A STEP BY STEP GUIDE TO DIGITAL TRANSFORMATION

1UP
000100

HIGH SCORE
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2UP
BONUS
OWN YOUR NICHE

DIGITAL BUSINESS TRANSFORMATION!!!

NEW CUSTOMERS

DISTRACTING DIGITAL TACTICS

BUSINESS TRANSFORMATION

CREATE DISRUPTION

DATA

COMFORT

APPLIED TECHNOLOGY

TECH

INNOVATION

PROCESS

TIME

HYPE

EDUCATION

PEOPLE

HUBRIS

CULTURAL HIERARCHY OF NEEDS

FIRE

PLAN

DIGITAL BUSINESS STRATEGY
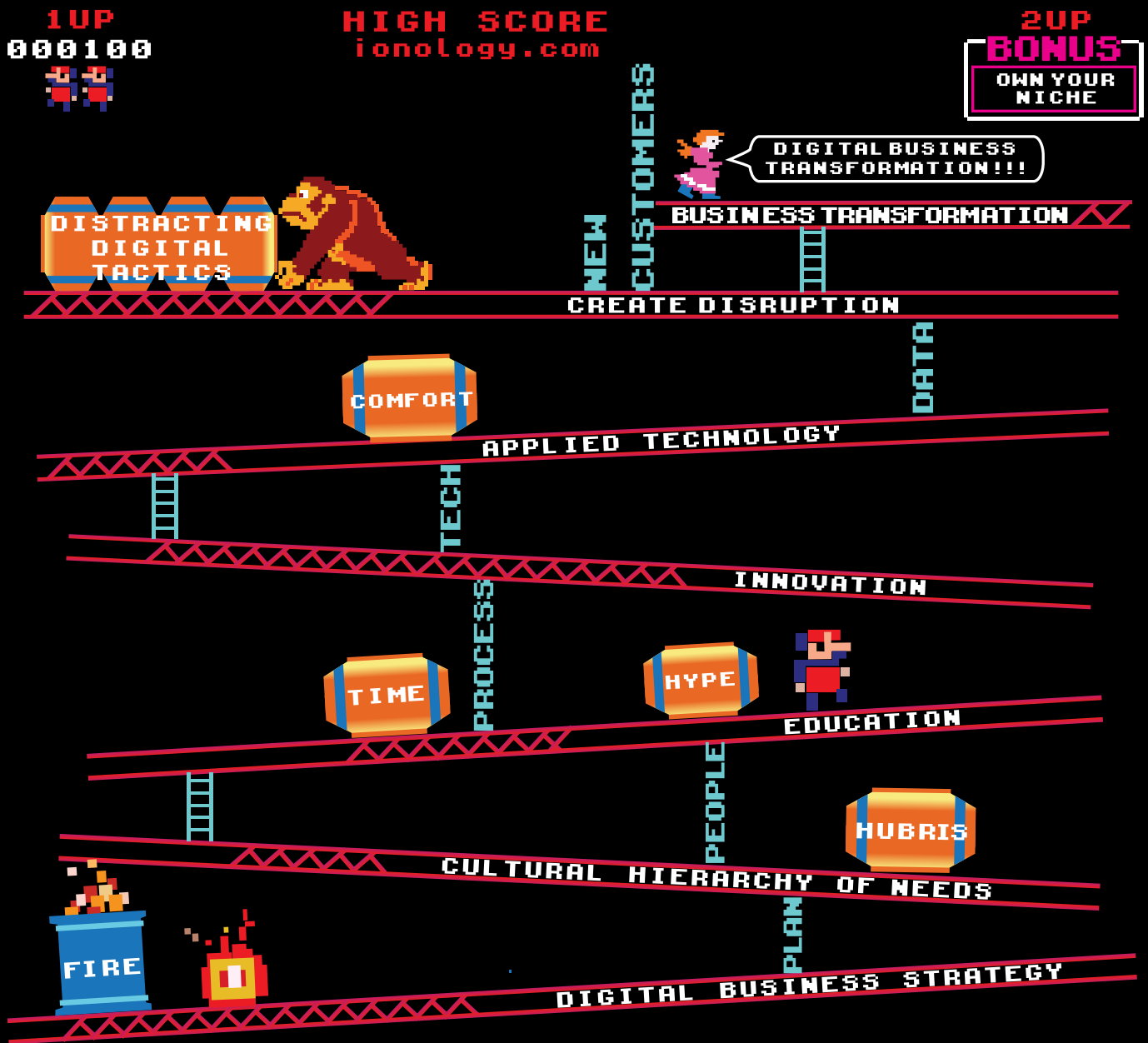
An Essential Guide to Creating High Margin Competitive Advantage in a Digital World

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ionology

Are You a Super Mario Leader Capable of Delivering Digital Transformation?

