

S_HIFT_TO_ENTERPRISE DX

TRANSFORMATION NOT TYRANNY

WHAT'S THE REAL SECRET TO SUCCESS?

POWERED BY

Ogilvy



S_HIFT

TYRANNY?

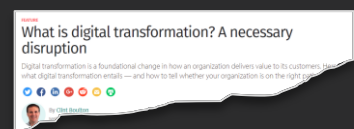
Transformation and disruption are changing nearly all categories: Netflix, the movie business, Spotify, the music industry, Airbnb, hospitality, Uber, transport and Amazon, retail. Why have these companies succeeded and what are the implications for businesses moving forward?

Marketing has changed more in the last decade than it did in the previous 50 years but in truth it is still not fast enough and consumers forcing change faster than most can keep up.

Smart phones, search and social networks have empowered consumers who now can find what they need and want, when they want it and how they want it. Most marketing is still in the formats and cadence of the previous 50 years; mass, push and product centric. Maybe this is still relevant to the diminishing numbers of baby boomers who still watch TV, read newspapers and magazines and shop in the high street but if brands want to be relevant with Gen Ys and Zs they need to think completely differently.

As one observer pointed out, “advertising has spent 50 years, entertaining the eye-balls of baby-boomers, this is no longer relevant to the next generations of consumers who prefer ease and experiences over entertainment”.

It's no wonder transformation is often painted as a tyrannous thing – do or die, disrupt or be disrupted, but what are the real ingredients to success?



TRANSFORMATION?

The upside for businesses who successfully transformation is clear. However, the number of businesses really achieving differentiation is very small.

The truth is transformation really matters

26%

Higher Profit

among companies undertaking digital transformation than their industry peers

40%

Share of Market Leaders

expected to fall out of the top 10 in their industries due to digital disruption over the next 5 years

So, many are doing it

63%

Going through Transformation

as stated by C-Level leadership

But very few are seeing real upside

50%

Strong Digital IQ

as rated by executives

5%

Achieved Real Differentiation

as rated by executives

WHAT BUSINESSES REALLY WANT

Business leaders are looking to transformation to improve three key areas:

1. **The reduction of cost to income ratios:** operational efficiencies
2. **Customer satisfaction:** improved NPS
3. **Growth:** year on year improvement

Businesses have mainly focused on efficiencies as the outcome of transformation; organizational efficiencies, cost savings in productivity executed by starting with technology, channels and processes. Where there has been a focus on customer centricity it has mainly looking to transform customer care or touch points. For example, a key metric in the ICT sector is reducing the PTC (propensity to call) by implementing BOTs. To date most marketers have invested in using technology to reach consumers more efficiently with advertising messages, either by automating email and sms or programmatic media. Once again, more about marketing efficiencies than remarkable experiences, more 'push' marketing than omni-channel where the consumers' needs and wants are met at the moments that matter, especially to the younger, digitally savvy gen Ys and Zs.

Businesses that cannot show the market analysts a roadmap to meet the needs of the next generation of consumers are being penalized by 'the Street'. The market caps lowered against their competitors who can show they understand their customers and have a plan for change. The example of Prada and Kering shows both stocks aligned until the mid-way through 2017 when Prada was unable to show a roadmap to remain connected with the emerging Gen Zs.

MIT CISR refers to this (image below) as Future Ready with Future Ready companies performing 16 percentage points higher margin than their industry average.



INTRODUCING THE OPEN ROADS COMMUNITY

The Open ROADS Community is a forum dedicated to accelerating digital business transformation. The Community's core constituents are digital service providers, joined by digital industry participants and all firms which grow their businesses from an internet-based ecosystem. The Community achieves its goal by serving as a cross-industry accelerator for identifying new digital business models and revenue opportunities, including creating, sharing and implementing best practices for addressing those opportunities.

**To all industries
To industry associations
To ecosystem partners**



**Real-time, On-demand, All-online,
Do-it-yourself, Social**



Vision

The accelerator for digital transformation



Mission

Bring together leading thinkers and business leaders to overcome the challenges of digital transformation by developing practical tools for members to adopt



Objective

Facilitate best practices in digital transformation

24 advisory board members, 55 activity committee members, 1000+ general members

The community addresses these challenges by creating best-in-class frameworks, models and case studies or used cases. So the main benefits to take away from this great learning, some very smart people, some interesting best practice and a will to do better.

