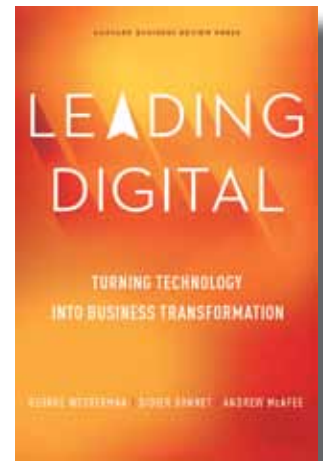


Leading digital

Turning technology into business transformation



D'après *Leading Digital: Turning technology into business transformation* de **George WESTERMAN**, **Didier BONNET** et **Andrew MCAFEE** (Harvard Business Review Press, octobre 2014).

Between 2011 and 2014, George Westerman, Didier Bonnet, and Andrew McAfee studied digital transformation in almost 400 non-tech companies and found that only a small minority are succeeding at becoming what the authors call “digital masters.” The fact that digital masters are on average 26% more profitable than their peers — and this performance gap is only set to increase with time — is reason enough for *Business Digest* to present the study’s key lessons for digital transformation.

Digital technologies continue to change work methods, redefine business-customer relationships, and reinvent entire industries. How can you become a truly digital company? George Westerman, Didier Bonnet, and Andrew McAfee’s study of 391 non-tech companies located in 30 different countries found that today’s “digital masters,” such as Nike, Burberry, General Electric, and Banco Santander, excel in two key dimensions: the what of technology, or the management of strategic digital priorities, and the how of technology, or leadership capability.

THE WHAT: STRATEGIC PRIORITIES

“The what” needed to succeed at becoming digital requires significant investment in three key strategic priorities: customer experience, operational processes, and business model innovation.

■ Designing more rewarding customer experiences

According to a study conducted by Harris Interactive, there was a 21% rise in the number of consumers who quit companies following bad customer experiences between the years 2006 and 2011.* And yet, less than half of the companies studied have plans in place to address this issue. The exceptions are the small minority of “digital masters,” who consistently invest in the following “related interventions” to create more rewarding customer experiences:

1. “(Putting) customer data at the heart of the whole customer experience,” using data analysis and metrics to develop deeper

MEMO

- **To be a digital master**, companies must excel in two dimensions: digital capability and leadership capability.
- **Acquiring digital capability requires investment** in customer experience, operational processes, and business model innovation.
- **Leading digital transformation** is about getting everyone in the company on board and moving in the same direction.

understandings of customer behaviors. This understanding can then be used to identify customer pain points and figure out ways to alleviate them.

2. Increasing reach and engagement via digital channels, such as mobile apps and social media networks.
3. Blurring the lines between customer physical and digital experiences in new ways

■ Resolving traditional operational paradoxes

New technologies enable leaders to break free from traditional managerial paradoxes that undermine operations:

- Standardization and empowerment: Digital technologies enable the standardization and, ultimately, automation, of routine tasks while, at the same time, empowering employees to focus on more fulfilling tasks.
- Control and innovation: The real-time data provided by new technologies both increases management control over processes and makes experimentation and innovation more feasible.
- Collective orchestration and individual autonomy: digital technologies facilitate give people more freedom in where and how they work, while simultaneously enabling managers to synchronize work activities more closely.

■ Reinventing business models

15% of the companies studied are using game-changing new technologies as the basis for strategic business model innovation. The authors provide the following checklist to help you use digital technologies to challenge your business model regularly (before the competition does it for you):

- They monitor symptoms for changing business models in their industry (for example, commoditization, new entrants, and technology substitution).
- They study how to transform their business model before others in their industry and evaluate the need to replace products and services under threat from digital competitors with newer versions.
- They experiment with new business models ideas, such as by creating 100% digital subsidiaries.

THE HOW: LEADING DIGITAL TRANSFORMATION

Becoming digital also depends on the ability of leaders to get everyone on board and moving in the same direction.

■ Sharing a digital transformation vision

A clear, compelling digital transformation vision convinces everyone of the need for change, gives people an idea of how the change will affect their jobs and how to make it happen. This is precisely the kind of vision that the Jean-Pierre Remy gave Page Jaunes when he became CEO in 2009. At that time, due to competition from Google, Craigslist, and Yelp, Pages Jaunes faced declining print revenues of 10% per year. To persuade his employees of the threat and opportunity of digital technologies, Jean-Pierre Remy commu-

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nicated the following vision: “Pages Jaunes was not in the business of producing heavy yellow books. It never had been. It was in the business of connecting small businesses to local customers. Books were just an outdated technology; digital technology could do the job better.” He also set an ambitious, explicit goal that provided a clear way of measuring progress: “(To shift) its business mix from having less than 30 percent digital revenues to more than 75 percent within five years.” For the first time since he became CEO of the company, Jean-Pierre projects overall revenue growth in 2015.

■ Gaining critical mass

“Familiarity with digital technology varies widely across employees. Even digital-savvy employees don’t always adopt new tools naturally. New ways of working can become a threat to the conventional way of doing things,” write the authors. Happily, there are multiple proven leadership strategies for using digitals channels to engage employees in the transformation:

- Set the example by sponsoring, encouraging, and participating in initiatives.
- Raise the company’s general digital IQ of the company via training sessions, webinars, MOOCs, and so on
- Recruit digital champions as early adopters of the new ways of working.
- Narrow the “digital divide” between younger and older generations by encouraging each group to break bad habits

THREE KEY FACTORS OF SUCCESSFUL TRANSFORMATION

To transform your company into a digital master, the authors recommend business leaders take the following decisive steps.