Are you a Super Mario leader? Can you create a high performance strategy in the digital age? Have you got what it takes to avoid the tumbling barrels of distracting digital tactics, over-hyped technology or the belief that your market is immune to disruption? Have you allocated the right resources to deliver a focused plan of transformation? If you have, you'll reach the platform of transformation. If not, watch out for those barrels!

Leadership (Not Technology) Delivers Successful Digital Transformation

Most failed Digital Transformation projects start with technology or digital tactics. It's so easy to do. We look for systems to integrate, data centres to use, website personas and wonderful designs. We seek out customers to engage with on social media and make lots of "content strategies". Our plans are often built on assumptions and an extension of our current business model.   While these activities are important, they rarely create digital success. More often, they are digital distractions.

When we look at competitors we see their technology, websites, proposition and teams. We believe that it is the sum of these assets that has given them competitive advantage. If you'll permit the Donkey Kong analogy once more, when viewing competitors we can only see the top two layers as we look in. In other words, we see their innovation and technology. Therefore it's natural to assume that if we too had wonderful technology we could create marketplace disruption (or at the very least make a dent in an emerging market). The reality is that the journey that leads to highly successful digital businesses goes beyond tech and teams.

Transform in Stages and at a Pace That's Comfortable for You

The web presents businesses with an unlimited set of opportunities. It also presents customers with an almost unlimited set of alternatives to choose from. However, the major rewards go to the few that dominate a marketplace.

The most successful Digital Businesses redefine the marketplace and displace entrenched competitors. Better still, they create new marketplaces. It's the role of senior managers to find the best play that will create or redefine a marketplace, generating context for and resonance with the customer. Regardless of the size of the business, these actions require alignment of people, process, training, innovation and, of course, technology.