**Jerry Smith, Executive Partner, Digital Transformation,
Ogilvy Consulting**

AN ORGANISING FRAMEWORK

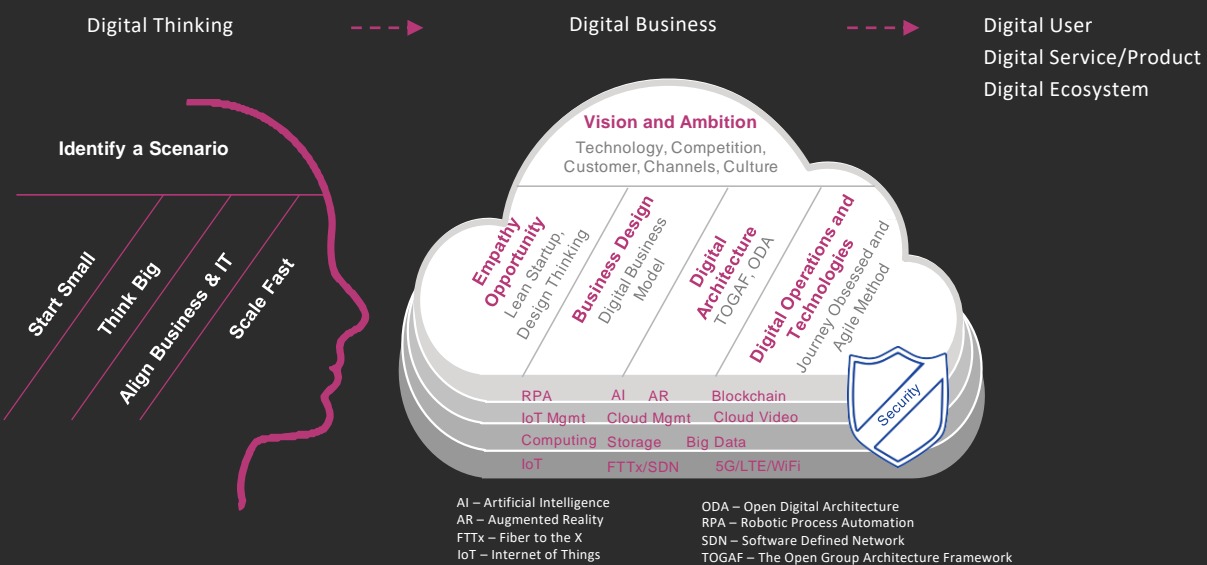
Digital Mastermind

In today’s market, transformation is of vital importance for many companies; brought about by rapid changes in digital technology, new competition, business models and the demands from a new generation of customers. Some businesses are being forced to change in order to survive, whilst others are looking to build competitive advantages.

Technology is a vital component of this transformation, but companies must be careful to discriminate between becoming “digitised” rather than “digital”. When a company is digitised, it achieves higher efficiency, reliability, and cost savings. But when it is digital, it also enables rapid product and service innovation to capture new opportunities, grow revenue and increase brand equity.

Transforming to become truly digital requires a company to change many aspects: the way it organises itself, the way it interacts with its customers and the way it utilises technology. However, for many companies these are uncharted waters, so where to begin?

Digital Mastermind has the answer; A holistic framework for navigating the digital transformation journey.



The Digital Mastermind has been created to enable companies to plan and execute their entire transformation journey, adopting a “start small, think big, align business and IT, and scale fast” strategy. It helps benchmark an organisation's current digital maturity and provides a step-by-step guide to defining objectives, strategy, operations and the time and investment needed to complete the transformation.

Qibing Tang, Chairman, OPRC

WHAT GETTING FUTURE READY MEANS

MIT defines the transformation to future ready in two dimensions: customer experience and operational efficiency, moving from traditional to transformed in both axis.

