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MOVING BEYOND THE ANECDOTAL: WHAT WILL IT TAKE TO CREATE YOUR DIGITAL 2.0 BUSINESS MODEL?

BY TODD FISHER AND RICHARD LYNCH

A Strategy to Execution planning process focused on Technology Strategy, will raise the TQ (Technology Quotient) of your senior leadership team and for that matter the entire organisation. Being “technology savvy” and “information aware” has moved from being just the job of the CIO to the job of the entire organisation. Identifying and delivering your Digital 2.0 Business Model is dependent not just on how well you lead but how your business model and organisation will adapt and realise the benefits of this new business model.

This is the first of a three part series on business transformation. The premise is that it is hard to transform to 2.0 business models when you run on old infrastructure; especially old technology and out-of-date views of talent management.

Webster defines the word anecdotal as not necessarily true, or not entirely based on fact but rather personal opinion.

Digital strategies can't be anecdotal. They must be grounded in forward thinking operational terms.

At the turn of the 20th century, it is estimated the human

knowledge doubled every century. Today human knowledge is estimated to double every 12 months. Fast forwarding to some point in the near future, the point at which artificial intelligence eclipses human intelligence, the doubling will be every 12 hours.¹

Sounds like science fiction but in reality it is becoming science fact. The impact on capitalism and socio-economic development will undoubtedly be profound.

Today entire industries are facing massive disruptions. Rapidly changing behaviours in how humans interact with each other, with technology and with information is already impacting organisational design, their underlying workflow processes, information access and technology innovation. Companies that traverse through this turmoil successfully will emerge as the leaders in the 21st century. They will discover that they will need more than a strategy to account for these changes. They need a Digital 2.0 Business Model accompanied with an aligned technology and information roadmap of capabilities to direct, execute and deliver the digital business model.

Consider the shift well underway as economies continue to rapidly transform into service economies vs. traditional manufacturing and product. To enable this shift, organisations must recognise that “consumer experiences” will drive company growth up or down depending on how well you adapt to the digitisation of your organisations core and enabling capabilities.

Digitisation is the process by which information from the physical world and the virtual world flow freely to expose new opportunities for consumer services and experiences. All of us are seeing dramatic shifts in every corner of the economy, and in every industry ... globally. Below are some examples of how disruptive technologies are forcing transformation and the need for a Digital 2.0 Business Model.

Some of the examples in the Table 1 may seem like they are straight out of a 1980s science fiction novel but they are real, viable and will change how organisations interact with consumers.

A challenge for leaders is not only how to identify these shifts and anticipate

where your competition is going, but to create a compelling business strategy with a differentiated customer experience. This will position your organisation head and shoulders above your competition. But a clear strategy to align your organisation is not enough. You must possess the ability to execute.

At the accepted rate of change mentioned earlier, a business model that once use to last 25–50 years now will now last at most 3–5 years, meaning every 3–5 years organisations must shift research and development dollars from traditional *Run the Business* activities and projects to *Improve and Transform* the business projects. In addition to recognising the need to shift dollars into transformation efforts, the rate at which one moves a product, service or innovation from idea through production will have to become more efficient, streamlined, and driven by digital automation. The challenge becomes more complex as leadership must not only *Improve and Transform* the business, but they must continue to *Run* the business, deliver on customer promises to generate the cash flow needed to

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fund the constantly evolving new business model.

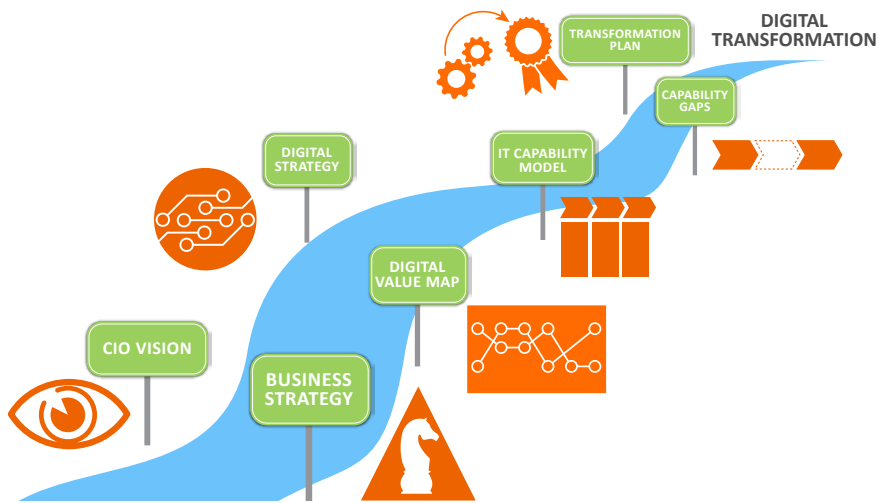
As the lines between the business and supporting IT and technologies continue to blur, companies cannot approach annual IT planning activities that same way as they did in the 1990s or even in the past decade. What is needed is a new, integrated capability planning process that brings together strategic planning initiatives with IT and technology planning initiatives; a process driven by the business, informed by technologist and enabled by securing the right talent (see Figure 1). This process not only informs IT on strategic goals but informs and educates the business leaders on technology capabilities; thereby, raising everyone's TQ. When we execute our strategy through capability based planning in this manner a powerful union between the business and IT is formed that will improve efficiencies and enable organisational agility.

