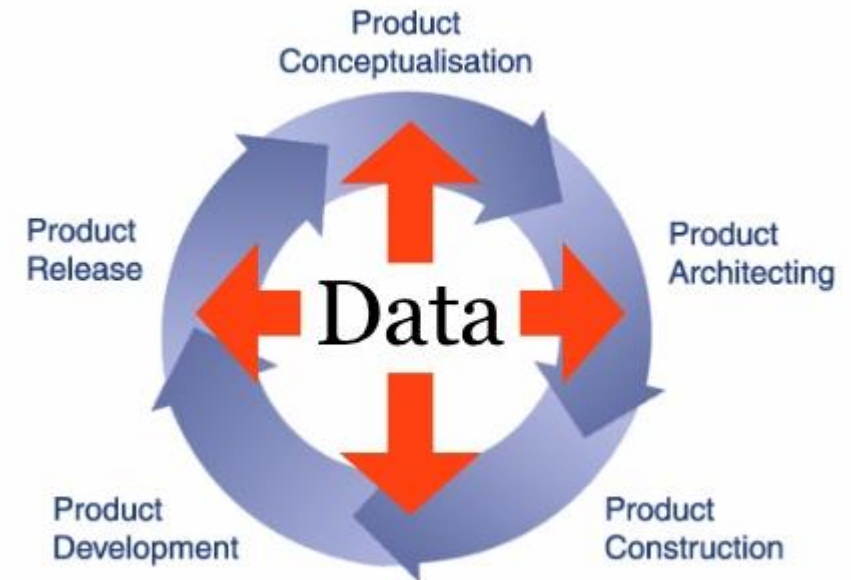
- A platform brings together users and facilitates the exchange of goods, services or social currency enabling value creation for all participants
- Platform model produces network effects: the impact the number of users of a platform has on the value created for each user



Key points moving forward

3. Turn data into assets

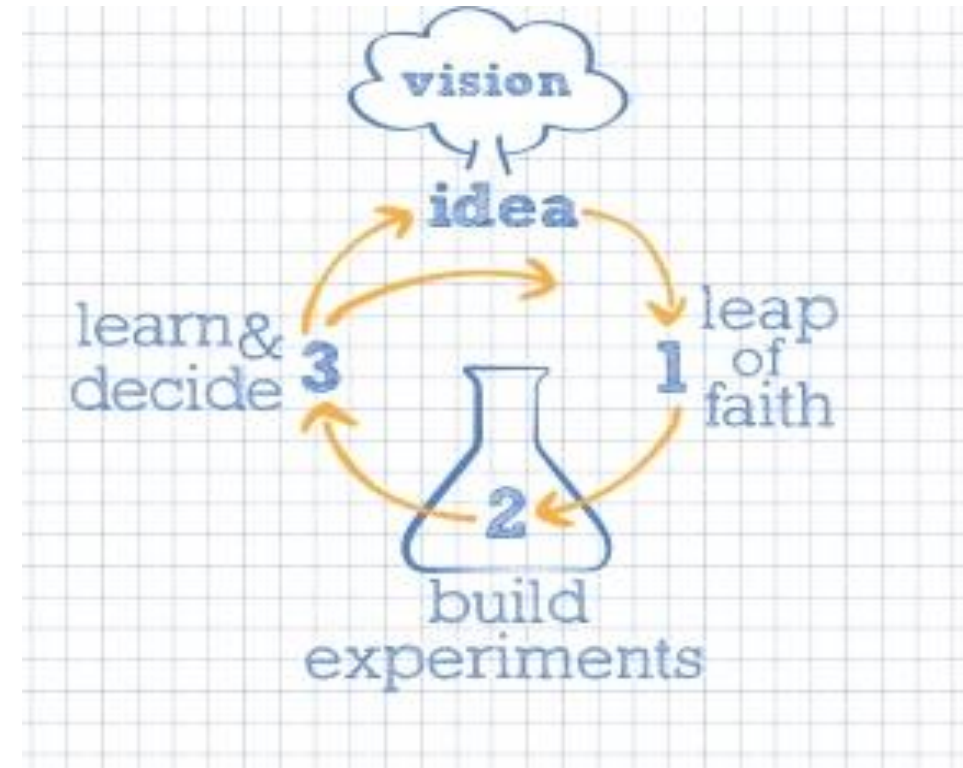
- In an age when data is in constant surplus and often free, the challenge for businesses is to learn to turn it into a truly strategic asset.
- That requires both gathering the right data and applying effectively to generate long term business value
- Use insights from data to develop new services and products, in other words, engage in data-driven innovation.