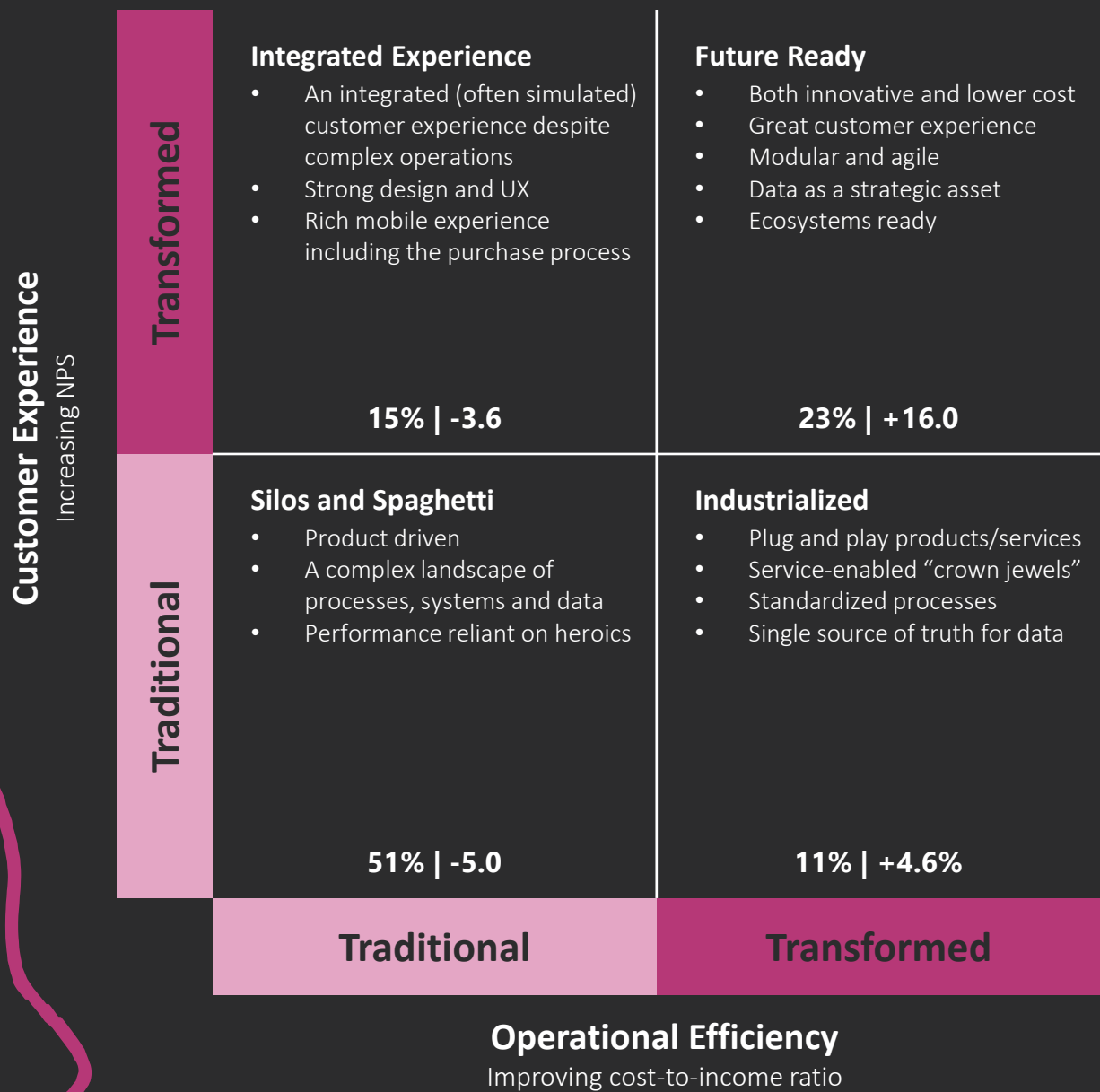
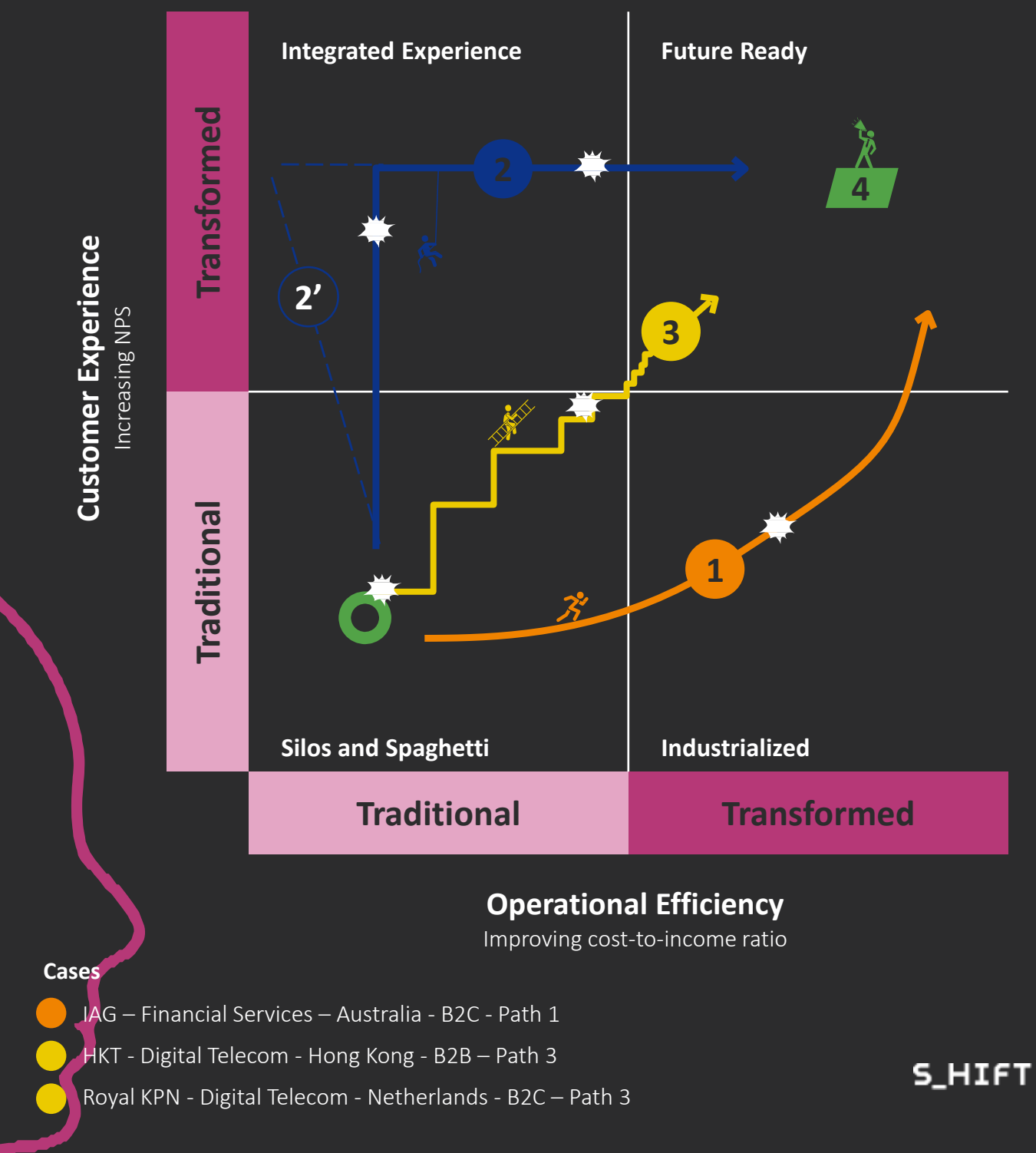