Mario gets the prize of Digital Transformation by skilfully traversing each layer. His starting point is to move away from fire fighting, tackling the strategic layer first. No matter what he does, those distracting barrels keep coming, trying to knock him off balance. Like all games, there are techniques that make play easier. This book is the Digital Transformation cheat sheet.
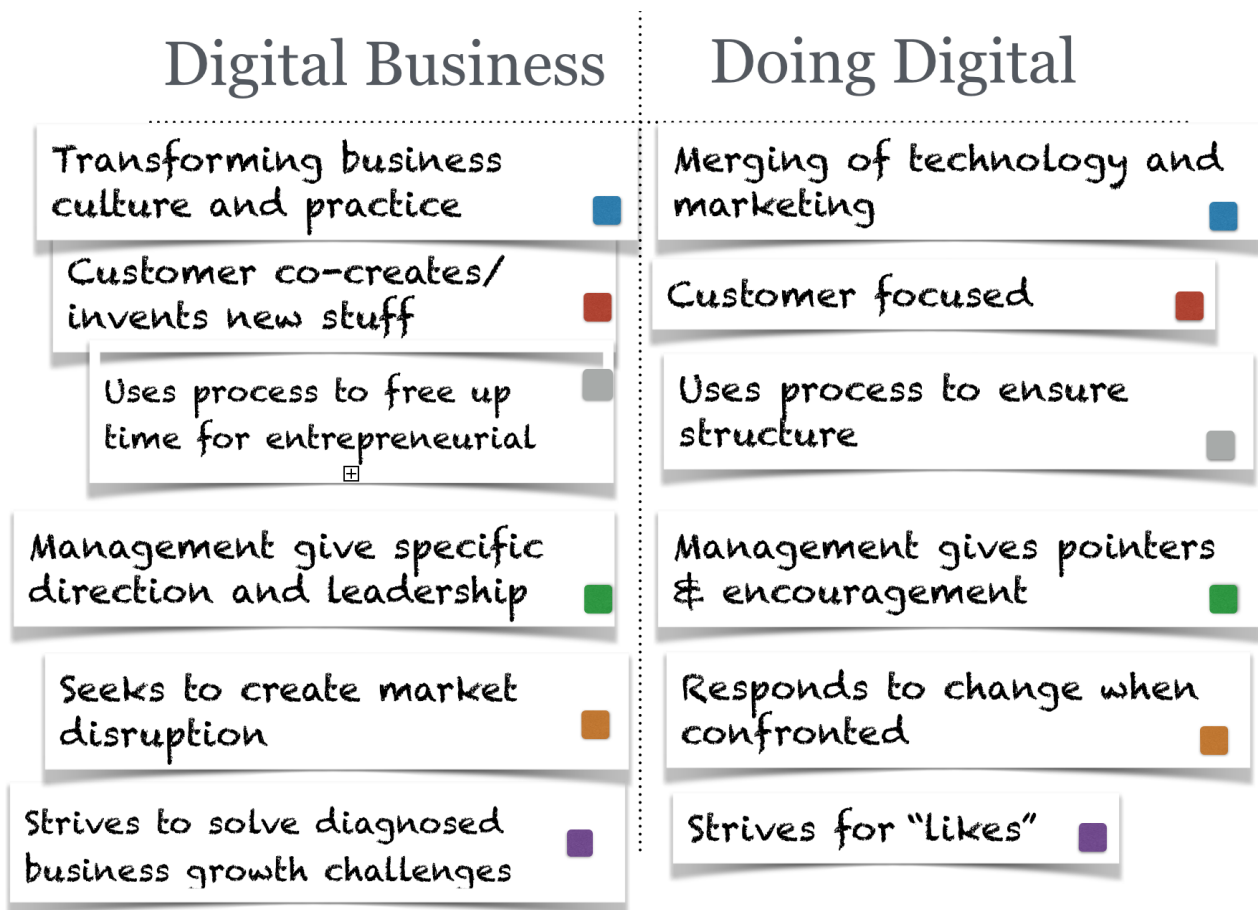
Index

Digital Businesses Outperform Businesses that *Do Digital.*
So What's the Difference?

Vision, Strategy, Culture and Approach are the answer. **Any business can be a Digital Business,** whether the transition is gradual or a leap. When referring to Digital Businesses the word 'digital' is an indication of speed and adaptability, not technology. Becoming a Digital Business requires informed leaders who can create a strategy using evidence, lead teams to work in different ways, educate themselves and their peers on how to approach challenges using data driven decision making and create constant cycles of agile, focused innovation.

Digital Business	Doing Digital
Transforming business culture and practice 🟦	Merging of technology and marketing 🟦
Customer co-creates/ invents new stuff 🟥	Customer focused 🟥
Uses process to free up time for entrepreneurial ⬜	Uses process to ensure structure ⬜
Management give specific direction and leadership 🟩	Management gives pointers & encouragement 🟩
Seeks to create market disruption 🟧	Responds to change when confronted 🟧
Strives to solve diagnosed business growth challenges 🟪	Strives for "likes" 🟪

Right now you're thinking "we do some Digital Business activities on occasion". True high performance Digital Businesses continuously accept and practise all of the functions listed above, without compromise.

The Change Blocks That Affect Digital Transformation

STRATEGY & CULTURE ✦ **STAFF & CUSTOMER COMMUNICATIONS** ✦ **PROCESS & INNOVATION** ✦ **TECHNOLOGY** ✦ **DATA & ANALYTICS**

To successfully execute Digital Transformation in any business or organisation, the 5 Change Blocks of Digital Transformation must each be understood, addressed and embraced throughout the process and thereafter. To avoid or skip a change block would be to the detriment of a Digital Transformation project. Let's take a closer look at the effects of each change block:

1. Strategy & Culture

Strategy is the starting point to creating a high performance Digital Business. Without strategy the culture of the business becomes a reactive one, rather than a proactive one, which leads to digitising services rather than total Digital Transformation.

