



A-Game
Business Consulting

Thrive

How leaders can unlock digital
transformation, remain relevant and
avoid disruption



KK DIAZ

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TO YOUR SUCCESSFUL
DIGITAL TRANSFORMATION
JOURNEY

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About this eBook

This eBook is not intended to provide a comprehensive process for an organization's digital transformation strategy. Rather, it provides insights on how business leaders and executives can begin their journey towards digitally transforming their operations to meet the evolving demands of their industry and customers. It provides real-life examples of local and global enterprises that have successfully embraced digital transformation to reinvent themselves and their product and service offerings.

The processes suggested herein are not linear. Some parts are to be attended to and implemented simultaneously, while others will require multiple steps.

INTRODUCTION

The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn

Alvin Toffler (1928 – 2016)

Many business leaders aren't prepared for the amount of unlearning they will have to do in order to succeed in the increasingly demanding world of business. The average lifespan of a company listed on the S&P 500 Index has decreased by more than 50 years in the last century, from 67 years in the 1920s to just 15 years today.

In the last few years, we've seen "too big to fail" industry behemoths unexpectedly replaced by smaller, leaner and smarter businesses. This is as a result of, and supported by, the forces of globalisation, intense competition, evolving customer preferences, the power of the internet and the speed at which technology is changing.

Today, companies have to better position themselves to avoid failure. One way to do so is through digital transformation.

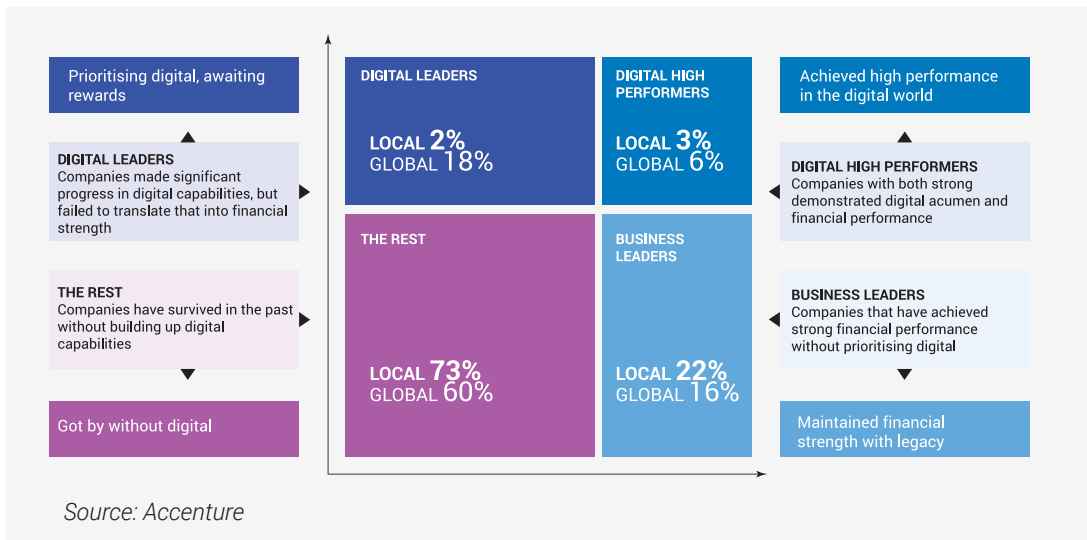
What is digital transformation?

Digital transformation is the integration of digital technology into all areas of a business, fundamentally changing, and improving, the way the business operates and delivers value to its stakeholders, customers and communities. Moreover, it represents a cultural change that requires organizations to continually challenge the status quo, experiment, and get comfortable with failure.¹

The following research, from Accenture, supports the need for businesses to intensify their digital transformation efforts:

- 3% of South African companies made significant progress in digital capabilities but failed to translate that into financial strength. This is compared to 6% globally.
- 70% are considered laggards in terms of digitalisation.
- Only 2% of South African companies are identified as digital leaders compared with 18% globally.
- Digital high performers enjoy, on average, 32% higher revenue growth, compared to other companies

Figure 1: Digital versus Financial Performance



This clearly means that it is more important than ever to prioritise the relevance of your value proposition and the sustainability of your business. To achieve this, you must look at two fundamental dynamics:

1. Evolving customer preferences, and
2. Technology.

Evolving customer preferences

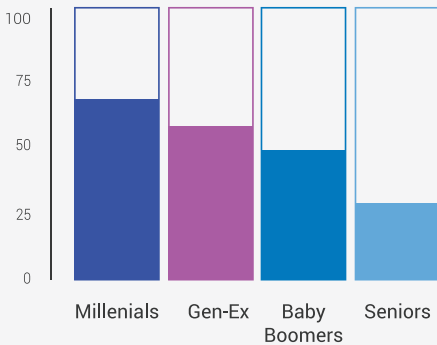
The way in which customers find, buy and use products and services has evolved significantly over the last decade.

Their expectations are driven by:

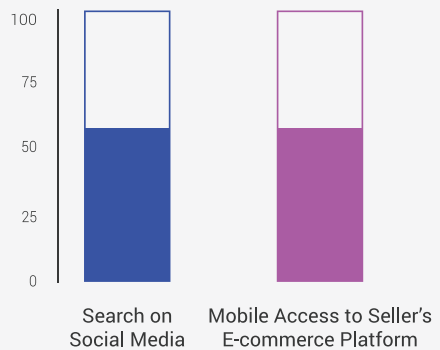
- Instant gratification;
- On-demand delivery;
- The subscription economy;
- Product and service personalisation; and
- Stiff global competition.

Businesses which wish to continue growing their customer base must align to these trends and changes.

Online Shopping - Retail Consumers



Online Shopping - B2B Consumers



Source: Simplilearn

Some of these changes in buying behaviours look like this:

- 95% of mobile internet users search for local information on their phones for the purpose of calling or visiting a business.
- 62% of South African online shoppers purchased something from an overseas retailer in the past 12 months.ⁱⁱ
- 69% of active online adults shopped online in the past 12 months.
- 51% of UK consumers prefer to shop online than in-store.ⁱⁱⁱ
- 55% of online users search for you on social media.^{iv}

Technology

In order to cater to evolving customer expectations and remain relevant, businesses must adapt to, meet and deliver on these expectations. Because these expectations are driven primarily by the internet and technology, businesses also need to adapt their technology accordingly.

This has resulted in us arriving at an inflection point.