Figure 1: A Roadmap to Digital Business Transformation

Source: MIT CISR 2015 CIO Digital Disruption Survey (N=413 and 2016 interviews) and 2016 company interviews. Customer Experience=effectiveness on customer knowledge+omnichannel capability+customer experience projects+customer experience performance. Operational Efficiency=effectiveness on automation and employee productivity projects+% of core capabilities with APIs+cost of operations performance. Quadrants are splits at 2/3 along each axis.

IDENTIFY A SCENARIO

MIT have identified four key pathways to Future Ready, all require considerable effort and the ability to pull the whole organisation together to achieve it.



IDENTIFY A SCENARIO

Pathway Descriptions

Pathway 1: This route moves towards industrialised before investing in customer experience. The businesses that chose this route generally invest in transforming the organization to become more efficient first, discarding legacy systems and structures before embarking on customer centricity. They may be at risk if their competitors' services and brand offer more appealing experiences.

Pathway 2: Here businesses add features and channels to support customer centricity and may attract new customers that may initially be unprofitable, thus reducing margins and putting strain on the financial performance of the organization.

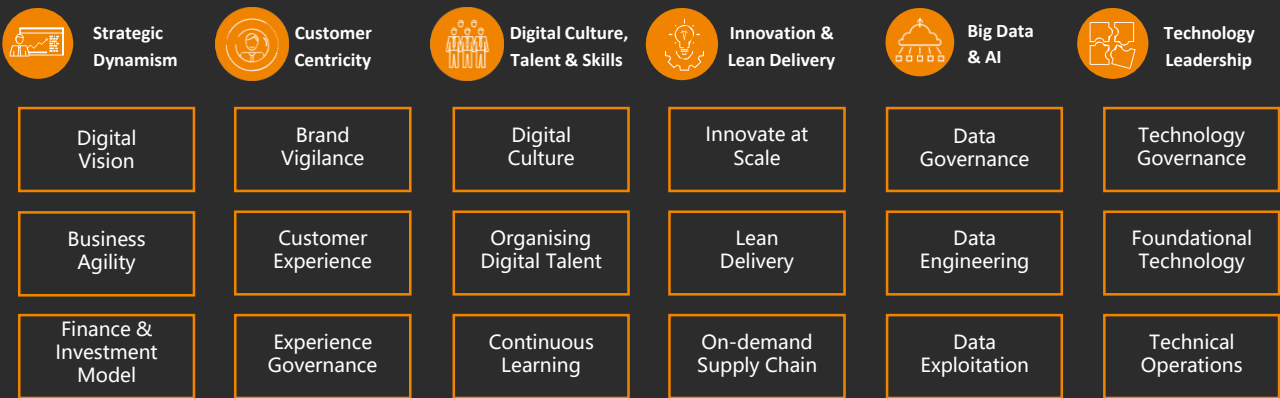
Pathway 3: This is the most popular approach. It creates a roadmap with small changes in both directions providing improvements in customer experience whilst driving efficiencies. The key here is to make sure the whole organization is aligned around the same direction at any one time.