2. Staff & Customer Engagement

Change is often met with resistance which can come from those internal or external to the business. Through better engagement, providing clarity around the reasons for change, how it will happen and each individual's role in the process, a business can counteract this resistance.

3. Process & Innovation

Defining and refining processes gives businesses the opportunity to become more efficient, and use this time to innovate. Without continually evolving processes and innovation, a business is left with incoherent action and cannot move forward.

4. Technology

Digital Businesses assume technology will permeate every aspect of operations. While transformation should not start with a focus on technology, it should be assumed it will play a part. It also needs to be understood that competitive advantage is not created by technology but by leaders and the strategies they devise. **Technology is the enabler, rarely the differentiator.**

5. Data & Analytics

A vital component in becoming a high performance Digital Business is being able to use the vast amounts of data and analytics available to make decisions, experiment and advance in the digital age. Without this ability, businesses are met with stagnation.

To begin the journey of Digital Transformation, businesses and organisations must begin with their strategy. Ionology have developed the **7 Principles of Digital Business Strategy** framework to guide users through strategy development and review in a structured fashion.

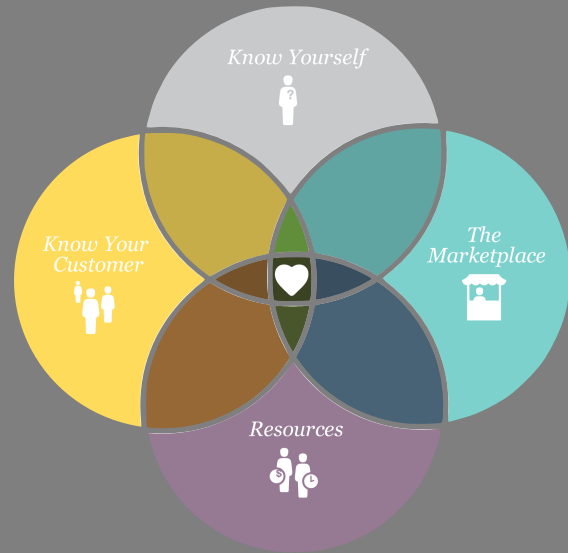# Step 1: The 7 Principles of Digital Business Strategy

Do you want a high performance, evidence-based Digital Business Strategy? Of course you do. The 7PDBS has been through academic peer review and has been implemented by over 200 businesses.

1: Know Yourself: - A clear diagnosis of the situation, an easily understood strategic ambition and well articulated value proposition.
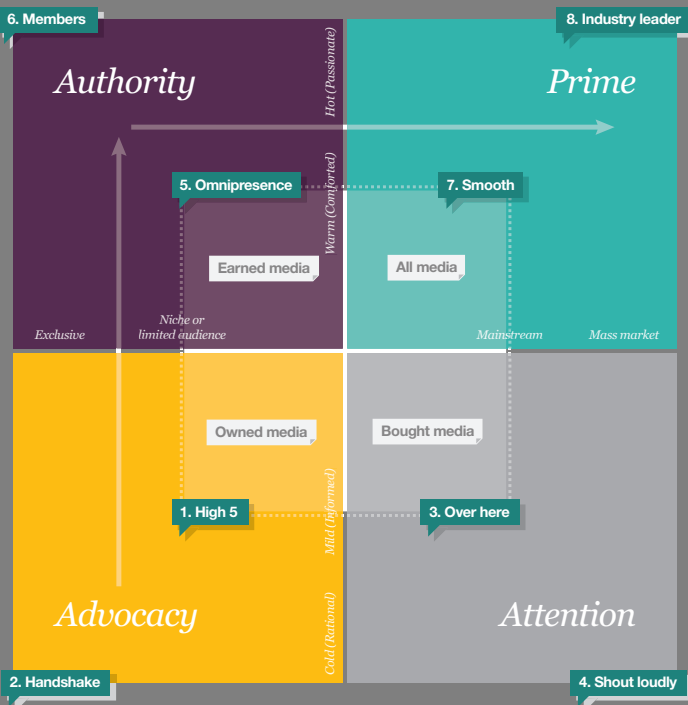
2: Customer: - An empirical value for customer volume, the tasks they wish to complete and their motivations.

3: Marketplace: - Who is the competition and what is their momentum?