Key points moving forward

4. Innovate by rapid experimentation

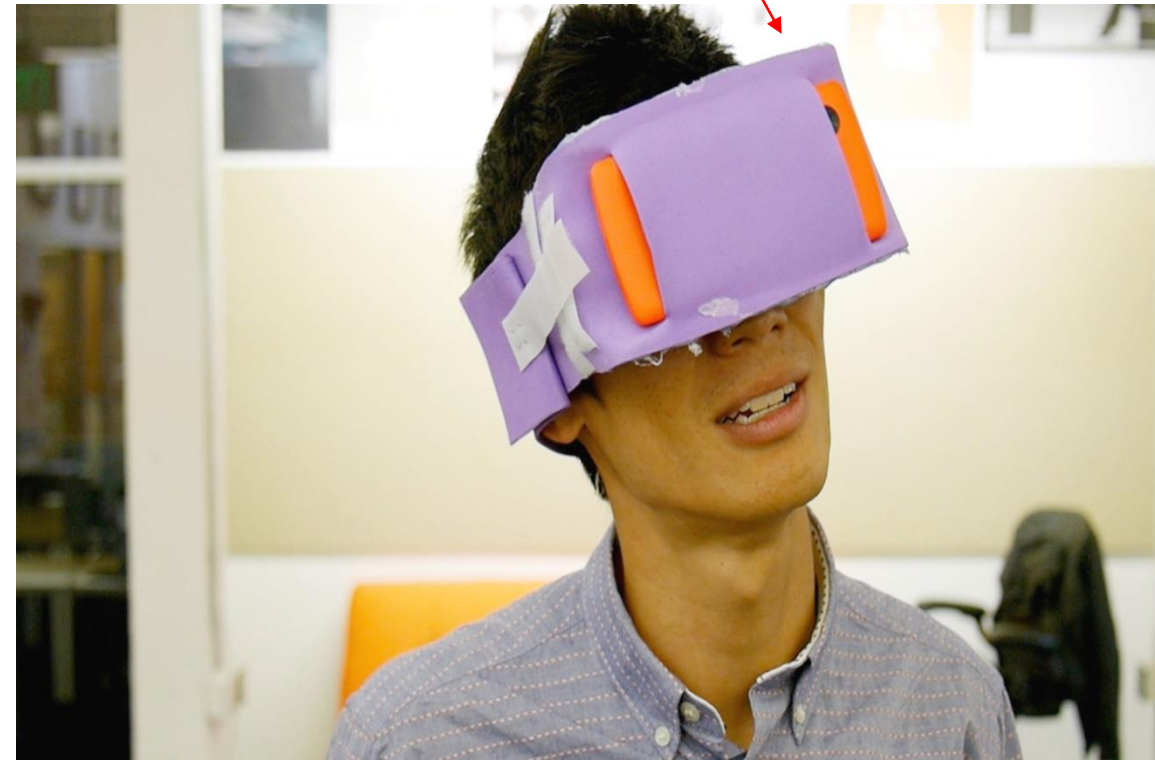
- Use rapid experiments to quickly test the merit of your ideas, and generate new insights about your customers.
- Once an idea has been validated, it requires careful piloting and rollout as Starbucks has done with its new store features.



Prototyping

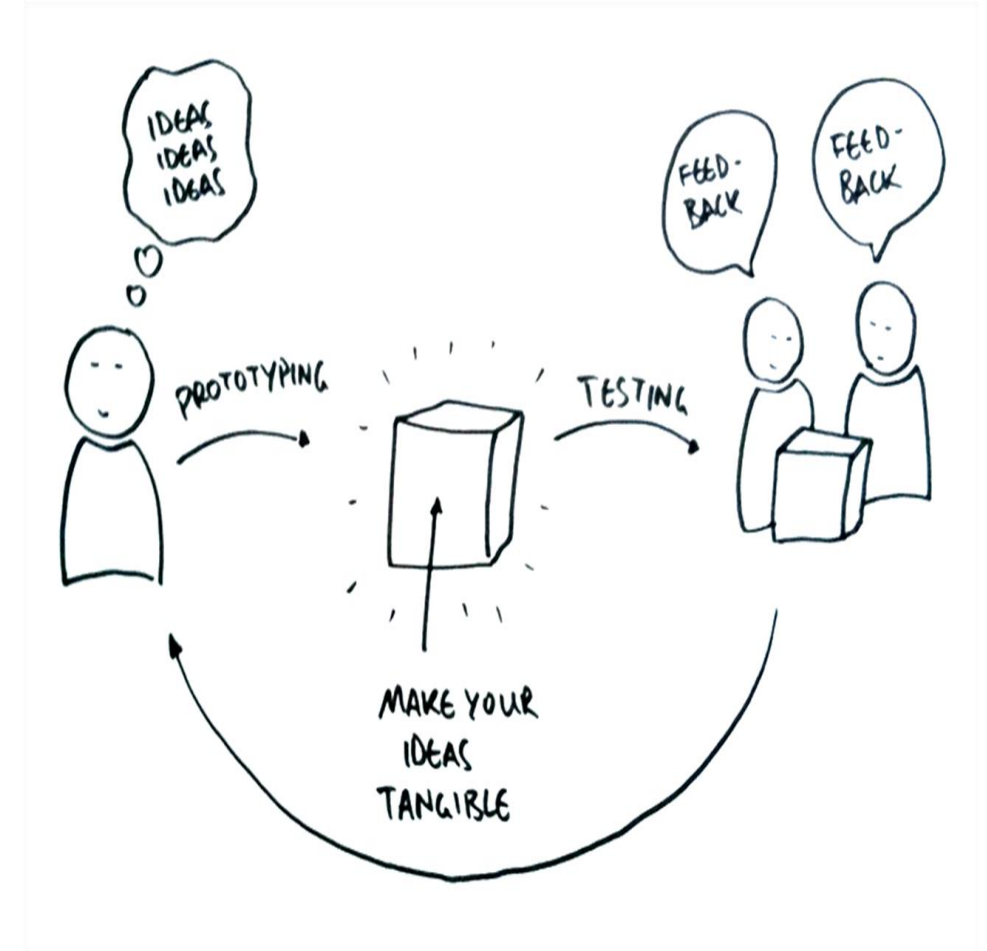
- Prototyping simply means creating a demo of a new system or product
- Prototyping is essential for clarifying information requirements.
- While analytically-oriented people may have a clear picture of requirements, others may not.
- Thus, the design of a system (functional specs) must be finalized before the system can be built.