Everything begins and ends with the people. Begin by identifying select key stakeholders from both the business and technology that embody communication skills and traits needed regardless of role or seniority. As you look across the organisation, look for individuals that will not only bring business knowledge and technical expertise but individuals

Table 1: Disruptive Technology Driving Digitisation

Industry	Disruptive Technology Driving Digitisation
Healthcare	Wearable Technology, Connected Implants and Medical Devices, Virtual Medicine via tools like Cisco HealthPresence. Consumer Review and Experience Communication tools like ZocDoc, Meeha.io and Yelp
Financial	Bitcoin, Person to Person Payments, Crowd Funding, Online only banking, Mobile Investment Advice Applications like Acorn, Kickstarter
Energy	Solar and Battery Storage Capabilities, Connected Devices, Appliances and households with products like Nest, Power Sharing Distribution
Textile / Manufacturing	3D Printing, Robotics, Delivery Drones, Environmental Sensors
Grocery	Online Groceries, Product Sensors, Supply Chain Automation, 3D Printed Food
University	Free and Paid Digital Content, Digital Courseware, Small Private Online Courses (SPOCs), Massive Open Online Courses (MOOCs), Google Glass, Virtual Reality

Figure 1: Digital 2.0 Model Transformation



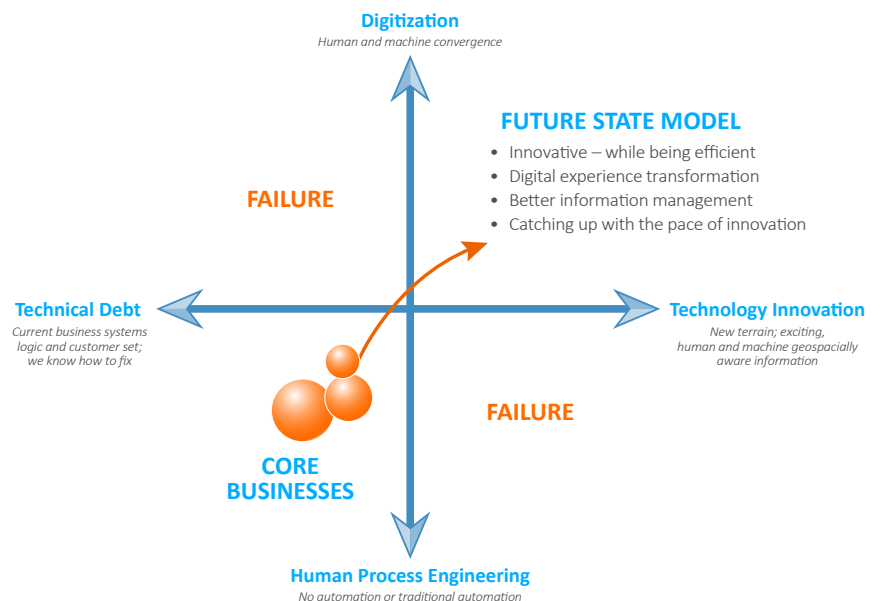
that will help build energy, momentum and "start-up" ingenuity. Search for individuals who are comfortable with the adaptive challenges caused by digitisation and technology innovation (see Figure 2 upper right quadrant). Place them at the center of the strategy to execution activities. "A diverse business model innovation team has members from various business units, of different ages, with different areas of expertise, of differing levels of seniority, with a mixture of experiences, from different cultural backgrounds."²

The team will either thrust your emerging Digital 2.0 Business Model into the stratosphere or the gutter. The latest Hartford survey, among many other syndicates, indicates that millennials aspire to lead in the next 5 years. They are poised to bring experience, innovation and disruption to traditional workplace belief systems and cultures.³ As a result include them in building your Digital 2.0 Business Model.