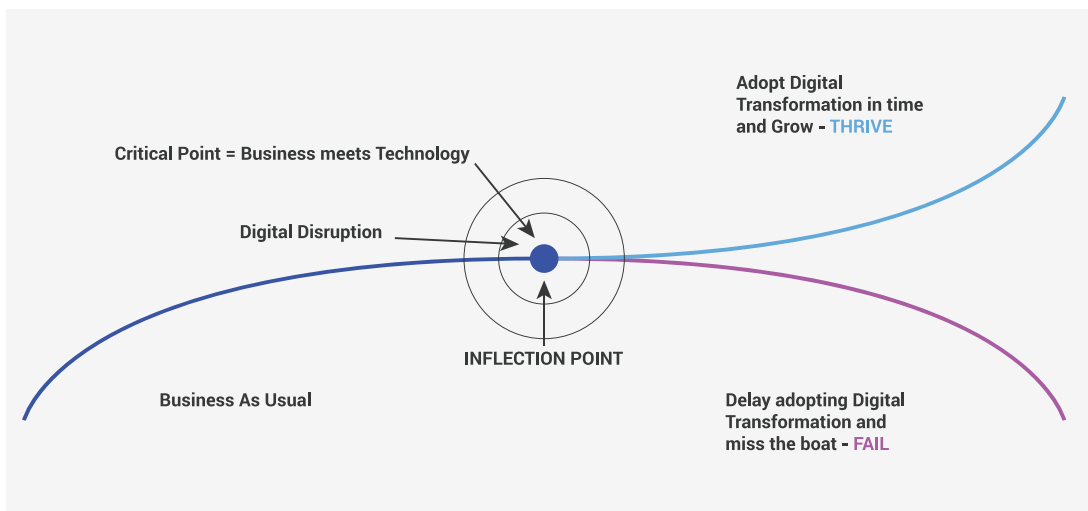
An inflection point is a phenomenon or event that significantly alters circumstances or the progress of a company, industry, economy or political situation. The change is either significantly positive or significantly negative. It is decisive and almost nothing escapes its impact.

The inflection point that we are referring to is the meeting point between business and technology and how these two dynamics work together. Technology has significantly changed the circumstances in which businesses, industries and entire economies need to operate.

This means that, irrespective of the industry you're in or what function of business you manage, those who embrace technology and digital transformation stand a better chance of thriving. Companies that don't effectively embrace and fully implement technology will simply fail to prosper. This fundamental premise needs to be appreciated in the context of this particular inflection point.

Please forgive the metaphor, but, if companies don't appreciate and adopt digital transformation, they will be bringing a knife to a gunfight!

This inflection point results in digital disruption.



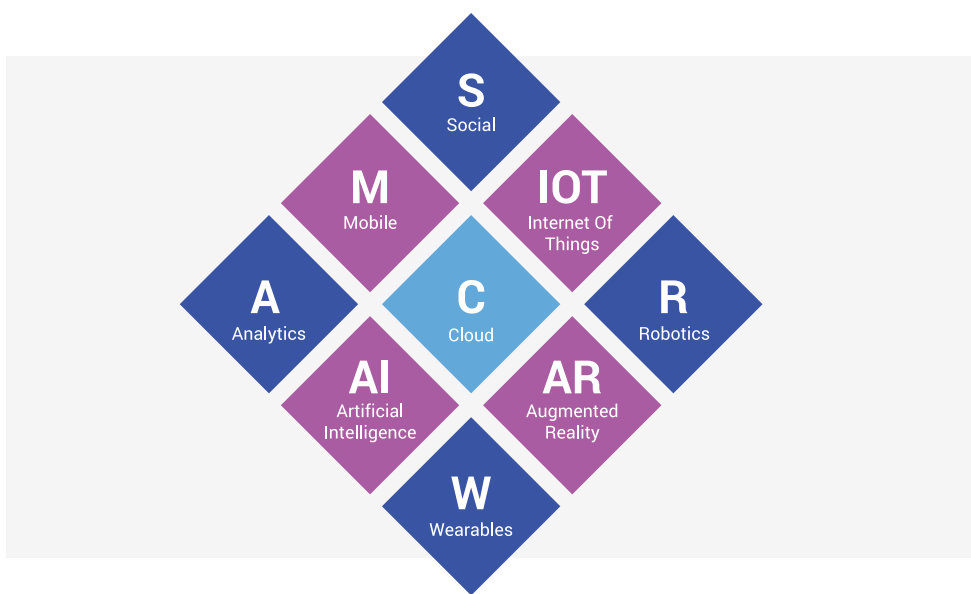
Digital disruption occurs when the changes in the competitive environment, that result from the use of digital technologies by new market entrants or established competitors, undermine the viability of your product and service portfolio and/or your go-to-market strategy.

Disruption ensues when a new business model or value proposition in the market is at odds with yours. This new business model or value proposition may come from a competitor or even from inside your own business.

The disruption results in your competitors enabling customers to achieve their desired results in a better, faster, cheaper, smarter, easier way. In other words, it helps customers to:

- reduce certain steps in the process;
- improve the quality of the process and/or experience;
- increase their knowledge; and
- create better revenue growth opportunities.

Digital disruption has been referred to as SMACIT – a term coined in 2011 to describe the impact of mobile devices and the increased reliance on cloud computing. SMACIT is an acronym for Social, Mobile, Analytics, Cloud and IT. It now also includes Artificial Intelligence (AI), Augmented Reality (AR), robotics and wearable devices.



This has resulted in the business environment, and the world as we know it, moving and changing faster than ever before. Within this dynamic environment, the disruption to your business is inevitable. Companies that have not figured this out or have not yet started their journey of intentional digital transformation are already dying – they just don't know it.

To give you an idea of how serious this change is, and the extent of this inflection point, Gartner forecasts the following spend on technology towards digital transformation in 2019:

- Companies are buying digital devices worth \$715 billion.
- \$1 trillion is spent on IT services and \$1.4 trillion on communications services.^v

Worldwide IT Spending Forecast (Billions of U.S Dollars)

	2017 Spending	2017 Growth (%)	2018 Spending	2018 Growth (%)	2019 Spending	2019 Growth (%)
Data Center Systems	181	6.3	188	3.7	190	1.1
Enterprise Software	353	8.8	391	11.1	424	8.4
Devices	663	5.1	706	6.6	715	1.3
IT Services	993	4.4	1,003	7.4	1,048	4.6
Communications Services	1,392	1.3	1,452	4.3	1,468	1.1
Overall IT	3,521	3.8	3,740	6.2	3,846	2.8

Source: Gartner (April 2018)

Why are companies spending, or planning to spend, this much on technology, communications and IT? They are investing in their digital transformation and ensuring that they are on the right side of the business and technology inflection point.

It is clear that globally, businesses are investing heavily in digital technology and IT. It is also clear that changes in customer behaviour are continuing to evolve and, as a result, digital transformation is going to disrupt your business, sooner or later, if not already. The question is no longer whether digital disruption will happen to your business or not, but when.