4: Resources: - The Time, Talent & Cash that can be dedicated to fulfilling the strategic ambition.

Know Yourself

Know Your Customer

The Marketplace

Resources

Micro Analysis

5: Current Position: - Use your web analytics to find your starting position.

6: Engine of Growth: - Once you know where you are, you can make 'a play' and move your market position.

7: Tactics: - Create Mile Markers. Break them into Projects. Break the Projects into Tasks.

Advocacy - Slow but steady growth.

Authority - The preserve of a few focused and dedicated innovators in any market sector.

Attention - The default choice for those who need quick wins and have yet to truly innovate or disrupt.

Prime - The largest, most well known dominant player in your market (should one exist).

6. Members

8. Industry leader

Authority

Prime

Hot (Passionate)

5. Omnipresence

7. Smooth

Warm (Comfortex)

Earned media

All media

Exclusive

Niche or limited audience

Mainstream

Mass market

Owned media

Bought media

Mid (Informed)

1. High 5

3. Over here

Cold (Rational)

Advocacy

Attention

2. Handshake

4. Shout loudly

Macro Analysis Using the Ionology Digital Strategy Quadrant

7 principles — ionology | 1 Know yourself | 2 Customers | 3 Marketplace | 4 Resources | 5 Market position | 6 Engine of growth | 7 Tactics

Steps 2 & 3: Culture, People & Alignment

Nothing kills a good transformation project like disenfranchised staff. They resist change and kill the chances of effective implementation. Similar to Maslow's Hierarchy of Needs, a transformation project must meet the individual team members' hierarchy of needs.

Finding the Right Internal Advocates
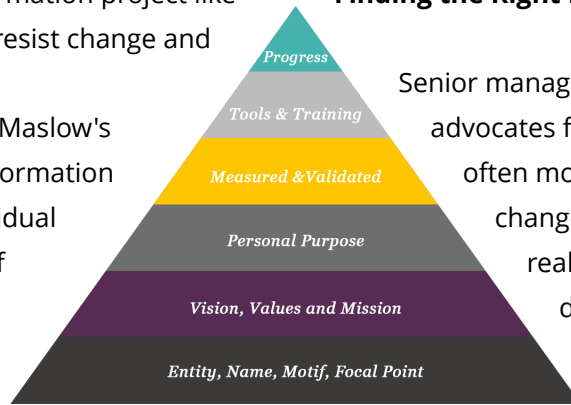
Senior managers aren't always the right advocates for transformation. They are often more susceptible to resisting change because business realignment affects their departments, their teams and their own sense of importance.

Many team members trust peers they believe to have the same to lose and gain when it comes to understanding how to handle change.

The compelling story, focal points and vision of where change will take us must come from the Digital Business Strategy. Ensure that each individual's understanding of the strategy and the role they will play in creating the new vision. Explain how their input will be measured and validated. Give them the tools, training and support they'll need to achieve their personal purpose and explain how they stand to progress in their careers by transforming with the new opportunity.

Seek those with emotional commitment and an intellectual connection to the project. The pragmatic supporter as opposed to the over-enthusiastic doer. Nurture these ambassadors and they will influence the bystanders, helping to adjust the overall temperament of an organisation in realignment.

Finding the connected, influential Ambassador can come from modelling internal social and email traffic.

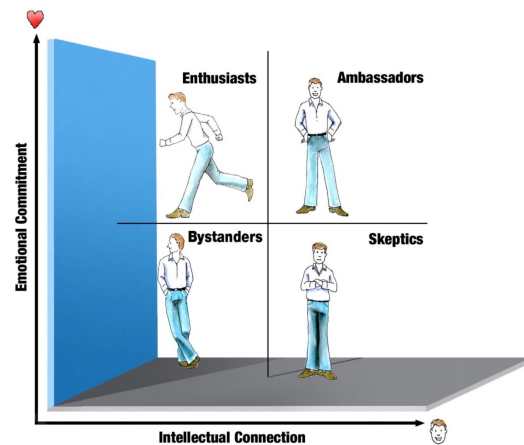*Focus on tactics which solve diagnosed business challenges*

If your Digital Business Strategy has been created correctly there should be a list of the major Mile Markers, projects and tasks involved in creating the new vision. Allocate every individual **one task each week** that is strategic, but not part of their normal job. Small, frequent but important tasks allow the organisation to change at a continuous, comfortable pace.