Prototype



The stages involved with prototyping

- Identify the user requirements in outline
- Rapidly develop a working prototype and get users' feedback
- Iterate and produce further refinements
- Throw away the prototype and develop a more robust version



Essence of effective prototyping

- **Rapid** – Make it fast
- **Simple** – Simply provide a good indication to users of how the system will be like
- **Iterative** – Prototypes are produced often at a frequency of one every few days or weeks so that the comments from the last review can be fed into the evolving system.
- **Incremental** – Each version of the application has a limited number of new features.
- **User-centred** – Users are involved at all stages of development



Key points moving forward

5. Adapt your value proposition

- To master value creation in the digital age, businesses must learn how to continuously adapt their value proposition
- Once an idea has been validated, it requires careful piloting and implementation, as Starbucks has done with its new store features.



Organisational culture change

Organisational culture change

- Digital transformation is not just about a technological shift. It is also about a shift in an organization's deep-rooted mindset and culture
- We can change our technologies, our infrastructure, and our processes, but without addressing the human element, lasting change will not happen.
- Culture leads to technology adoption. The ability to innovate depends on the impatience of the organizational culture.



Digital transformation



Analog culture

- Pushes products into the market
- Driven by purchasing and supply
- Strong hierarchy
- Slow decision making
- Process and task orientation
- Defined tasks (“do this job”)
- Understands needs of long-standing customers and how to fulfill them
- Orientation toward status quo, past lessons, and accepting constraints
- Experience and stability count
- Homogenous teams, working within departmental silos
- Career progression within defined paths
- Focus on planning and optimization

Customers and demand

Organization

Attitudes and ways of working

Digital culture

- Pulls ideas from the market
- Driven by customer demand
- Flat hierarchy
- Rapid decision making
- Result and product orientation
- Empowered employees (“find a way to achieve a goal”)
- Understands needs of digital customers and how to adopt new trends
- Orientation toward innovation, improvement and overcoming constraints
- Potential, vision, curiosity, motivation, flexibility and adaptability count
- Mixed teams working in cross-functional and integrated communities
- Strong collaboration
- Rapid, unpredictable career progression
- Focus on rapid launch and learn

Microsoft's Satya Nadella is counting on culture shock to drive growth

Marco della Cava, USA TODAY

Published 9:04 a.m. ET Feb. 20, 2017 | Updated 2:04 p.m. ET Feb. 20, 2017



Microsoft CEO Satya Nadella on transforming company culture to foster growth

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09.21.17

Satya Nadella: The C In CEO Stands For Culture

In this exclusive excerpt from Satya Nadella's book "Hit Refresh," he reveals Microsoft's mind-set for shifting from a know-it-all to a learn-it-all culture.

Satya Nadella became Microsoft's third CEO in 2014 after working at the ears. Since then, he has generated \$250 billion in market value



Ways to change a culture

1. Unlearn current beliefs and create awareness

- Leaders must first themselves believe that digital disruption is required to stay relevant in the market and then communicate the same to their employees by providing illustrative facts and compelling stories.
- This will create a sense of urgency in the organization and help employees understand the need for the change without attracting a lot of resistance.



Ways to change a culture

2. Create a vision

- Leaders must jointly create a digital transformation vision with their employees.
- This will reduce anxiety within the organization and earn supporters for the change.
- Creating a strong vision will also provide a clear direction to everyone in the company of what is expected from them and signal the outer world that your organization is serious about it.



Ways to change a culture

3. Fine tune organizational performance management

- The organization must then revise its KPIs and performance metrics to align them with the overall vision.
- This will ensure that the new values get percolated down to every level in the organization.
- It will also help in winning the support of a large part of the organization by giving them more clarity in terms of what they need to do.



Ways to change a culture

4. Start small and scale up

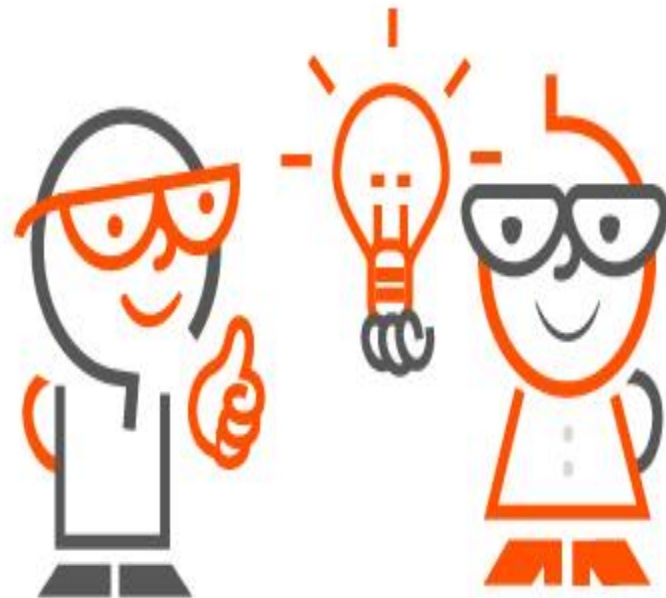
- Leaders must start implementing the new values by altering the most crucial processes and then expanding them to the wider organization.
- Following a big bang approach may collapse the entire system.