No company is immune to the threat of digital disruption. Examples of well-established companies that have been on the receiving end of digital disruption include the following:

Barnes and Noble

Established in 1886 in New York, Barnes and Noble has been the largest retail bookseller in the United States for decades. At its peak in 2006, Barnes and Noble shares traded at \$30. However, the arrival of Amazon's digital platform led to a bruising battle for market share, and the company simply failed to keep pace with the digital giant, ultimately resulting in the company being delisted and going private at a price of just \$6.50 a share.

Virgin Megastores

Between 1979, when Sir Richard Branson founded Virgin Megastores, and the 1990s, the company opened over 400 branches across the world. The advent of iTunes severely disrupted the viability of the business model and, by 2015, all the stores in North America, Europe and Australia had been closed down. Today, Virgin Megastores operates approximately 40 stores in the Middle East and North Africa.

DStv

For over a decade, DStv enjoyed tremendous market share in sub-Saharan Africa as a direct broadcast satellite service. Its dominance has been significantly disrupted by Netflix and Amazon Prime. Despite developing its own streaming service – Showmax – the company has struggled to maintain its market share.

How do you defend yourself against digital disruption? With a strong offence that involves digitally transforming your business in the right way over time.

Companies that digitally transform, position themselves to take advantage of amazing benefits. According to Cisco, companies that have digitally transformed their operations experienced these successes:

- 41% have increased market share because they stay ahead of the competition.
- 30% have increased customer revenue because they create new customer experiences and can provide the market with greater value.
- 37% have increased employee morale because they create more engaging workplaces and can drive workforce innovation and engagement.

When it comes to digital transformation, technology is more of an enabler than a destination. In other words, technology is the vehicle which we use to take us to the 'digital transformation' destination. We still need a leadership-driven purpose and vision of where we are heading; an inspiring vision that galvanizes an entire organization to work together to reinvent itself and to deliver new and even greater value for its shareholders, staff, customers and community. This vision will ensure that all these stakeholders embody the values and culture needed for the business to arrive at its new destination.

HOW BUSINESS LEADERS CAN UNLOCK DIGITAL TRANSFORMATION

Companies that change may survive, but companies that transform thrive. Change brings incremental or small-scale adaptations, while transformation brings great improvements that ripple through the future of an organization.

Nick Candito: Co-founder and CEO of Progressly

Digital transformation is not an easy undertaking. It is a challenging, never-ending process that necessitates much from the brave business leaders who choose to take their companies on this journey. These leaders need to help their organizations to develop the ability to innovate and to reinvent themselves as needed.

Most importantly, they need to imbue organizational agility within their businesses by ensuring that they have the ability to:

- rapidly change or adapt in response to changes in the market; and
- respond successfully to the emergence of new competitors, the development of new industry-changing technologies, or sudden shifts in overall market conditions.

Sometimes, for this to happen, everything, from the ground up, needs to be re-imagined.

This is what business leaders need to do to unlock digital transformation:



1. Define a purpose to inspire their digital transformation journey;



2. Engage important staff and partners for buy-in and support;



3. Innovate a compelling value proposition and a forward-looking business model;



4. Formulate a digital transformation strategy; and



5. Execute the strategy, monitor performance and constantly improve.

1. Defining a purpose to inspire your digital transformation journey



Google

P&G



Southwest.com

Disney

When you define a powerful purpose on which you can build your digital transformation journey, you equip your organization with a strong foundation upon which to build and focus its people, time, energy, and resources. It becomes much easier to galvanise others and to get buy-in. Choices, which you need to make about the future of the business as well as the direction it needs to take, become easier because the motive is bigger than just the pursuit of digital transformation.

The purpose that we are talking about is the core purpose of the business. The company's core purpose is the reason that it exists as a business. It is persistent and relevant, unlike products that may have a limited lifecycle. Your business should have a basis to exist – beyond just offering its products and services for a profit. Your core purpose justifies, and should support, the need for your digital transformation journey, especially if your business is already making a profit in its current form.

One of my favourite authors, Jim Collins, has the following to say about purpose in his book, *Built To Last*: "A core purpose is the organisation's fundamental reason for being. An effective purpose reflects the importance people attach to the company's work – it taps their idealistic motivations – and gets at the deeper reasons for an organisation's existence beyond just making money."

Let's look at examples of the core purposes of some famous companies to help you to define and articulate your company's core purpose and to inspire your digital transformation.¹

¹ Disclaimer: The examples are how I understood them, and what I found them to be, when I did my research a few years ago. They may change in the future or may have already done so. However, purpose statements tend to change simply in their articulation, and not so much in their true meaning

- Apple: “To make a contribution to the world by making tools for the mind that advance humankind.”
- Google: “To organise the world’s information and make it universally accessible and useful.”
- Procter & Gamble: “We will provide branded products and services of superior quality and value that improve the lives of the world’s consumers, now and for generations to come.”
- Southwest Airlines: “To connect people to what’s important in their lives through friendly, reliable and low-cost air travel.”
- Disney: “Create magic and make people happy.”
- Nike: “To bring inspiration and innovation to every athlete in the world. And if you have a body, you are an athlete.”

A purpose is informed by the world’s needs. When you build a business or pursue digital transformation with a righteous purpose in mind, one that fills a real need in the marketplace, then the hearts and minds of your staff, managers and customers will follow.

It is quite possible that you already have a core purpose in place, in which case you can simply use the current version or use this as an opportunity either to change how it is articulated, or to further expound on its meaning.

SUSTAINABLE DEVELOPMENT GOALS



If you don't have a clearly defined core purpose, this is a great opportunity to define one on which you can build the next iteration of your business. For some great inspiration, read the United Nations' 17 Sustainable Development Goals. Choose one of these goals to align your purpose to and drive your digital transformation strategy. This will ensure that your digital transformation is based on the right foundation.

In developing your purpose, you should ask the following questions:

- Why does your business do what it does?
- Why is this important to the people you serve?
- Why does your company's existence matter?
- What is its functional benefit to customers?
- What is the ultimate value to your customers?

David Packard of Hewlett-Packard (HP), had the following to say about purpose:

"Purpose (which should last at least 100 years) should not be confused with specific goals or business strategies. Whereas you might achieve a goal or complete a strategy, you cannot fulfil a purpose; it is like a guiding star on the horizon—forever pursued but never reached. Yet, although purpose itself does not change, it does inspire change. The very fact that purpose can never be fully realized means that an organization can never stop stimulating change and progress."^{vi}

2. Engage important staff and partners for buy-in and support

One of the biggest challenges that companies face, with digital transformation, is that change is hard. More than 70% of change initiatives fail.^{vii} We have all had some experience of failed change initiatives.

