



UNIT 8

Successful Digital Transformation

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Define digital transformation
- ✓ Understand why it matters
- ✓ Pinpoint which businesses are succeeding and how they are doing it
- ✓ Get started on your own company's digital strategy

Unit 8

Successful Digital Transformation

Defining Digital Transformation

Digital transformation is a fundamental shift in how a business operates – from internal processes to front-end changes – in order to improve efficiency, take full advantage of changing technology and to meet customer needs in an increasingly digital marketplace. It is not the same as digitization, which turns information into a digital format. A digital transformation involves a shift in attitudes and the ability to keep changing as needed. It means a real investment, and while that includes money, it is also about taking risks and recruiting the best talent. Turning paper archives into a digital form or developing a new website may be part of a digital transformation, but these things alone do not equal a transformation.

A digital transformation can include changes to internal processes that may not be visible to the customer, but free up more time to spend on important tasks that benefit the customer. This could include automating things like performance management and tracking employee time off, or installing tools that allow employees to communicate with anyone in the company and work from any desk. It can include changes to how a customer interacts with your business.

Retail is one of the more obvious industries in which digital transformation is a constant. Companies such as Amazon make it increasingly easy to have products delivered right to a customer’s door, especially after acquiring grocery chain Whole Foods in June 2017. Businesses such as Sephora offer the ability to try on make-up products simply by uploading a photo. While this may worry some traditional storefronts, many are incorporating technology into their physical spaces – apps for coupons and rewards, self-checkouts, mobile pay, interactive signage, and the collection of customer data through the Internet of Things (devices that connect to the internet, from smartphones to coffeemakers).

No industry is immune to digital transformations, with changes occurring in fields such as banking, insurance, manufacturing, government, hospitality, transportation, and entertainment.

Name some examples of digital technology that are emerging in businesses you interact with:

How has that technology improved your experience?

WHY?

One of the reasons a company might undergo a digital transformation is due to customer demand. Other examples include:



According to a McKinsey Global Institute report in 2015, the American economy is only reaching 18 per cent of its digital potential. The report estimates \$2 trillion could be added to the United States economy if that number were to increase to 100 per cent. On a more individual level, companies that pay attention to how their digital strategies will impact customers and staff perform better and experience revenue growth, according to a PwC survey.

Where Do We Start?

Start Thinking About Changes

A good way to start thinking about changes that can be made in a company is to consider every way a customer interacts with the business.

- How are they receiving their information about the company and its products?
- How are they communicating with the company?
- What is the process to purchase a product?
- How are they receiving their purchase?
- Are they able to offer feedback on the process?

Questions to Ask

These are some of the questions that can be asked to figure out where the customer is meeting the business and how that process could be improved to serve them better:

- Is the information reaching them in the best way possible?
- Is it easy to communicate with the business?
- Is that communication available on platforms the customer is using every day?

“After mapping the customer journey from beginning to end, companies can focus on how digital can make each touchpoint better, faster and more efficient, as well as integrate all of them into one coherent experience,” management consultant firm McKinsey and Company writers said in an article about digital transformation.

They point to bank accounts as an example of a process that has become easier for customers (and employees too) through the use of technology, eliminating the weeks that would have been spent signing and mailing forms, to a shortened process that could be done from a smartphone.

Part of considering the customer at every step is to test out the new product, service or process.

“Not only delivering what customers want but also understanding why they want it so that issues can be addressed and emerging needs factored in.”

This means paying attention to data and the competition to ensure the investment is working. The earlier mentioned article points to a publishing house that reached its goal of earning half of its revenue and profit from digital media in almost half the time – six years instead of 10 – because they took notice of “digital key performance indicators” and made changes as necessary.

Case Study Review

Choose one of the following case studies and then answer the following questions:

Have you interacted with this company?

What have they done well and what could they improve?

What have they done that could be applied to your own business?

Case Study 1: Netflix

Netflix is a good example of digital transformation. Starting as a DVD-by-mail service, the company adapted to create an entirely new way of delivering content to its customers. The company kept what worked – a monthly rate

– and added another method of delivery (they still have millions of subscribers for their DVD service in the United States). In 2007, as DVDs fizzled out as the preferred method of consumption, Netflix embraced a new medium to stay relevant – streaming.