Ways to change a culture

5. Create an effective feedback mechanism

- The organization must establish a robust feedback mechanism to capture the views of their employees.
- Without the employees actually practicing the digital approach, the transformation cannot become real.



Ways to change a culture

6. Reinforce and celebrate success

- Recognize the milestones achieved and reward the individuals and teams involved.
- This will further reinforce the adoption of the digital approach and motivate others in the organization.



Change management

Call for change

- Digital business transformation requires new approaches of working. The changes experienced tend to be greatest for large-scale projects
- For example, introduction of a new digital technology platform requires its users to learn how to use it
- The greatest challenge faced by both B2B and B2C companies is managing the change.



Change management

- A systematic approach to dealing with the transition or transformation of an organization
- It provides a structured approach for supporting the individuals in an organization to move from their own current states to their own future states.



Key change management issues

Scheduling – what are the suitable stages for introducing change?

Budgeting – how do we cost investment?

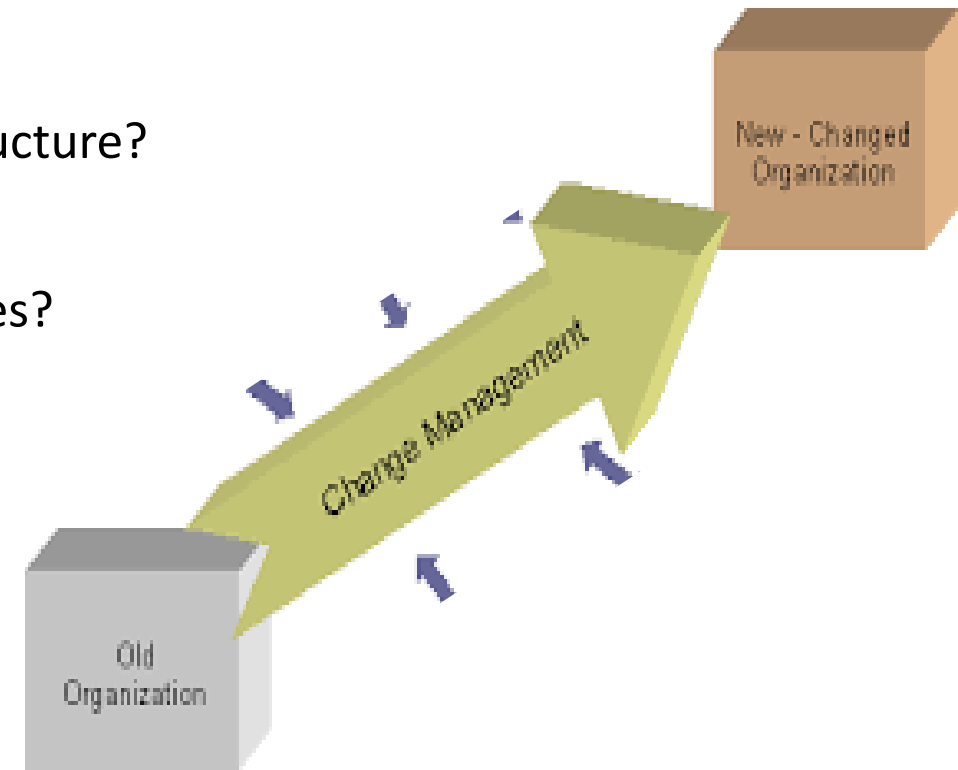
Resources needed – what, what are their use, and where to obtain them?

Organisational structures – do we need to revise organisational structure?