Step 4: Education

Important/Not Urgent

The **smartest**, most **focused** teams tend to outperform the hardest working teams. Those who spend time preparing themselves and their teams for change tend to have much more success in transforming the business than those who lead from the front.

Steve Jobs famously said "People think **focus** means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that there are. You have to pick carefully. I'm actually as proud of the things we haven't done as the things I have done. Innovation is saying no to 1,000 things."

The 7th Habit mentioned in the #1 best selling book, The 7 Habits of Highly Effective People by Stephen Covey, states that we should **sharpen the saw**. The book explains how important learning, reading, writing and teaching are to a

	Urgent	Not Urgent
Important	Crying baby Kitchen fire Some calls	Planning Strategy Exercise
Not Important	Interruptions Distractions Most calls	Trivia Busy Work Browsing

successful person and team.

The book also describes how successful people put **first things first.** They spend time on the **Important, Not Urgent** tasks.

As well as personal betterment, a leader needs to understand the latest thinking beyond their own industry and appreciate how business models are evolving and changing because of digital disruption.

For examples and case studies of changing business models and how digital is transforming industries, read ABCDisrupted.

Individual team members should have a clear training agenda. The **training** requirements should focus on filling in **gaps** to allow people to best complete the challenges **laid out in the Digital Business Strategy.**

Online learning platforms should be created to resolve the educational skills gap.

Content can be:
1. *Created:* - Expensive, slow but very tailored.
2. *Curated:* - Picking the best content from the abundance of quality programmes that already exist online.
3. *Procured:* - Buy in training for specific needs. For example, digital tactics training courses can be purchased online as needed.

Senior Managers don't want to be tested. They shy away from being scored.
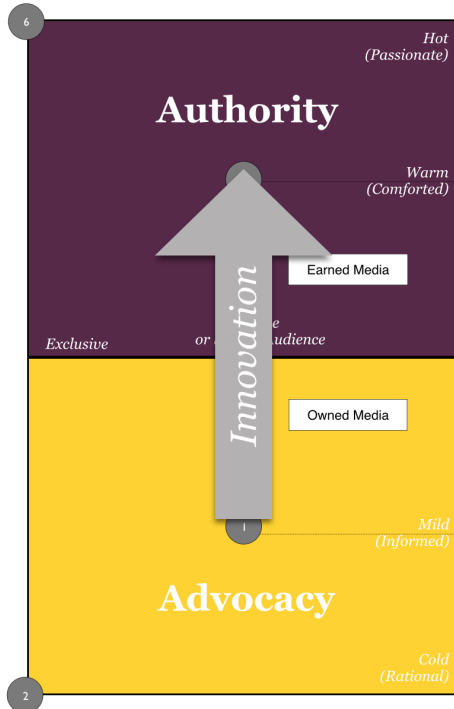
Operatives see being scored as an addition to their CV and therefore prefer a different kind of educational regime.

Step 5: Agile Innovation

Shooting the Show Pony

Why is Innovation so Damn Important?

People want new. They want different. They only talk about stuff they find inspiring.

Advocacy driven businesses have 3 choices:

1. Stay in **Advocacy** and accept the growth potential as slow and in-line with changes in customer behaviour. Advocacy works at the speed of doing tenders, partnerships or the sales force bringing in new customers.

2. Seek out new customers by using paid methods like Adwords (**Attention**). This only works if the cost of acquiring a customer is less than the margin being made. In many mature markets, this is no longer the case.

3. Move to become an **Authority or Prime.** The *Authority* business gains many more customers than Advocacy or Attention driven businesses. We seek out the Authority. To become an Authority, other authorities or

peer review publications must reference and quote you. For that to happen, you must have something new to add to the conversation that will lead to commercial success. You must innovate!

Innovations = New Ideas Commercialised

If new, 'innovative' ideas could be stacked on top of each other, they would fill any company warehouse within a week. The challenge isn't getting new ideas. It's getting ideas that overcome diagnosed business challenges extending from the Digital Business Strategy.