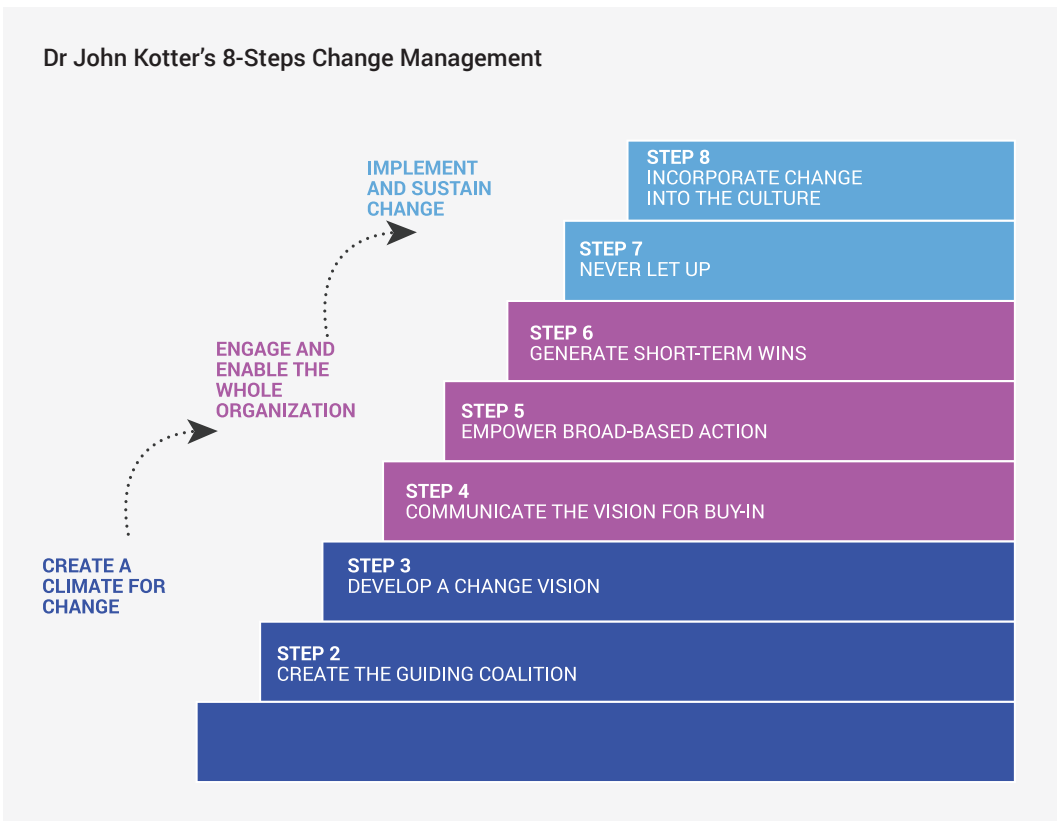
Before you initiate any serious change efforts, make sure that you are engaging and involving as many of your key staff, partners and stakeholders early on in the process to get their buy-in. You will need their support. Include them and consult them, so that they are a part of such an important change in your business. In my experience, it is best to engage them before, and as you initiate the change, not afterwards.

So, the question becomes how to most effectively effect change in your business?

Successful change happens when people see a truth that connects to how they think and feel about themselves and their future. To help businesses to initiate and sustain successful change, we use Dr John Kotter's eight-step process for leading change.^{viii}

This process is based on more than twenty years of observation and analysis of successful, and failed, change initiatives. Thousands of companies have used this process with success. We recommend it over any other change management processes.

The first 3 steps of Kotter's Change Process, and how they can help you with engaging key staff, partners and stakeholders, are outlined below:



Step 1: Establish a sense of urgency

The first crucial and most difficult step is to establish a shared sense of urgency in your business and maintain it throughout the change initiative.

Kotter found that most businesses tend to skip this step. Many change leaders assume that “since I’m feeling urgent, everyone else must be too”. This results in business leaders putting very little effort into establishing the sense of urgency required, for their survival, to raise awareness about the much-needed change.

To address this, Kotter wrote a book, *A Sense of Urgency*, in which he introduces the important principle of “true urgency”. In this book, he says that “true urgency is a key principle for leading change. It should be rooted in leadership throughout your organisation. When you have successfully achieved it, the following will happen:

- Masses of employees will think, “Great opportunities and hazards are everywhere”.
- They will feel a heightened sense of urgency around a common objective and a powerful desire to move and win – now

Understanding how to achieve true urgency among a sufficient number of people who are focused on high-value, high-impact work is crucial to successful change”.

Complacency

Something else you need to be aware of is complacency. Complacency happens when people feel satisfied with how things are, even when things clearly need to be different. This leads to people doing nothing about the situation they are in, even when the situation is not favourable and will clearly worsen. Complacency and a lack of urgency, rather than a lack of digital transformation, lead to the demise of many businesses.

Busyness

Another way that businesspeople avoid engaging in digital transformation conversations is by hysterically and proudly having “too many other important things to do”. What could be more important than safeguarding the future of the business?

Busyness makes you come across as getting things done and earning your keep. But it is not your friend. So, be mindful of busyness as an obstacle that can delay or stop your digital transformation journey altogether.

Step 2: Create a guiding coalition

Once you establish a sense of urgency, you form your guiding coalition – a group that's powerful enough to lead a big change. Level-headed and strategic leadership is critical to effecting change in an increasingly fast-moving world, especially when the change is high-stake. The larger the change, the more important it is for this guiding coalition to be made up of the right people.

A guiding coalition needs to have:

- A shared objective or common goal to work towards.
- People who trust each other and who are trusted by others, in the business, to do the job.
- Power: There should be sufficient key players on board, including key line-managers and highly credible front-line workers, so that those not on the team can't block the change initiative's progress.
- Expertise: This will ensure that the various points of view across levels and silos are adequately represented to allow the coalition to make informed decisions.
- Credibility: The coalition must have sufficient people with strong reputations so that the rest of the business will take them seriously.

Step 3: Develop a change vision

This is where you develop the digital transformation vision that will serve as your change vision. If you're wondering how your vision is relative to your purpose and mission, see below for a simplified, yet effective, definition and differentiation:

- Purpose: The reason you are in business. This needs to be beyond your need to generate profit and value for your shareholders.
- Vision: Where are you heading? Where are you taking your people? Where do you want to be or see the business in the future? This could be in the next three, five, ten or even twenty years.
- Mission: How are you going to achieve your vision? How will you serve your customers? What value proposition will you provide and what differentiates you?

You need an inspirational vision to take action and provide awareness of a destination. A vision will guide the path of your people and business as it moves forward with confidence in the right direction.

This vision must:

- Support the company's purpose;
- Help to justify the planned digital transformation; and
- Clarify how it will impact on customers, staff, the company's business model and how it will improve the value proposition.

This change vision must appeal specifically to the employees' hearts and minds. It must paint a picture of how different things will be once the organization has taken full advantage of the opportunities that will result from the digital transformation.