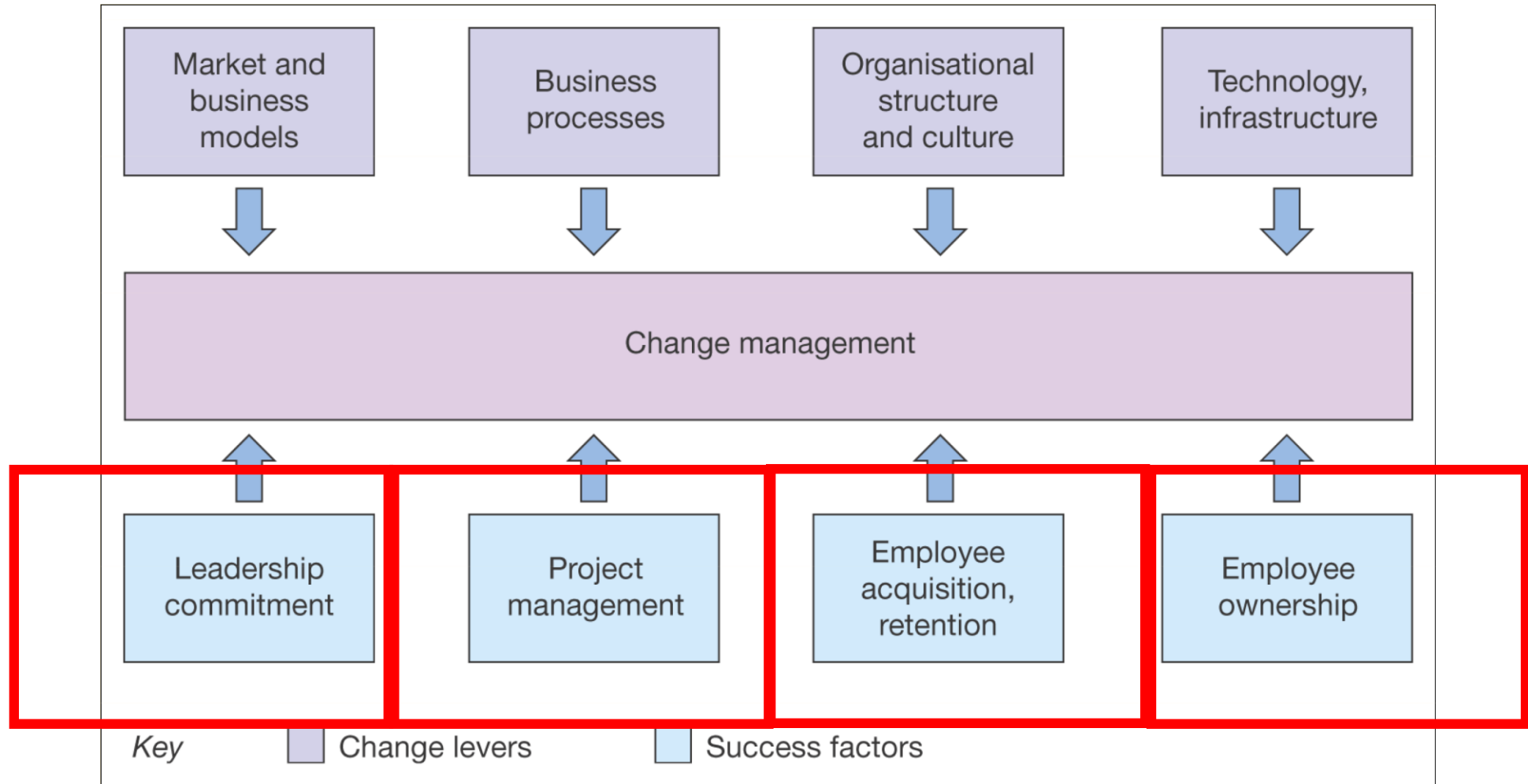
Managing the human impact of change – how to prepare employees?

Technologies – Which technologies are needed to support the ?

Risk management – How to manage risks in the transformation?