CEO Reed Hastings does not come from a background of TV, instead he has studied computer science, and it shows. Though Netflix was adopting a new form of technology, it was kept simple. Netflix is fast, user-friendly and customizable, offering recommendations based on what customers have already watched and allowing consumers to build lists for future viewing.

Netflix has proven its understanding of the importance of data. In December 2017, the company posted to Twitter: “To the 53 people who’ve watched A Christmas Prince every day for the past 18 days: Who hurt you?” Judging by social media comments, some people were not too happy about how much Netflix knows about their watching habits and seemed to be surprised. However, Netflix could not survive without tracking what their customers are watching. That is how the company decides what to spend its money on.

Original content continues to perform well with users, and Netflix continues to invest more money in production and development of its own material. In 2018, the company plans to spend \$8 billion on originals, part of its aim for a catalogue containing 50 per cent of its own material. The first original Netflix series was House of Cards, which started in 2013 and continued for six seasons.

Other successful original Netflix content includes:

- Luke Cage
- Stranger Things
- A Series of Unfortunate Events
- Jessica Jones
- Orange is The New Black
- The Crown

CASE STUDY 2: DOMINO'S

The CEO of Domino's, Patrick Doyle, sees the business as a tech company as much as it is a pizza company. That vision is paying off. Since Doyle became CEO in 2010, Domino's stock price has skyrocketed. One of the things it has transformed is the way pizza can be ordered. Picking up the phone and speaking to an actual person is no longer necessary. Customers are still picking up their phones, but they are tweeting at the company, texting a pizza emoji or using an app to bring them closer to satisfying their cheesy cravings. Domino's AnyWhere platform allows pizza to be ordered from several internet-connected devices – Smart TVs, smartwatches, the Amazon Echo speaker, Ford Sync – and then delivered to wherever the customer is, no fixed address necessary. About 60 per cent of business now comes through digital avenues.

The company also worked with designers to create a custom delivery vehicle with a built-in warming oven and have started exploring other delivery methods such as drones.

The transformation did not stop at delivery technology; they directly addressed concerns about the quality of their product in advertisements and promised to do better.

Domino's Pizza Enterprises' chief digital officer Michael Gillespie credits their success to their ability to learn from their failures, telling Which-50 that they are quick to fix projects that are not going as planned. Their risk-taking and "culture of fast failing" is what keeps them ahead.

They have kept the customer as their number one priority during all changes. "We remove some of the risks and challenges, by developing technology to address a customer issue or challenge or for a customer's benefit as opposed to developing technology for the sake of technology's sake," Gillespie told Which-50.

According to an article in Forbes, Domino's recognized the value of getting everyone in the company on board from the beginning, suggesting they needed to think of themselves as "an e-commerce company that happens to sell pizza" in order to be viable. After gaining the support of the board, they worked on the culture at the company.

They also made sure to communicate any changes with their customers and offered opportunity for feedback.

Case Study 3: The Washington Post

It is no secret newspapers are struggling. They are suffering from a serious loss of ad revenue as sellers use online classifieds and businesses use social media and other cheap avenues to reach more eyes. They are also struggling to induce a younger generation to pay for their content. Many newsrooms have digitized their product, but have not gone through a digital transformation. The Washington Post, though, has rebranded itself as a media and technology company, recognizing the value of embracing technology as a storytelling tool.

The newspaper was purchased by Jeff Bezos, founder of Amazon, in 2013. It was a big change for a legacy newspaper to be under the ownership of someone with no background in media. The company has since reached one million subscribers for its online content as of September 2017.

In a letter to employees immediately after the \$250-million sale, Bezos acknowledged they may be nervous. He assured them that the paper's values would not change; they would continue to seek truth and strive to make few mistakes, owning up to them when they do occur. He advised that he would not be part of the day-to-day editorial operations, but promised lots of change and experimentation would be coming in terms of how they delivered that content.