So we have the right people, they are anxiously sitting around a virtual conference room table, wondering why they have been gathered before the CEO, President, perhaps the Board. Some never before privileged to be on

the proverbial 31st Executive Floor, nervous and excited all at the same time. The time is at hand and the CEO begins the meeting with an inspirational dialog about the future of your respective industry and company. Everyone's takes pause for moment, perhaps asking a question or two or three but eventually

Figure 2: Digital Strategy Adaptive Challenges



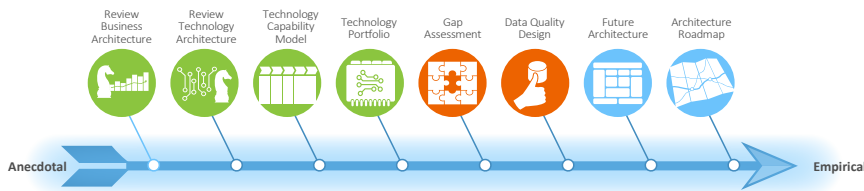
the CEO leaves, the Board leaves and expectations are set that you now have responsibility to take your CEO's vision and make it real; all the while ensuring relevance and competitive advantage or even blue ocean dominance.

What do you do? Where does the team start?

First, look across the organisation's operations both internal (Back Office) and external (Consumer Facing) reflecting on the task at hand: create a new, sustainable and Digital 2.0 Business Model. Where to start and where to begin soon becomes the difficult question and problem to admire. Take the problem head on and move the discussion into a value contribution and capability based discussion.

Step back and determine what capabilities, both core (External Facing) and operating (Internal back-office) are necessary to execute and deliver the CEO differentiated vision. This activity will serve as our navigational compass and serve as our value differentiation attributes. For some businesses it is innovation and

Figure 3: Developing a Digital 2.0 Architecture



agility and yet others efficiencies and cost. Settling on 3 to 5 key points of market differentiation provides clarity of business purpose and a directional heading for your digital strategy leadership.

As was previously discussed in **Making Capabilities Explicit is the Work of Leadership (TEBR Nov-Dec 2014)**, identifying the “what” needs to be accomplished is critical before beginning the dialogue on how digitisation may impact the business. Once identified, however, use industry trends and immersion techniques to arrive at what will be the core architecture guiding principles and measures of digital success. Architecture principles that support extensibility, business agility, modularity and drive positive consumer experiences will be key. Begin by building the Digital 2.0 model from the heart, from an unconstrained vantage point.

With a future state Digital 2.0 Business Model emerging, capabilities outlined, capability performance and root cause captured, and technology landscape established, the work of evangelising, executing and delivery moves from the background to the foreground of our strategic planning activities.

Next overlay *current state* platforms and technology capabilities accordingly to determine functional gaps around technology, people and process.

Let the emerging value differentiation drive the necessary capabilities. These capabilities when assessed against the industry and digital aspirations will pave the way to create an executable investment roadmap that is real, actionable, measurable and achievable. They become the basis and foundation to not just articulate our future state business architecture but the means by which we enable it. At the abstract level, follow the directional course illustrated in Figure 3.

An Example Case for Action

Take for instance a recent US based healthcare insurance provider. Like many others in the industry, they had to understand how the Patient Protection and Affordable Care Act (PPACA) would impact its current and future state business models. Hired by the CIO and CTO we guided executive leadership through series of innovation driven workshops to develop not just not an impact assessment but a Digital 2.0 Business Model that would be leveraged to guide member and patient experience unification between two separate but sister companies; one providing traditional insurance and the other a major healthcare provider network in the American Midwest.

As a business led effort, the team was able to react, inform and develop a quantifiable, actionable and executable technology enablement assessment that

would serve as a means to unify communications and improve service experience from online shopping through brand loyalty to wellness/care management in a more digital, consumer driven healthcare market (see Figure 4). Digitisation and a Digital 2.0 Business Model is more than providing an online statement or access to a portal. It is understanding that the convergence of information and member experience is critical to securing current customer segments and future market share.