Pathway 4: This is chosen when the organization deems it too difficult to change and decides to create a new 'Future Ready' company. This choice may see the eventual demise or significant reduction in the original business as it fails to meet the needs and wants of modern consumers. The acid test is if the new organisation can sufficiently out-perform the old business to manage all stake holders.

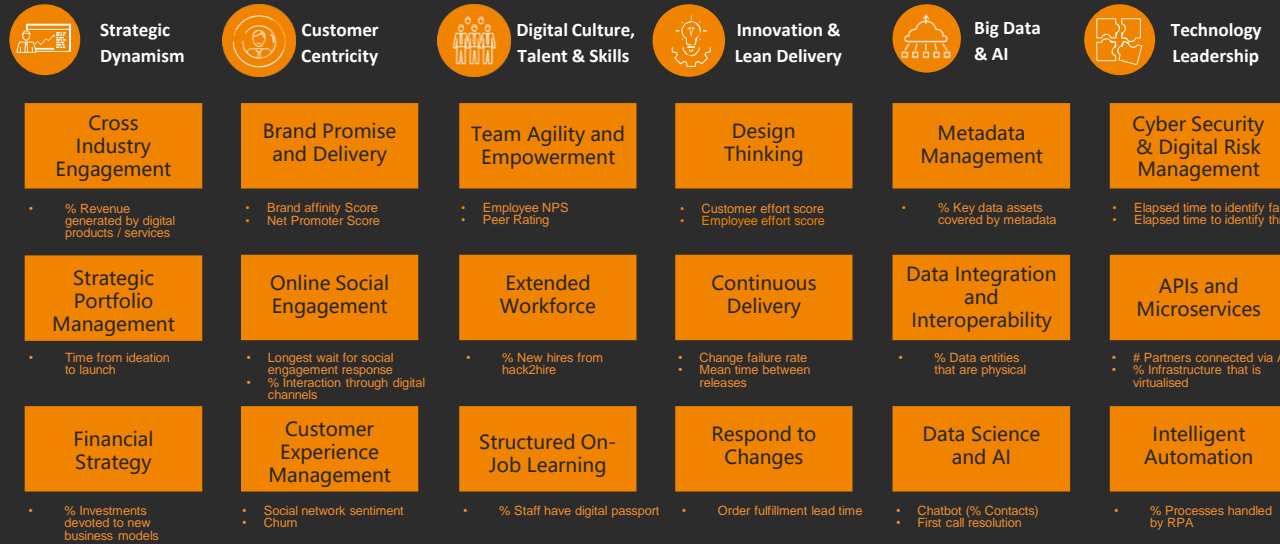
KNOW WHERE TO START

Open Digital Maturity Model

The Open Digital Maturity Model (ODMM) is an assessment tool which benchmarks an organization's current digital maturity level against its own digital transformation goals and the performance of best-in-class organizations. It looks at key capabilities that businesses should look at if they are transforming. This is based on a proven methodology, community sourced insights and as a result is continually evolving.



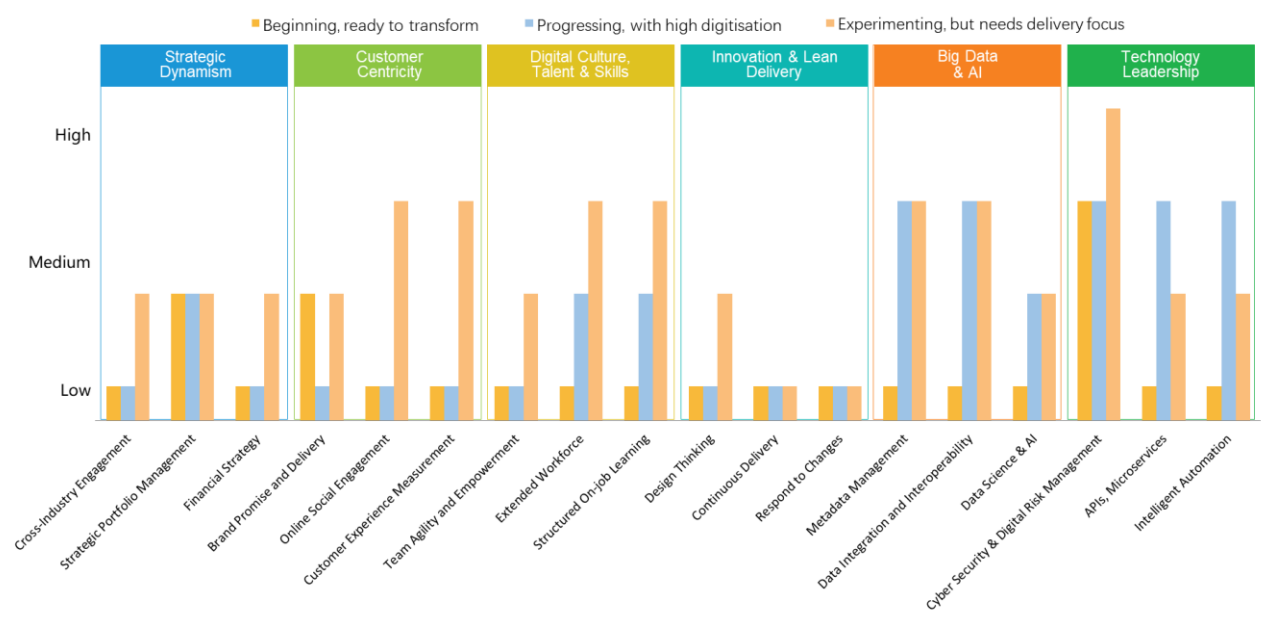
A key component to the digital maturity model are specified measures and KPIS around each of the capabilities – as if it doesn't get measured, it doesn't get done.