An effective change vision will motivate people to take action in the right direction, even if the initial steps are painful.

3. Innovate a compelling value proposition and forward-looking business model

A business model is a strategic blueprint that defines your customers, your offering, the infrastructure that delivers the offering, and the business model's financial viability. It provides a coherent view of the business' key drivers that make a customer happy. In other words, it defines how the company will create, deliver and capture value.

The business model effectively defines the value proposition you sell to customers. This value proposition describes the bundle of products and services that create value for these customers.

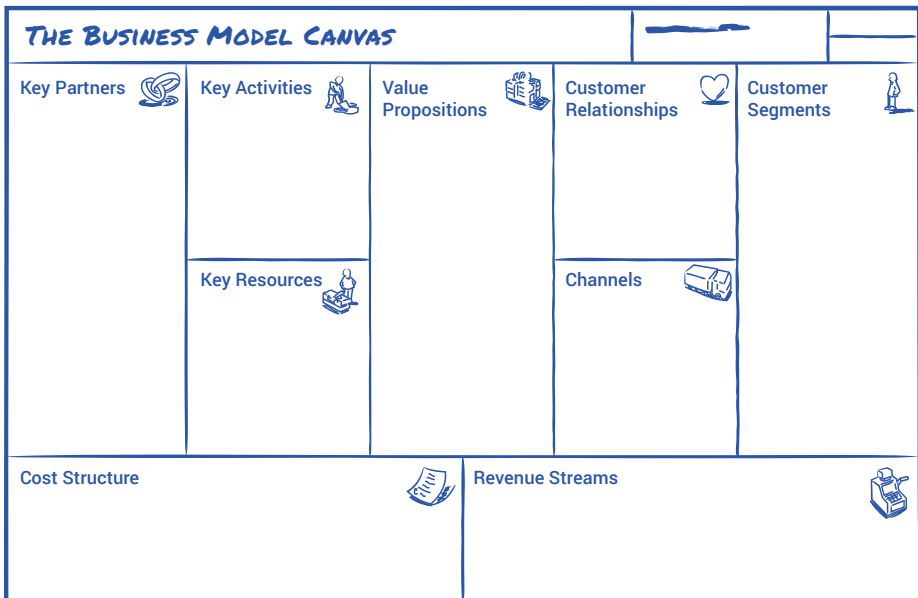
If your value proposition is not meeting the customers' needs, you limit the chance of long-term success. It is critical that the delivery of your value proposition complements the instant gratification, on-demand delivery, subscription economy and product and service personalisation, as driven by technology. Hence the need to digitally transform.

No matter how mature, profitable and settled your business model is, reviewing its digital appropriateness and capability is an opportunity to modernise the company's value proposition and to innovate on a repeatable and scalable business model.

According to a White Paper, published by altexsoft, when you review your value proposition, you should keep in mind the following points on your path to digital transformation:









1. Augment your existing value proposition with a digital experience. This will enhance the experience for your existing customers and create a new digital community.
2. Introduce a new revenue stream. Add a new revenue stream which is solely based on the digital community and doesn't intersect with the physical one. Basically, this entails stretching the brand.
3. Transform your value proposition. Depending on your industry, transformation implies either a full replacement of physical value with digital or building an integrated physical + digital value.^{ix}

For the process of reviewing and innovating your business model, we suggest the Business Model Canvas methodology invented by Alexander Osterwalder and Yves Pigneur of Strategyzer.^x It is used, internationally, by start-ups, SMEs and large corporates who are seeking to innovate their business models.



Below are great examples of companies that are on an ongoing quest for the perfect value proposition and business model. These companies, which are leaders in their sectors, have disrupted their industries altogether. As a result, the customers whom they serve have benefitted. Their competition, and those they've disrupted, have a completely different story to tell!

Digital Natives

Digital Natives	
  	<ul style="list-style-type: none"> • Completely Digital • Disruptive Through Disintermediation
  	<ul style="list-style-type: none"> • Digital but use 3rd party physical infrastructure to fulfil • Intermediation
 	<ul style="list-style-type: none"> • Digital but uses 3rd party physical infrastructure to fulfil

The first category of business model innovators is digital natives. These companies were born in the digital era. They have taken full advantage of digital technology to provide a compelling value proposition and to build a scalable forward-looking business model from the outset. This category demonstrates the different ways in which you can innovate your value proposition and business model from the ground up, using digital technology.

Digital natives have disrupted their industries by delivering products and services using two processes known as disintermediation and intermediation.

Disintermediation is when a middleman or an intermediary is removed from a value chain, or from several transactions, and therefore loses out on the associated value that the ‘middleman’ used to gain or receive (and who has, therefore, been ‘disrupted’).

Facebook

Facebook disintermediated media companies by enabling everyone and anyone to advertise directly to an audience of their choice. WhatsApp eliminated the need for cellular networks, while Amazon disintermediated traditional bookstores and enabled publishers and independent authors to sell books directly to readers.

Uber, Fiverr and Airbnb

Companies such as Uber, Fiverr and Airbnb practised intermediation. This is when a company finds a way of inserting itself between a customer and a company that used to sell directly to those customers.

A notable characteristic of intermediation disrupters is that they don't have or own the infrastructure required to fulfil the end-customer's need. However, because of this disruption, they can create, deliver and extract tons of value from the value chains in which they participate.



GetSmarter and NetFlorist

Other companies, such as GetSmarter and NetFlorist, have added a significant digital element to facilitate the purchase of their products. They use standard e-commerce and online shopping concepts to sell their offerings. They deliver these products and services through the company's infrastructure or through select external infrastructure partnerships.

GetSmarter partly uses an LMS (Leaner Management System) to facilitate online classes as well as select external infrastructure from MIT (Massachusetts Institute of Technology), Yale, UCT and other very specific universities. NetFlorist uses its own logistics and very specific partners to fulfil the customers' purchases as offered on its highly refined ecommerce platform.

Digital Reinventors

The next category of companies is called digital reinventors. These companies were born before the digital age, but they have found a way to leverage digital technology and adapt it to the customers' evolving purchasing behaviours and expectations for instant gratification, on-demand delivery, the subscription economy, as well as product and service personalisation.

Digital Reinventors	
	<ul style="list-style-type: none"> • Ex-DVD Mailing • Streaming & Producing
	<ul style="list-style-type: none"> • Ex-CD Software • SaaS • Business Central
	<ul style="list-style-type: none"> • Ex-Print • Digital Only

Netflix

Many people think that Netflix is a digital native, but it isn't. The streaming company was born during the time of DVDs and began by posting DVDs to customers. The customers then had to post the DVDs back after watching them, but without the late penalty fee levied by traditional video stores.