One of the biggest changes is the creation of their own content-management system, Arc Publishing, allowing them

to build a platform that is exactly what they need, rather than trying to adapt to a CMS that was not built with a newsroom's input. It includes a page rendering system that loads articles much faster, a tool for planning and scheduling stories, as well as the ability to analyze how particular content is doing with readers.

The software is so popular other media outlets have purchased it for themselves and have increased users and page views. Building their own software allowed the Post to focus more on journalism and eliminated worries about whether their platform will support the content readers want at the speed they need.

For two straight years, the newspaper has turned a profit, increased their digital advertising revenue and continues to add more journalists to their team.

Case Study 4: Air New Zealand

In 2016 Air New Zealand hired chief digital officer Avi Golan, who had not previously worked for an airline, seeking someone from Silicon Valley who was experienced with digital companies.

Golan believes technology is simply another part of business, with the focus always on customer experience. Before making changes, he wanted to understand the experience the airline creates and where it should go next. What the airline strives to do, according to Golan, is to seek new ways to make travel easier and more enjoyable. They have to think about every step of the trip, he says, including before it is even booked.

He is not just looking at what his competitors are doing, either. During an interview with CIO, he notes a CT-scan machine from GE that was designed to appeal to children that would look "as if they are going into a ship or a land filled with cartoon characters" in order to put them at ease.

Among the technology implemented by Air New Zealand is a chatbot named Bravo Oscar Tango, which can be found on the airline's website and is available to answer customer questions. An automated bag drop was also introduced, which matches face, passport and bag information and prints out a tag. One particular piece of technology — Airband — has garnered recognition, earning Innovation of the Year at the 2016 CAPA Asia Pacific Aviation Awards. The wristband is given to children who are travelling unaccompanied and scanned throughout their journey, sending texts to the child's contacts. The airline also uses 3D printing for its tray tables, saving money and time as it avoids waiting for replacement parts to be delivered. As well, Air New Zealand is looking into virtual reality to enhance the flying experience, allowing passengers to imagine they are in their final destination or anywhere else they may choose. This is only a small sample of the innovations they are offering and considering in order to improve the flying experience for their customers. And it seems to be noticed.

Advertising likely helps. Air New Zealand's safety videos rack up millions of views online. Their most popular one is The Hobbit-themed — with guest appearances from Elijah Wood and Sir Peter Jackson, and has garnered 18 million views.

The airline's transformation is not happening just on the frontlines. Behind the scenes, the company holds "Innovative Fridays" where employees are encouraged monthly to work on a new idea, and a summer digital internship program was recently started.

Case Study 5: Town of Cary, North Carolina

This municipal government is proving digital transformation can happen at all types of workplaces. The town's chief information officer Nicole Raimundo put an end to the more than 100 applications the town used to function and moved to one platform – Salesforce – which allows her to have access to all of a citizen's interactions with the town in one place.

They also use an outside IT company for support, which has freed up time and resources for staff.

Using cloud-based services has made processes easier for citizens as well. They hope to eventually have a “one-stop shop that allows [residents] to manage anything they need to through the city's cloud network, from bill pay to garbage pickup,” according to an article from Federal Technology Insider.

Raimundo and her team are testing out smart city technology on a smaller scale before implementing it throughout the entire town, through using their town hall “campus,” — which they describe as a mini city and includes a park, two community centres, and multiple offices and centres — as a “living lab,” and inviting companies to introduce technology to the town's space. This allows them to test multiple smart city technologies at the same time and not disrupt citizens' lives. It gives smaller businesses a location to show off their products and creates a place where students can come to learn about smart city technology.

Among the projects the town has been testing is a community centre parking lot that keeps data on when each space is taken, using the Cisco Kinetic for Cities platform. Monitoring the use of the spots, particularly handicapped spaces, helps for planning purposes during big events. The town has also been testing new streetlights that have sensors and the ability to control them remotely.

Raimundo told technology publication DIG SOUTH that the goal is to “drive economic growth and improve the quality of life of people by harnessing technology.”