KNOW WHERE TO START

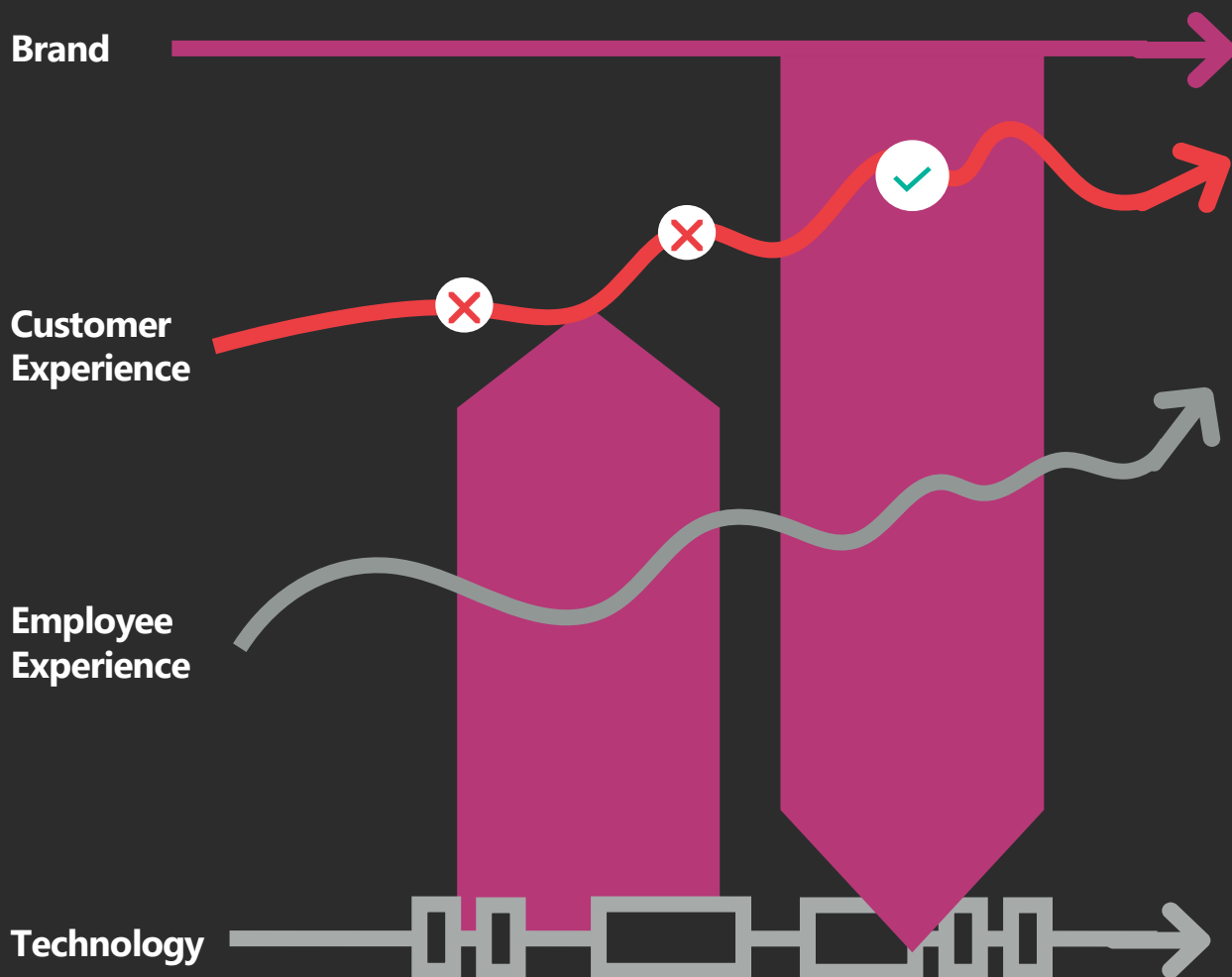
Benchmarking Maturity

The open digital maturity model helps businesses benchmark where they are versus the competition in their category, and helps establish initial priorities for transformation. The ODMM is the proprietary digital maturity assessment tool of the Open ROADS Community; a complete ODMM assessment is a thorough review of an organization’s digital business infrastructure, operations, strategies and culture, conducted by an accredited assessor



DON'T PUT THE CART BEFORE THE HORSE

One of the key pitfalls we see in transformation failures is putting the technology before the customer (as the ODMM example output on previous page illustrates). Successes always start with the customer. When businesses start with the technology, they often wire this into the employee