With the advent of high-speed internet, Netflix decided to explore the technology and successfully pursued streaming as an alternative to posting DVDs. Netflix is now the world's seventh-largest internet company by revenue. This occurred while traditional companies such as Blockbuster and Video Town, who were industry giants, went out of business for not having evolved with the times through digital technology.

Microsoft

Microsoft started out as a tech company, but even this Silicon Valley giant had to adapt to remain relevant. Microsoft moved from selling software on CDs, to becoming predominantly a Software as a Service company that sells Office 365 and other solutions using an online subscription model.

Microsoft has also launched Dynamics 365 Business Central, an online Enterprise Resource Planning (ERP) system that is a successor product to the desktop-based Microsoft Dynamics NAV, Microsoft Dynamics GP, and Microsoft Dynamics SL. We predict that it will soon become the most integrated ERP solution of choice for most businesses around the world, overtaking SAP and Oracle.

Entrepreneur Magazine

Entrepreneur Media SA has reinvented itself by ceasing to print its popular Entrepreneur magazine and focusing exclusively on an online digital version of the magazine. The January 2019 edition was its final print issue. Changing to a digital-only format was thought to be a smart move for a business publication that once had the highest readership a month according to AMPS (All Media and Products Study).

In the first draft of this eBook in mid-2019, I wrote: "I think the move to digital only was a smart move. Whether the company will make it work, or not, is another discussion altogether".





Sadly, Entrepreneur Media SA shut its doors, barely 9 months after moving to digital only. Even though they made the move sooner than Ndalo Media, both magazine and media darlings of South Africa tanked due to digital disruption.

It has been clear, even to people outside of this industry, that advertising spend across the print industry, as well as the buying of printed magazines, had been on a

serious decline for many years. So, why did it take these two companies so long to make such an obvious move? The answer lies in playing “the wait and see game”. “It won’t happen to us” is not a smart digital transformation strategy. Trust me.

Innovative Disruptors

The final category is called innovative disruptors. These companies have digitally transformed existing products and services by adding significant value, which has led to a digitally transformed value proposition.

Innovative Disruptors	
	<ul style="list-style-type: none"> • iPod & iTunes • iPhone
	<ul style="list-style-type: none"> • Search • Google Maps • YouTube Originals
	<ul style="list-style-type: none"> • New Value Proposition • Innovated Business Model
	<ul style="list-style-type: none"> • Nike+ • Integrated Wearables • Digital Coaches

Apple

Apple, traditionally a computer company, took an existing product and technology concept, the MP3 and MP3 player, and maximized the value of both by creating a highly profitable and devastatingly disruptive business model with its iPod and iTunes. This genius value proposition and business model destabilised the structure of large traditional music production and distribution companies, resulting in billions of dollars being shifted from one sector of the industry to Apple.

There is a common misconception that Apple created the world’s first smartphone. Nokia, Blackberry and HTC already had some form of smartphone and app ecosystem prior to Apple releasing its iPhone 1. Apple just showed the rest of them what they should have been doing with the technology and platforms.

Google

Online search was an existing offering before Google showed up. Yahoo and other competitors were already in the market, but Google transformed both search and navigation through Google Maps.

Google also transformed video through its mega-successful YouTube value proposition, which recently launched YouTube Originals, a competitor to the likes of Netflix, Amazon Prime and Showmax.

Nestlé

Nestlé has an interesting story to tell about how it fought off and subsequently left its competition in the coffee dust. The food and beverage giant innovated its value proposition and business model using the Nespresso system.

It commissioned coffee machine manufacturers to design a dedicated espresso machine and pod system that could conveniently produce restaurant-quality espresso for the home and office. Unlike the usual coffee-in-a-tin that is close to 10-times cheaper, Nespresso sells an experience, prestige and status. This demonstrates one of the benefits of a compelling value proposition and business model: the ability to charge a premium.

Nike

Last, but not least, we look at Nike. The sports brand primarily sells footwear via a wholesale channel that distributes its products across the globe. However, in 2010 they changed the game by establishing a digital division called Nike+ and developed digital products that included FuelBand – wearable tech that allows athletes to track their workout, share their performance online and get support from digital coaches.

What learn two very important things, about digital transformation, from these examples:

1. No company should ever believe that it does not need to undergo some form of digital transformation.
2. Companies that purposefully pursue digital transformation are handsomely rewarded by competitive differentiation and improved brand performance.

Unfortunately, the flipside is equally unforgiving. Those companies that choose not to take the leap – now or soon enough – will eventually meet their demise.

We hope that these examples will inspire you to explore ideas of how you can digitally transform your business into one that offers an innovative, compelling and digitally relevant value proposition and forward-looking business model.

4. Formulate a digital transformation strategy

After you have innovated, or at least conceptualised, a compelling value proposition and a future-looking business model, you have to actualise this massive digital transformation strategy project. To improve your chances of success, you need to create a strategic plan.

A strategic plan allows people within the organisation to work towards achieving a clear and commonly understood objective or vision. It defines the specific steps required to achieve your vision and guides the execution and implementation of your business plan.

I recently came across an interesting research paper entitled “*How German Media Companies Defined Their Digital Transformation Strategies*” that considers the strategic questions that should be considered when embarking on digital transformation. ^{xi}

These fundamental questions, which your strategic plan needs to address, include the following:

- How ambitious is your organization’s approach to new digital technologies? Do you intend to adopt established and widely used technology solutions or create and introduce new technology solutions?
- How will you create revenue from future business operations? When you develop new digital products and services, it is essential to consider how they will create value and therefore generate revenue.
- Will you integrate new operations into existing structures or create separate entities? Digital transformation may necessitate your having to redefine your organization’s business model, and the innovations required may be difficult to accommodate within your existing organizational structure.
- What are the operational changes that you anticipate? Do you expect changes to existing products or services? Will digital transformation enable changes to business processes? If so, you will need to assess which operational processes will be affected, and to what extent.
- Have you identified any need for new competencies? Changes to your products, services and business processes will probably require new skills and you will need to thoroughly assess your current capabilities.

Our Eight-Step Strategy Puzzle, which we use to facilitate business strategy sessions, is presented below. We usually complete this process in one or two days and follow it up with the preparation of a business strategy report that reflects all outputs from the planning day and provides a coherent plan for implementation.



The main objective of this strategy puzzle is to set up your guiding coalition of leaders, managers, key staff and strategic partners into key stakeholder teams that can then work collaboratively towards achieving your digital transformation strategy.

We suggest that you use this, or a similarly simple strategy development framework, to speed up the change process and focus the business on developing a digital transformation strategy that will be:

- The basis for more detailed planning;
- The model for making informed decisions;
- The company's digital transformation vision used to inform, motivate and involve others;
- The benchmark that facilitates performance monitoring;
- A positive stimulus for change and a clear focus for growth; and
- A clear plan of action for implementing the digital transformation strategy.