Key factors in achieving change



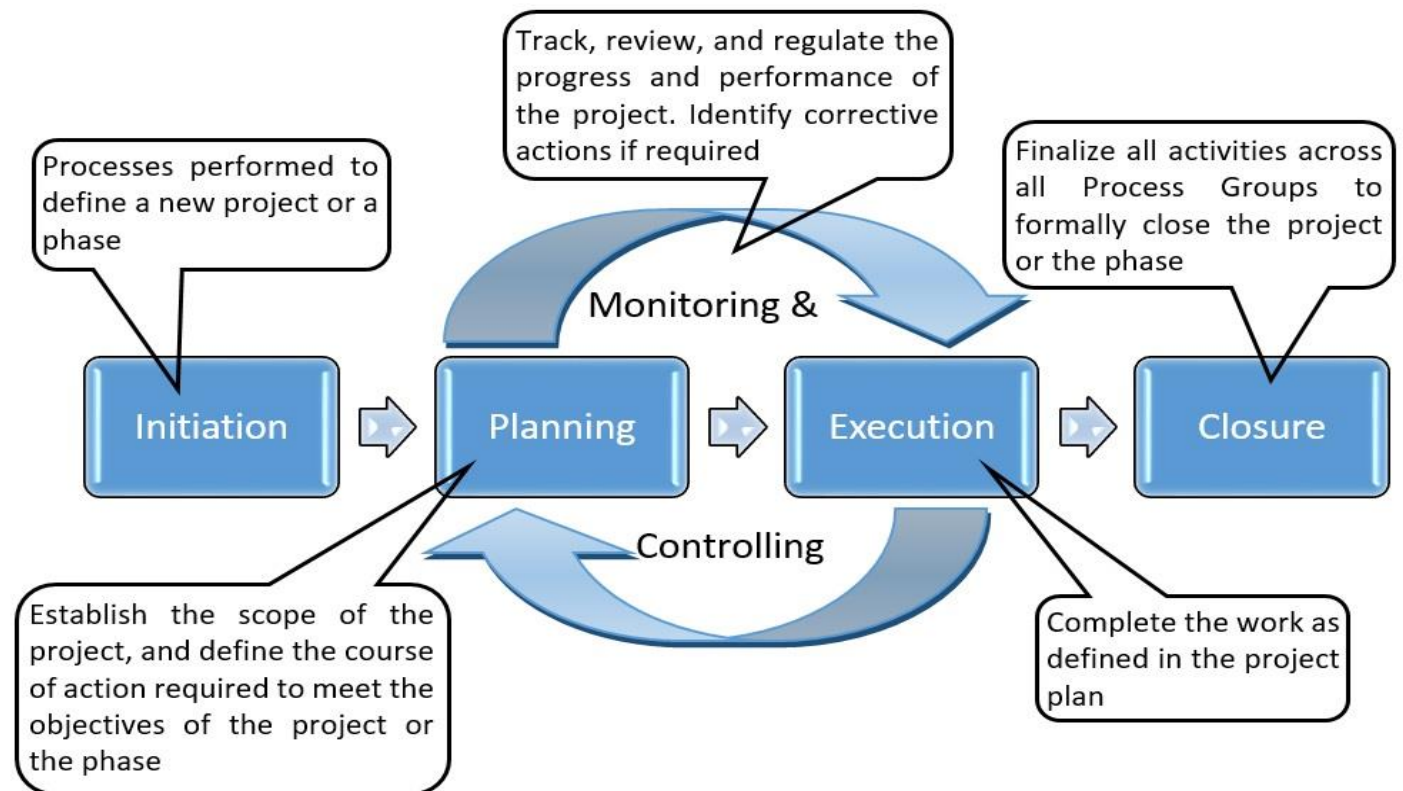
Role of Leadership in Change Management

- Employees look to their leaders for a lot—clarity, connection, and accountability—particularly in the midst of change.
- When leaders fulfill the change management role, changes are made efficiently and sustainably. Leaders' roles:
 - Clarify the vision and communicate it effectively
 - Understand your team, enlist their support and hold them accountable.
 - Be accountable for what is working and what isn't working



Project management

- Digital business transformation is a project
- Project management oversees the planning, organizing and implementing of a project.



Why should we care about project management

Only **58%** of respondents say that their projects always achieve their goals,
BUT
Only **21%** of them say they always achieve deadlines.

Only **39%** always achieve budget and a positive ROI

Over **8%** of respondents never meet their project deadlines
AND
Nearly **6%** never deliver their projects within budget.

Nearly half of all respondents (**45.5%**) do not have a structured approach to managing their web projects.

Survey of over 600 European and US businesses involved in management of web-related projects (Econsultancy, 2007)

Elements that need to be incorporated for effective project management

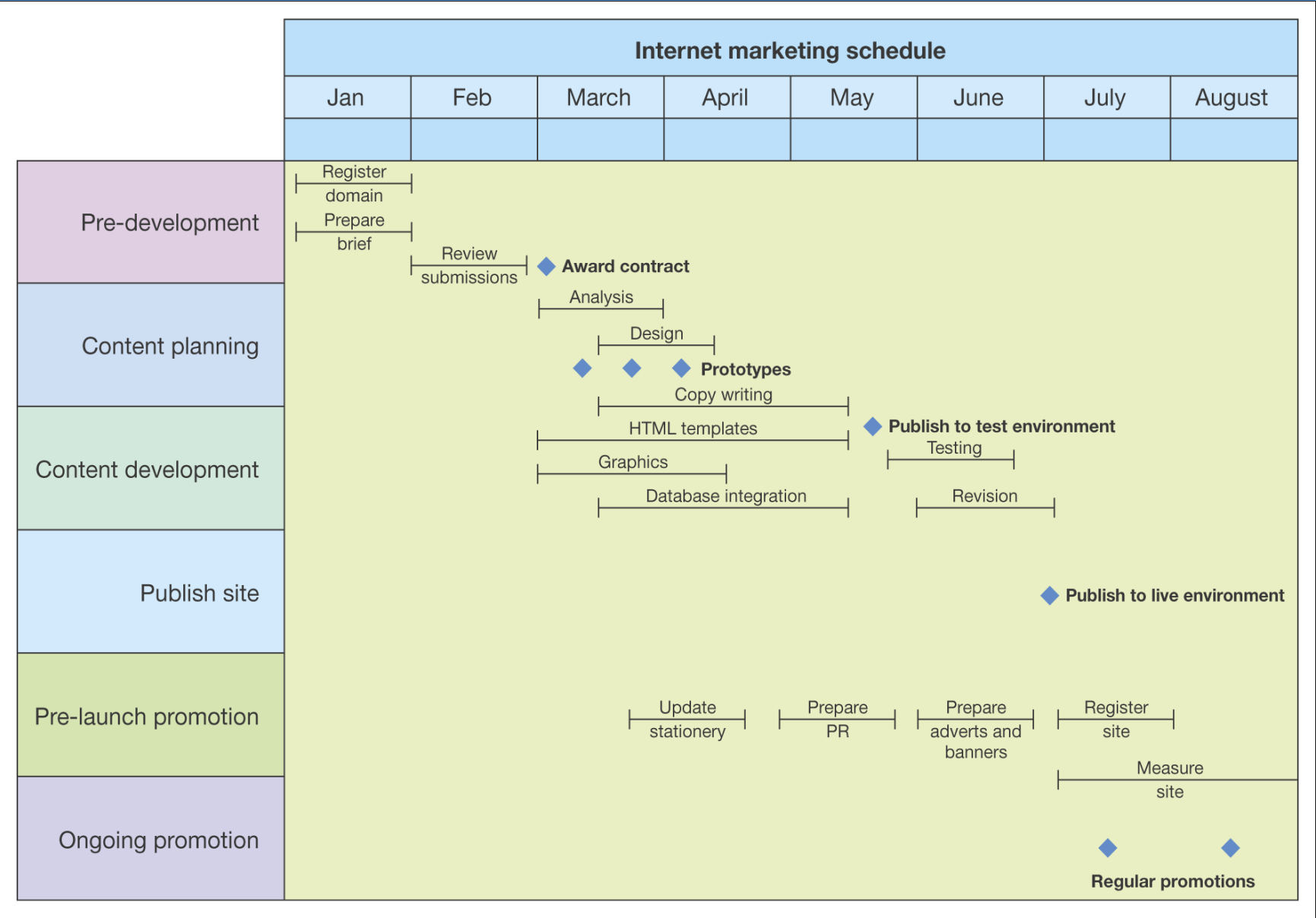
- **Estimation** – identifying the activities involved in the project, sometimes referred to as a ‘work breakdown structure’ (WBS).
- **Resource allocation** – after the initial WBS, appropriate resources can be allocated to the tasks.
- **Schedule/plan** – after resource allocation, the amount of time for each task can be determined according to the availability and skills of the people assigned to the tasks.
- **Monitoring and control** – monitoring involves ensuring the project is working to plan while control is taking corrective action if the project deviates from the plan.