experience, which often means that it fails to connect with key customer moments of truth. However, when businesses start from a branded customer perspective, they are able to identify customer moments of truth that are connected through the employee experience and then enabled by relevant technologies.



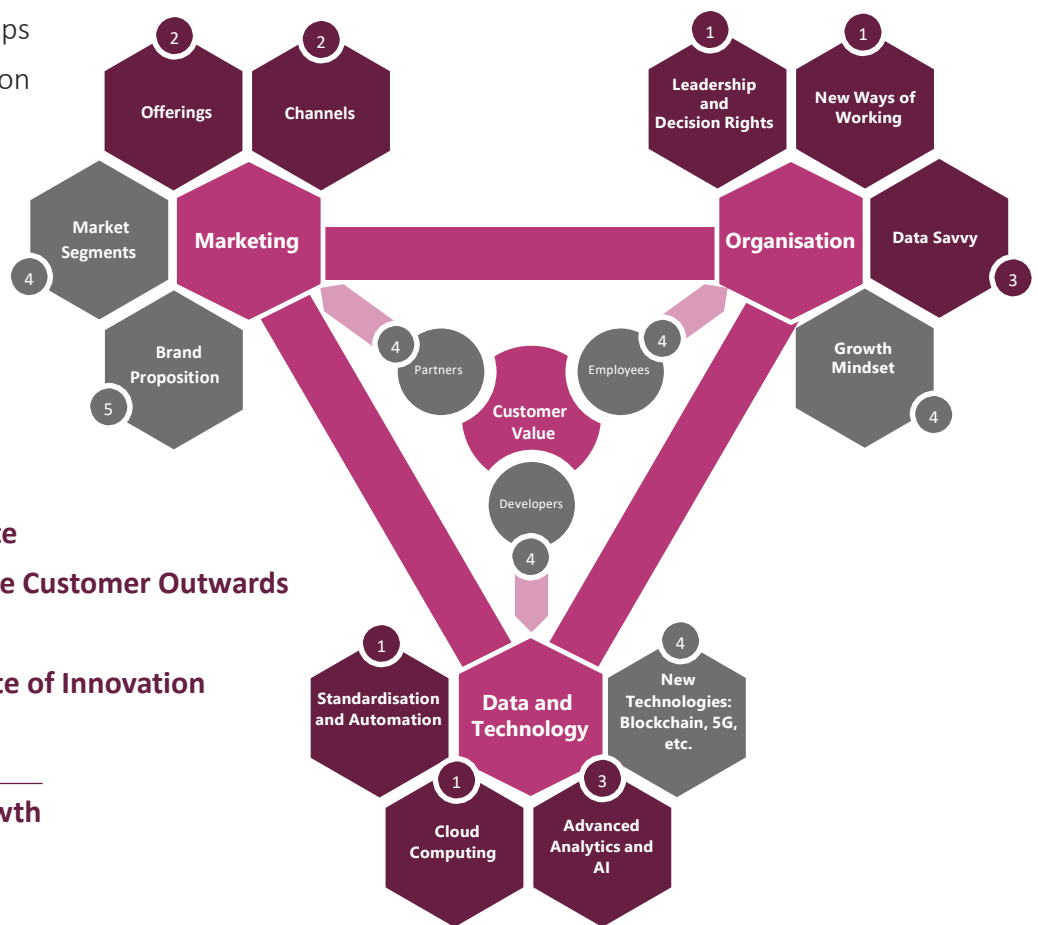
TRANSFORMATION IS MULTI-DIMENSIONAL

The transformation requires three major changes: organization, marketing and technology. They all have to be addressed to succeed. Marketing needs to become more omni-channel and experience based. The structure of the organization, channels and supply chain as well as talent processes and culture must be reconfigured to match the 'experience' now expected from consumers and of course the technology needs to be provide the connects as well as inform in real or near real-time.