■ Frame the digital challenge

40% of the leaders surveyed cite “lack of urgency” as a major obstacle to digital transformation in their companies. To fight ...

- ... inertia, or “the failure to sense the need to change”:
- Build awareness. Start dialogues around the potential threats and opportunities of digital and the need for transformation
- Define your starting point. Analyze the maturity of your current digital competencies, and identify which current strategic assets will help you to excel. Digitally challenge your current business model.
- Create a shared vision. Align other top leaders around a shared vision of your company’s digital future.

■ Focus investment

“Focusing investment is where the rubber meets the road in digital transformation,” write the authors. To focus your early digital transformation investments:

- Translate vision into action. Convert the digital transformation vision into strategic goals, and translate priorities into a roadmap of initial activities.
- Build governance. Design governance mechanisms to steer the transformation in the right direction.
- Fund the transformation. Design a balanced portfolio of digital investments and figure out the funding mechanisms.

■ Sustain the transformation

Loss of momentum is a dangerous threat to the success of your digital transformation. After an initial phase of high interest and adoption, change fatigue often sets in, and people go back to their old ways of working. To ensure the sustainability of your digital transformation:

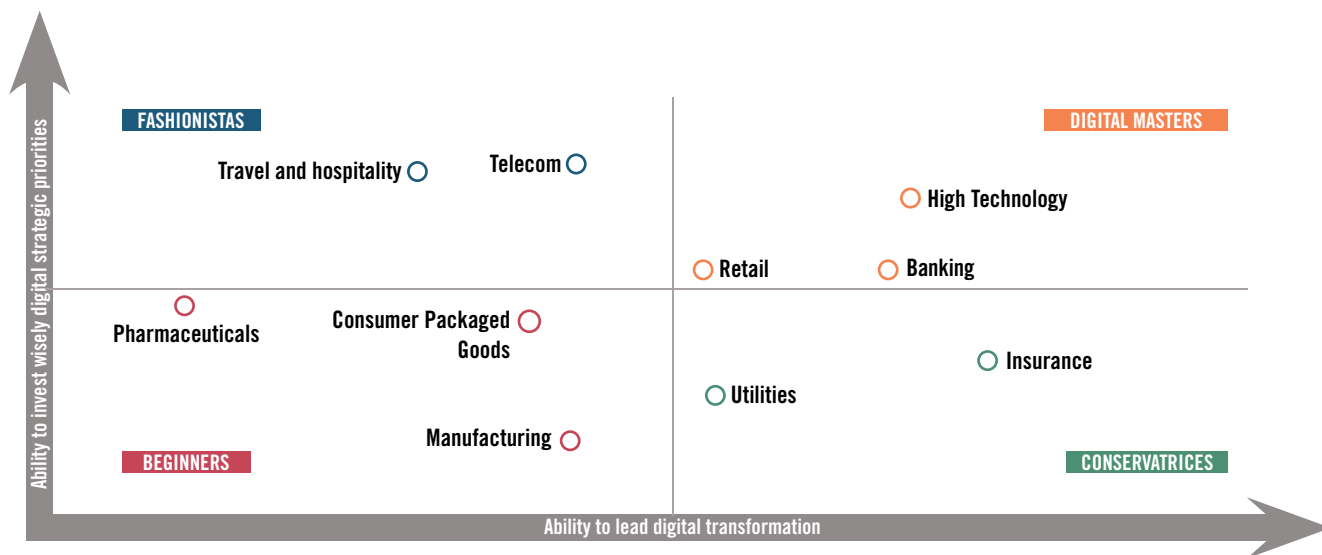
- Build foundation capabilities. Ensure you have a plan for raising digital competence within your organization and a well-structured digital platform. Strengthen IT-business relationships.
- Align incentives, rewards, and recognitions to your digital transformation objectives.
- Measure, monitor, and iterate. Build a management process that allows you to measure and monitor the progress of your digital transformation and generates enough visibility to adapt course as needed.

The 26% higher profitability of digital masters should be “reason enough to get leadership teams interested,” note the authors. “But there’s also another, even more fundamental, reason: when it comes to the impact of digital technologies on the business world, we ain’t seen nothing’ yet.”

* “Customer Experience Impact Report” (RightNow/Harris Interactive, 2011).

Digital expertise by industry

The authors divided the companies into four categories of digital maturity: fashionistas, digital masters, conservatives, and beginners. They note that levels of expertise vary according to area of activity.



FASHIONISTAS Many advanced digital features (e.g., social, mobile applications) in silos / No overarching vision / Underdeveloped coordination / Digital culture may exist in silos

BEGINNERS Management skeptical of the business value of advanced digital technologies / May be carrying out some experiments / Immature digital culture

DIGITAL MASTERS Strong overarching digital vision / Excellent governance across silos / Many digital initiatives generating business value in measurable ways / Strong digital culture

CONSERVATRICES Overarching digital vision, but may be underdeveloped / Few advanced digital features, though traditional digital capabilities may be mature / Strong governance across silos / Active steps to be build digital skills and culture