Example task breakdown and schedule

- Pre-development tasks
- Content planning
- Content development and testing
- Publishing the site
- Pre-launch promotion
- Ongoing promotion

An example website development schedule



Need for employees with right skills

- Digital business implementation requires specialist skills that may not be present within an organization
- Even more problematic than selecting the right type of staff is attracting and retaining digital business staff
- Effective, experienced staff demand high salaries.



Staff retention

**“Getting good staff is difficult, keeping them is
a nightmare”
Crush (2000)**

- The difficulties in staff resourcing for digital business do not end with the recruitment of staff
- Since there is a highly competitive marketplace for digital business staff, many staff will want to move on to further their career
- Employee retention is a major challenge for many digital businesses



Steps for retaining talent

1. Communicate, communicate, communicate

- Creating an environment of open dialogue in the workplace
- Listen to questions, address concerns, provide feedback and implement suggestions
- Face time, however scarce, is an immensely important factor in communicating well and establishing trust.



Steps for retaining good employees

2. Coach rather than manage

- Give your team members the authority, the tools and the space they need to do their jobs
- Be accessible for, and open to, problem solving – whether it's brainstorming next steps or fighting fires.
- Be accessible personally – taking a genuine interest in employees as individuals, as people.



Steps for retaining talent

3. Establish clear performance metrics

- Establish well defined metrics for evaluating an employee's contribution to achieving business goals.
- Review performance versus those metrics on a regular basis. Acknowledge good work when it's delivered.
- Discuss work that missed the mark and jointly determine how to avoid failure in the next round.



Steps for retaining talent

4. Leverage performance reviews

- Performance reviews to gain insights into employee' goals and aspirations
- Performance reviews can be opportunities to discuss employees' career goals, and obtain input for creating stretch opportunities for them -- both within their current roles and in new roles.



Steps for retaining talent

5. Create growth opportunities

- When hiring, look inside first. Make it a priority to scan the internal environment first
- See if there are existing employees who could stretch into the new position and grow to the next level.
- Make sure employees are aware of internal openings and have a chance to apply for them if they're interested.



Steps for retaining talent

6. Enforce positive feedback with something tangible

- While feedback is important, people also need to feel appreciated in a tangible way
- Beyond salary/bonus/equity, think about “rewarding” employees for truly superior performance e.g.
 - ✓ How about dinner on the company as a spot award?
 - ✓ Or, awarding a personal day after completion of a important assignment? Etc.
- Long-term return in terms of employee loyalty and commitment will far outweigh the financial cost of these “spot” awards



Employee ownership of the project


Employee ownership of the project

- It is obvious that change will be bring impact to an organisation
- If a company's employees don't have a sense of ownership and engagement in the digital business transformation project, all the other steps won't make much difference