The following five steps is our recommendation for transformation to a more customer centric business.

1. **Eliminate Waste**
2. **Design from the Customer Outwards**
3. **Be Data Driven**
4. **Create a Climate of Innovation**
5. **Codify Culture**

Net Profit Growth



The businesses that are embarking on this journey stand a good chance of surviving the next decade of disruption. Those that don't won't. Remember that Kodak's troubles were caused not by digital cameras per se but by social networks. Once consumers could share their photos on line they no longer needed to print them out.

START SMALL

A fundamental part of transformation is to start small, while thinking big. Starting small allows businesses to validate business cases and introduce new ways of working into an organization more progressively. Starting small, doesn't mean doing something that is a 'throw away', thinking about how small things scale is part of the process.

1. Identify a Scenario
2. **Smart Small**
3. Think Big
4. Align Business and IT
5. Scale Fast

Start Small, Building a Minimal Viable Product

Not like this:

Traditional
Sequential
Approach



Like this:

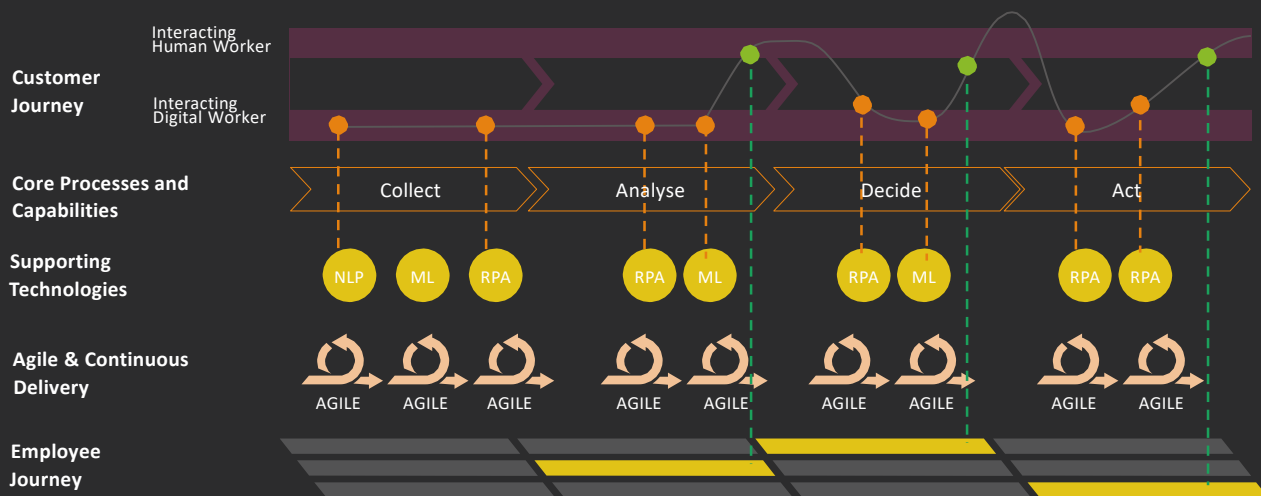
Lean Startup
Approach



SCALING *FAST*

Scaling fast means taking small viable ideas and iterating fast to put them into the real world. The key to this, is to have cross-functional teams working with partners and customers in an agile approach.

1. Identify a Scenario
2. Smart Small
3. Think Big
4. Align Business and IT
5. **Scale Fast**



*NLP: Natural Language Processing

*ML: Machine Learning

*RPA: Robotic Process Automation

In the Digital Transformation Practice Center (DTPC), Huawei has set up a cross-functional team, working with customers and partners in an agile and collaborative approach to design, build, test and verify the MVP for digital opportunities.

Zheng Li, Head of Business & Network Consulting, Huawei

IN CONCLUSION

Transformation doesn't need to be tyrannous. Having a clear ambition, knowing where you are and starting small are key to making impact.

1. Set an ambition

2. Know where you are

3. Transform around three dimensions

4. Start small

5. Scale

6. Learn from others

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S_HIFT is the partnership between Ogilvy and DHR International with independent digital transformation insights being supplied by IDC Asia Pacific. Bringing expertise in customer insight and brand (Ogilvy) and talent transformation (DHR), the objective of S_HIFT with the assistance of IDC's technology industry expertise is to help businesses tackle a holistic approach to digital transformation. S_HIFT research papers and executive briefings are designed to help the C-Suite clarify and simplify in a world of digital disruption. And its bespoke consulting offering helps to unify the boardroom through structured assessments and tools, which ultimately help organisations plan, implement, and deliver short, medium, and long term strategic growth.

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