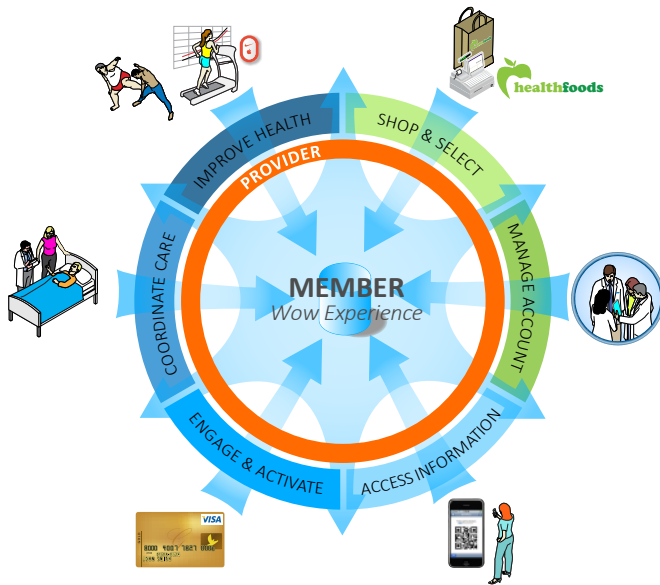
The digital strategy team aligned the current and emerging technology portfolio to the architecture principles (like examples referenced earlier) and ideated measures to baseline whether a technology or product would enable or prevent a more Digital 2.0 Business Model. Specifically, the team:

1. Developed Digital 2.0 Business Model value metrics
 - a. Consumer Engagement
 - b. Capability Alignment
 - c. Revenue Generation
 - d. Membership
2. Developed Technology Value metrics
 - a. Flexibility
 - b. Modularity
 - c. Extensibility
 - d. Industry Leading
3. Juxtaposed those metrics on a quad chart to visually communicate our technology opportunities and targets (see Figure 5).

With a future state Digital 2.0 Business Model emerging, capabilities outlined, capability performance and root cause captured, and technology landscape established, the work of evangelising, executing and delivery moves from the background to the foreground of our strategic planning activities.

The game begins now. To use a sports analogy, football, all of the scouting, planning, strategising and practice is over. It is game time and now we need to rely on our talent and all our hard preparation to

Figure 4: Patient Unification Digital Experiences

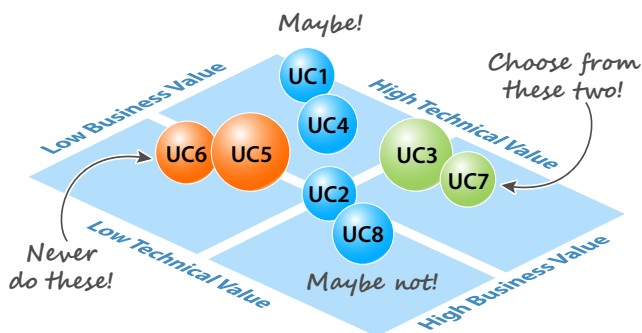


execute the plan and the game. Having the right talent will be as instrumental and significant as our planning activities.

Continual Alignment

As a Technology Strategist it is extremely important to not only see the entire picture but understand that innovation means constant change and accepting an ever shifting portfolio of projects and tasks. This is like commissioning an artist to paint a landscape but doing so on a 1000 puzzle pieces. We know the artist's subject, a winter landscape and we conceptually accept the painting's boundaries meaning the painting is to be on a 3x3 canvas, and the aspect ratios meaning larger objects in foreground with distant trees being smaller. The point is we know conceptually where the puzzle pieces

Figure 5: Technology Opportunity Assessment



may go but the order in which they are put together has to remain flexible. Technology architects must still be able to orchestrate and communicate the business vision and tactically ensure enabling projects are being assembled and completed.

This translates into being able to continually evangelise the business value of the Digital 2.0 Business Model and furthermore create an *Investment Roadmap* that is agile and clearly traced to enabling our digital capabilities. Demonstrating value and progress achieving company's vision is of critical importance. The entire organisation's TQ is raised as stakeholders throughout the organisation develop a "common understanding" on all digital transformational work. Our operating model must:

1. Establish Corporate and Organisational Ownership from Strategy through Technology
2. Dive deep to understand departmental processes to understand how a Digital 2.0 Business Model will impact the day-to-day
3. We clearly distinguish projects across a Run, Improve and Digital Transformation lifecycle of projects.

What does this mean to your organisation today and tomorrow? How can you begin to apply lessons learned? Digital strategy is the responsibility the entire organisation in the 21st century. Focus on what you can control:

- What kind of leaders and people are hired, engaged and developed?
- What technologies and information are needed to deliver the vision?
- How to continually assess the operating model and transformation progress?
- How to create a culture that supports change, agility and emphasises progress of perfection? [EBR](#)

About the Authors



Todd Fisher is a Vice President of Digital Strategy at Accelare Inc. creators of *Workfit*, a collaborative, enterprise tool for taking strategy to execution. His focus is on developing Digital Transformation Roadmaps and breaking barriers between business strategy and technology enablement.



Richard Lynch is a Vice President at Accelare and leads the Strategy to Execution Global Practice. He is a co-author of *The Capable Company* (Wiley) and *Strategy Made Simple* (www.strategymadesimple.net).

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