SWOT analysis

Conducting a SWOT and market analysis helps to formulate a digital transformation strategy based on the reality of your company's capabilities. This analysis should cover your customers, competition, products, services, suppliers and strategic partners.

Here are some things to think about as you reflect on your SWOT analysis:

- Which other companies are thinking like you?
- Are they already operating in the same space?
- How big or small are they?
- What are their strengths and weaknesses?

Strategy

Now that you know what your goals are, you need to decide on a strategy for how your company will best utilise its competitive edge, and other tactics, to achieve its business and financial goals.

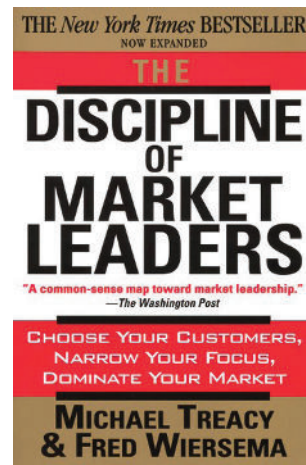
We suggest that you refer to the three fundamental business strategies from *The Discipline of Market Leaders*, by Michael Treacy and Fred Wiersema.

You can choose one of the following three fundamental strategies to build a workable business:

Strategy 1: Operational excellence (Delivering price, ease of purchase and utility. Think Pick n Pay, not Woolworths)

Focus on optimising processes, for end-to-end product supply and basic services, and streamline them to minimise cost and to provide hassle-free service.

Features of this strategy include:



- Operations that are standardised, simplified, tightly controlled and centrally-planned, leaving few decisions to rank-and-file employees;
- Management systems that focus on integrated, reliable, high-speed transactions and compliance to norms; and
- A culture that abhors waste and rewards efficiency.

Strategy 2: Product leadership (Creating the best products or services. Think Apple, not Dell)

Focus on the core processes of invention, product superiority and innovative market exploitation.

Features of this strategy include:

- A loosely knit, ever-changing business structure that is able to adjust to entrepreneurial initiatives and re-directions. This is necessary to work in unexplored territory;
- Results-driven management systems that measure and reward new product success but that don't punish the experimentation needed to get there; and
- A culture that encourages individual imagination, accomplishment, out-of-the-box thinking and the company's desire to create the future.

Strategy 3: Customer intimacy (Delivering what specific customers want. Think Investec, not FNB)

Focus on having an obsession with the core processes of solution development, managing client-specific solutions, ensuring that solutions get implemented properly, and that client relationship management is world-class.

Features of this strategy include:

- A business structure that delegates decision-making to employees, who are close to the customer;
- Management systems designed to create results for carefully selected and nurtured clients; and
- A culture that embraces specific, rather than general, solutions and thrives on deep and lasting client relationships.

People and operations

In most small- and medium-sized businesses, the existing management team and staff have limited skills and abilities. You might need to consider, and provide for, the roles and resources that you need to implement your strategy. This could mean partnering with other businesses, and not necessarily hiring more people. But, in most cases, you will almost always have to train and develop the company's leadership, management and staff so that they can meet the level of competence required to execute the digital transformation strategy.

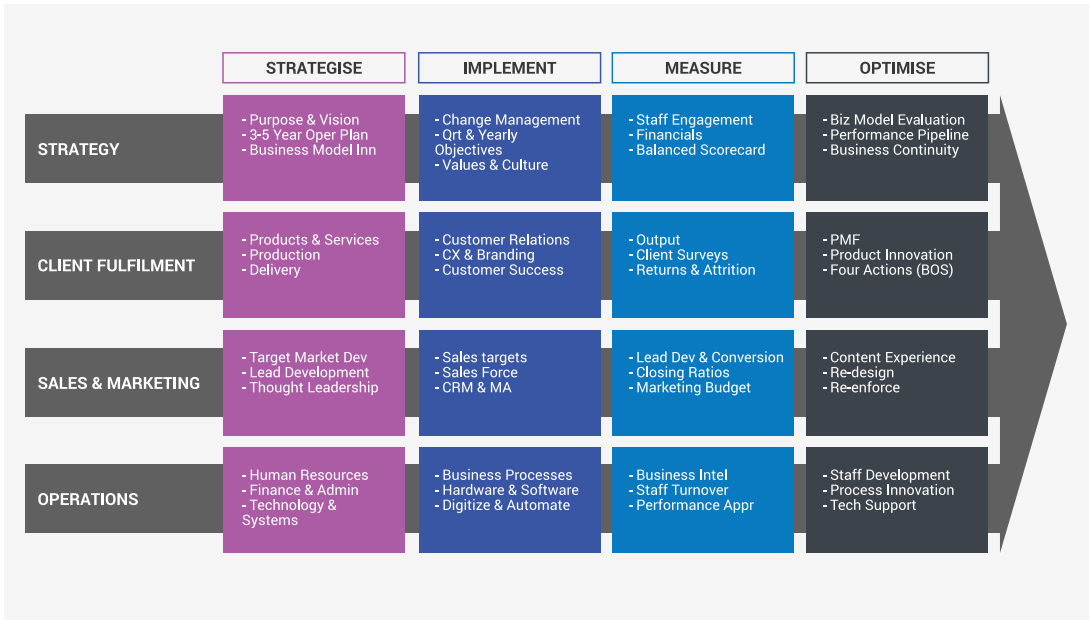
Start this process by developing an organisation chart for your future business. This chart will help you to see what your business will need to look like, from an organisational and human resources perspective, as you move closer to your strategic vision.

Critical action steps

Your digital transformation strategy should have a list of critical actions that must be taken in order to realise your digital transformation. The selected strategy is implemented by means of programs, budgets and procedures – all of which must be provided for.

Critical action steps will need to include the business and allocation of its resources, as well as the motivation of the team to achieve its objectives. These steps guide the specific tasks that will enable the rollout of the company strategy.

5. Implement, measure and optimise your digital transformation strategy



Once the digital transformation strategy has been defined, decision-makers and staff must be allowed to take actions that are operationally relevant and aligned to the execution of the strategy.

Going forward, the digital transformation strategy and operational plan should be visible, tangible and applicable in the everyday work of the company. Each employee should be able to see exactly how the strategy aligns with their jobs and how they must execute it in their everyday line of work.

A digital transformation methodology, that helps companies to achieve this across the four pillars of strategy, sales and marketing, client fulfilment and operations, is outlined below.