Awareness Is the First Step

Use Technology to Build on Success

According to digital entrepreneur and former president of Conde Nast International Digital James Bilefield, companies do not have to change their entire business to stay relevant. Long-standing businesses should examine what has made them successful for so many years and use technology to build on that – not become unrecognizable to their customer base.

This digital transformation exercise offers a chance to review what a business is doing successfully and where it can improve. For companies with deeply established roots, the hardest thing they may face is changes in the culture.

Bilefield, who is an advisor for firm McKinsey and Company, believes language plays a significant role in a company's culture. He suggests changing the way employees speak about their products and services internally in a way that actually reflects what they are offering customers, rather than acronyms and jargon. This can influence the employees' perspective on what it is they do, therefore having an impact on the culture.

Awareness that a change is needed is the first step in the process, he says, and small things like altering language play a big role. He mentions some companies make their leadership more accessible and “break down silos between organizations.”

From there, a business may look to the ways performance is measured and establish new guidelines. Then they can move to the bigger items such as new major hires, he suggests.

“You need to inculcate that change across the organization, and you need to take many small and large steps to do that.”

Once the process is started, it should continue, he suggests, bringing about a “culture of continuous change and evolution in how things work.”

He says it is fine for growing pains to occur as long as people are empowered to “take small risks and fail quickly if they can.”

Let's Do This

Things To Keep In Mind

There is no one way to undergo a digital transformation, but there are several things every company should keep in mind.

Research, research, research

No company wants to waste time or money, so making sure you understand what technology is available and whether it will help you reach your goals is crucial. Not every innovation is going to be useful for every organization. It is important to size up what other businesses in your industry are doing in order to have a better idea of what customers have available to them and figure out if you need to level up. You can look outside of your industry in order to assess trends in service delivery and potentially get ahead of the competition in your field.

Develop a vision

Adding technology simply for the sake of it will not help anyone. Digital transformation is intended to make processes easier and to remain relevant. The changes should make your services and products better for your customers and your staff. There should be goals throughout the process. A digital transformation is going to mean many changes and while those goals may shift, there needs to be a starting point and plan.

Build the right team

A plan is nothing without the right people to implement it and see it through. It requires strong leadership to put it in place and build the confidence of staff, stakeholders and customers.

Culture is key

Company culture plays a big role in the success – or failure – of digital transformation. There needs to be room for employees and stakeholders to question and challenge parts of the plan, with a solid strategy on how to ease their concerns. Change is never easy and resistance is normal. Management needs to expect that and be ready to handle it.

Communication and marketing is necessary

A digital transformation is ultimately for the customer, so they should know what is happening. Customers and anyone else impacted should be able to offer feedback during the process. This can mean a strong social media presence in which the company responds to users. Social media can also be an effective way to promote and build excitement about what is happening behind the scenes. Finding out how people are responding to changes at each stage can either be validating or stop a company from sinking a lot of money into something that is ineffective and does not help them reach their end goal.

Keep track of successes – and failures

The value of analytics cannot be stressed enough. If you are going to invest in a plan, you must be able to track whether it is working – and be ready to adapt if it is not. A digital transformation is not over when a new process is unrolled. It may need to be changed multiple times to address issues.

Be ready to adapt

Not everything is going to work exactly as planned, and that is okay. It is better to try, fail quickly and try something new than to continue with a project that fails after a lot of money and resources have been put into it.

Make a Plan

Digital Transformation Plan

Draft the first five steps of a digital transformation plan for the company your group has chosen:

Step One:

Step Two:

Step Three:

Step Four:

Step Five:

Further Reading:

- ✓ Herbert, Lindsay. *Digital Transformation: Build your Organization's Future For The Innovation Age*. Bloomsbury USA, 2017.
- ✓ Rogers, David L. *The Digital Transformation Playbook: Rethink Your Business for the Digital Age*. Columbia University Press, 2016.
- ✓ Swaminathan, Anand, and JÃƒErgen Meffert. *Digital @ Scale: The Playbook You Need to Transform Your Company*. Wiley, 2017.
- ✓ Westerman, George, Didier Bonnet, and Andrew McAfee. *Leading Digital: Turning Technology into Business Transformation*. Harvard Business Review Press, 2014.