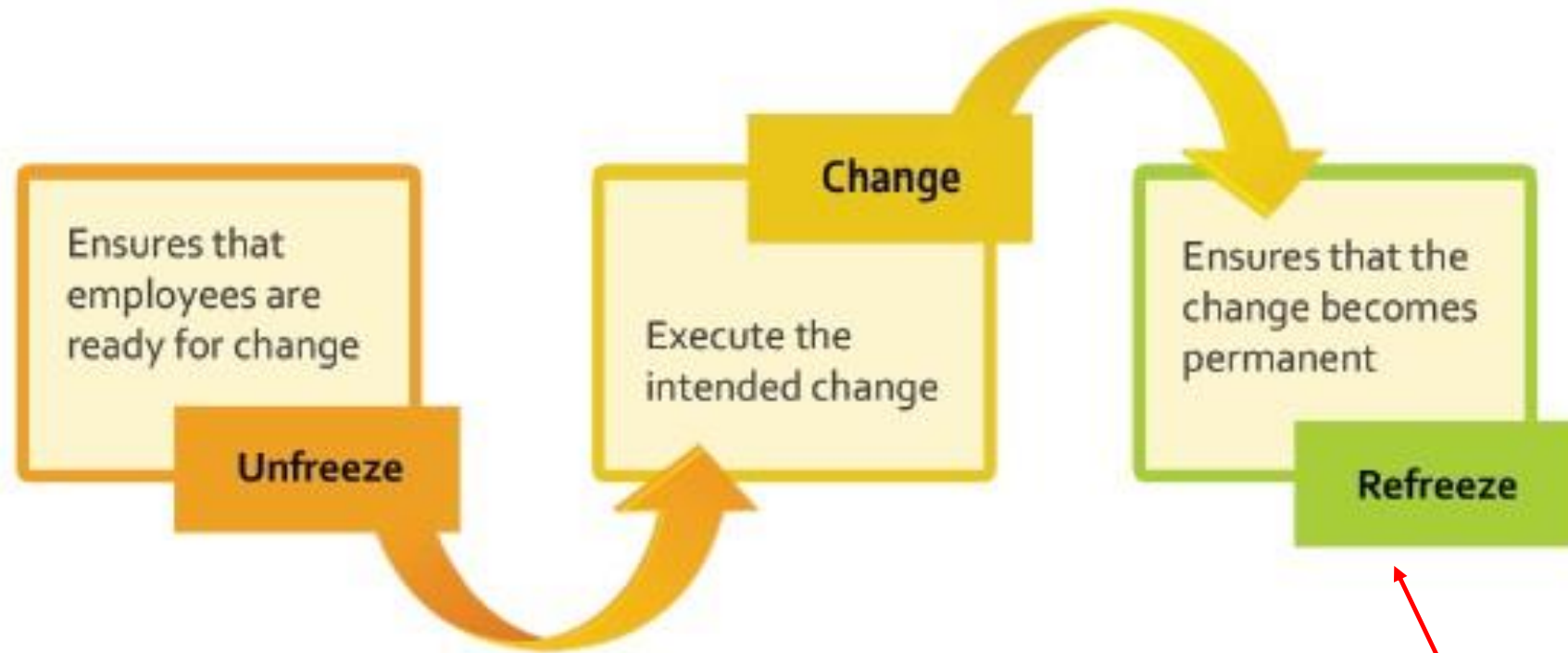
Approaches to e-commerce implementation

- **Collaborative** – widespread participation of employees occurs to define the changes required and techniques to achieve them.
- **Consultative** – management takes the final decision, after calling on some employees for input.
- **Directive** – the management team takes the decisions, with the employees generally trusting them to do so and being generally informed.
- **Coercive** – the management team takes the decision with very limited recourse to employees.



Cope and Waddell (2001) found that the **consultative** approach is the most common.

Model for achieving change



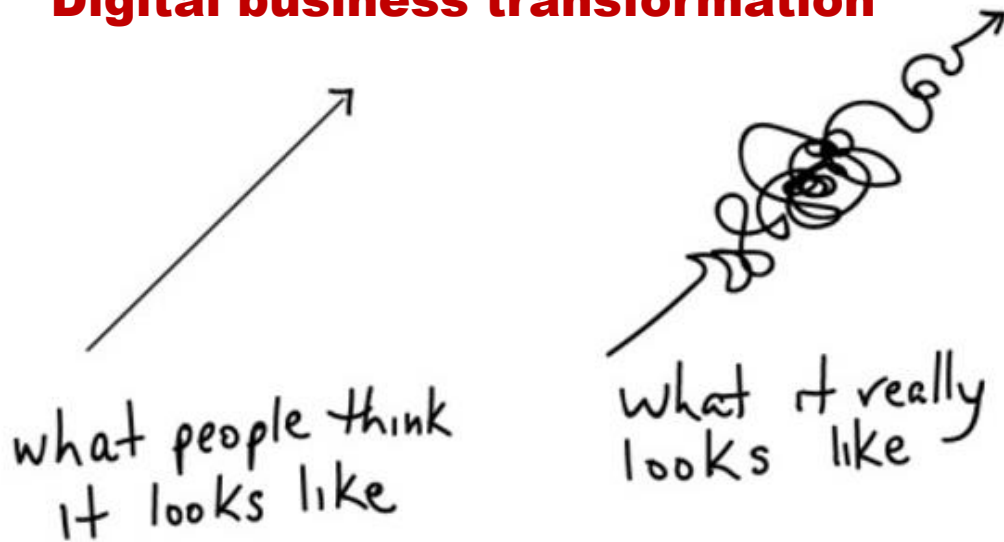
Lewin and Schein Model

In one study more than 87% of leaders said they trained their managers to oversee the process of change management, but the changes, once implemented, didn't last.

Conclusion

Digital transformation is not an overnight exercise

Digital business transformation



- It requires dedication and constant efforts from everyone in the organization
- But, it's key to survival and sustaining competitiveness