Phase 1: Strategise

Based on your company's business strategy and the strategic vision that you want to achieve, this planning phase involves the following steps:

1. Create a business process list to help you identify and organise all the processes required to operate as an innovative digitally transformed enterprise.
2. Build an organisation chart containing all the roles that the company will need in order to action its digital transformation strategy.
3. Design and model business processes. Workshop and empower your managers and staff members at every level of the business to design their own business processes using BPM (Business Process Modelling).
4. Create (and then follow) a business process prioritisation plan that guides how, when and by whom, the processes will be designed and implemented, as well as guide the technology that will help propel the company's digital transformation.

Phase 2: Implement

Implementation establishes the processes and systems necessary to effectively execute the plan. This phase aims to achieve the following:

1. Streamlining and improving operational performance within the context of day-to-day operations; and
2. Establishing the systems necessary to ensure that the relevant and correct information flows smoothly through the business.

Resources must be made available. Some people may have to be moved around, while others, unfortunately, may have to leave. New capable people will need to be hired in order to ensure that managers and their teams are able to deliver. All the necessary resources, infrastructure and processes must be implemented in order to support effective execution of the operational plan and digital strategy.

Phase 3: Measure

Ongoing measurement of the actual performance of people, systems and processes against the ideals set out in the company strategy and plan is an essential part of long-term sustainability.

Here you must instil a 'measure, analyse and act' mind-set into your organisational culture. Effective measuring of performance must be done regularly and frequently. Timeous data and feedback on performance must be provided constantly in order to hold leaders, managers and staff accountable to their performance. This is to ensure nobody deviates from set deadlines and that milestones are met as set out in the operational plan.

Phase 4: Optimise

Companies must establish and maintain a positive and ongoing feedback loop between the Strategise, Implementation and Measurement phases. The objective is to use the input from the robust systems and processes within each phase to deliver on operational objectives, while also evolving and adapting to the new digital business model, infrastructure, customer demands and market dynamics.

This constant improvement cycle, of implemented solutions and helping employees to become clear about the actions that need to be executed to support the strategy, will help set a culture of “let’s do” instead of “what should I be doing?” - and will ultimately help the company to meet its digital transformation strategy.

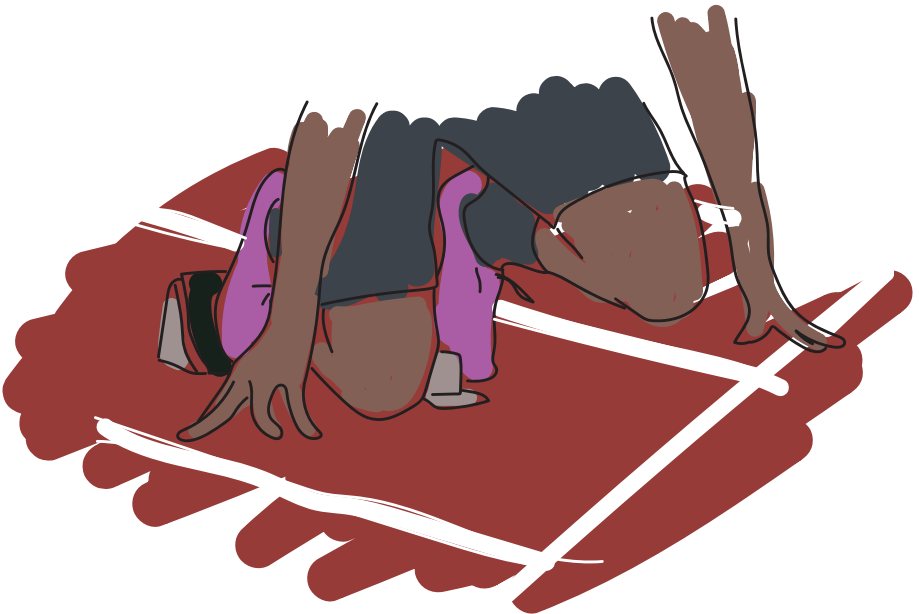
CONCLUSION

We hope that you found this eBook helpful in providing insight into how you can scale your business for growth using digital transformation. Let's quickly recap the five steps to how you can grow your business through digital transformation:

1. Define a purpose to inspire your digital transformation;
2. Engage key staff and partners for buy-in and support;
3. Innovate a compelling value proposition and a forward-looking business plan;
4. Formulate your digital transformation strategy; and
5. Execute the strategy, monitor performance and constantly improve.

It is not just small companies that fail dismally these days. Even industry giants who think they are too big to fail will meet their demise if they don't start their digital transformation journey soon enough. Implementing digital transformation will help improve the probability of your company's success.

Digital transformation is a marathon, not a sprint. Don't think you can wake up one day and be able to run the race. You have to train for it and it's going to take a while to complete the race, if ever. So, start training now to get ready to compete or you'll lose the race.



We hope you've enjoyed reading this eBook. We also hope that it will serve you to implement changes in your business, or at least start having deeper conversations about digital transformation.

Thank you for taking the time to read this eBook. My team and I would like to provide you with an opportunity to speak to us about your digital transformation journey. We'd love to see how we can help you to kick-start it into action or support you in accelerating your efforts.

Whether you're looking to have a simple phone call, for us to do a keynote at your next event, or for us to speak to your company about digital transformation, please feel free to reach out to me on kkdiaz@agamebusiness.com.

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About the Author



KK Diaz is a business strategist, digital marketer, author and speaker. He is the founder and CEO of A-Game Business Consulting. He uses digital transformation to help brave leaders build extraordinary businesses that deliver remarkable value for their customers and communities. He helps companies around the world to implement innovative business strategies, processes and technologies for transformative and sustainable growth. KK Diaz is the author and originator of The A-Game Business Blueprint methodology – a multifaceted approach and collaborative ecosystem designed to help businesses achieve 10X-Growth.

KK Diaz is the youngest certified facilitator of The Dealmaker Programs, where he teaches businesspeople about the principles of deal-making and negotiation as tools for increasing profitability in their business deals. He also facilitates Mindset Change and Leadership Development programs to help companies create a culture of positive, passionate people, who can adapt and thrive in times of rapid change and challenge.

As a philanthropist, he devotes his spare time to E4+C (Entrepreneurs For Positive Change), a collective of entrepreneurs who donate their time and efforts to supporting startup entrepreneurs and disadvantaged communities. KK Diaz headed on an epic journey that would see him climb to the highest point in Africa, Mount Kilimanjaro, as one of the E4+C Small Business Projects. He has since written a book about this project titled 'The Climb: From African't to AfriCAN'.

He currently works with soon to be released incarcerated inmates to help them establish businesses so they too can gain a sense of dignity and financial independence and avoid crime due to a lack of income or jobs.

To contact or to book KK Diaz for a keynote talk, facilitation of training, strategy development, or for digital transformation and marketing services, please do so on: Telephone +27 (0)10 035 4956, Email kkdiaz@agamebusiness.com, Website: www.agamebusiness.com A-Game Business Consulting (Pty) Ltd.

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