Innovation is now a necessary component of any business that wants to become an Authority within its industry. To become an authority, a business must gain *earned media* from other industry authorities or influencers. That means your ideas must be published and recognised as thought leading. Your ideas must be shared online. Your ideas must spread. Simply being good at what you do does not make you a thought leader.

Not All Ideas Are Born Equal

Ideas can be scored.

$$Idea\ Score = \frac{(3\ Year\ \$\ value)(strategic\ alignment)^n}{\sqrt{MVP\ Time\ To\ Test}}$$

(3 Year $ value) is the potential financial return over 3 years. (Strategic alignment) is scored between 1 and 5, where 1 has low relevance to your strategy and 5 is exactly what the strategy needs. (MVP Time To Test) is the amount of time it would take test the idea with a Minimal Viable Product. If maths isn't your thing, invest in *Propulsion Ideas Management Software*.

Giving innovation teams free reign to come up with wild and ambitious plans (or moonshots, as they're called at Google) is the preserve of the filthy rich and inexperienced. Approaching innovations should be focused on solving challenges diagnosed in the Digital Business Strategy. Selecting the right innovation to pursue should be mathematical calculated and easy to evaluate.

Using an evaluation model has great advantages:
1. Contributors know why their ideas were rejected.
2. Contributors focus on what's important to the business if their idea is to become worthy.
3. Shooting show ponies becomes less of a team killer.

Successful Leaders Shoot Show Ponies
Once the latest innovation has been picked and the team brought together to make it a reality, it soon becomes the lighthouse of change. The new idea is paraded around the organisation with accompanying whispers of "*this is our future".* The new project has become an internal show pony. It is loved, it is exciting and it contains the hopes and dreams of a prosperous future.

Then along comes a better opportunity. One the business could exploit faster, which has better alignment with the Digital Business Strategy, less risk and better opportunity for yielding more revenue than the current innovation. It could open a new market and propel the business toward being the thought leader. But there are no resources to take advantage of the new idea. That is, unless someone shoots the much loved show pony...

The death of the pony results in mourning, but everyone gets over it. The real challenge is

reassembling a team and inspiring them to do great things when they know their next show pony could face the same fate at any time.

Most leaders make excuses to finish out the current project. Good leaders kill the pony. Brilliant leaders inspire the team to apply the same passion toward the next innovation.

Every Business Can Innovate
Good service isn't an innovation, it's an expectation. Being known for something positive that has a differentiating, tangible marketplace proposition is essential in a digital world. Maybe your restaurant makes the world's best soufflé or you have the best predictive modelling software on buying habits. Whatever it is, focus all marketing on highlighting your innovation. If a customer is on your website they probably know what you do. They want to know what you do *differently*.

Three Types of Innovation
1. *Closed:* - Do it in-house (Old school)
2. *Collaborative:* - With selected partners (Fashionable)
3. *Open:* - With customers and anyone that wants to join in (All-the-rage)

Step 6: Tactical Excellence

Delivering The Strategy

How to Create a Tactical Plan of Action

As described in *The Change Blocks*:

- Take the innovations at hand
- The capabilities available
- Align the business resources
- Answer individual needs, create clarity and inspire
- Review the diagnosed challenges defined in the strategy.
- Select the appropriate course of action to solve the near term challenges.

We all want to 'get stuff done'. It's rare that a company focuses on the strategy as they favour tactical 'outputs' over strategic 'inputs'. The quality of those tactical outputs depends very much on the quality of the leadership and their ability to articulate their strategy.

With a Clearly Defined Strategy, Trained Marketing and Technical Professionals Usually Deliver Superb Tactical Work

UCLA Management Professor Richard Rumelt suggests in his highly acclaimed book, Good Strategy/Bad Strategy, that a good strategy should contain a *strategy kernel.*

The *Diagnosis* defines the nature of the challenge, the *Guiding Policy* is the overall approach that can be taken to overcome defined obstacles, and *Coherent Action* is a set of coordinated actions and resources which overcome the diagnosed challenge.

Most businesses in their haste to achieve tactical outcomes start with Incoherent Action. Tweeting and Facebooking, website designing, integrating

systems and buying 'platforms' to perform jobs better.
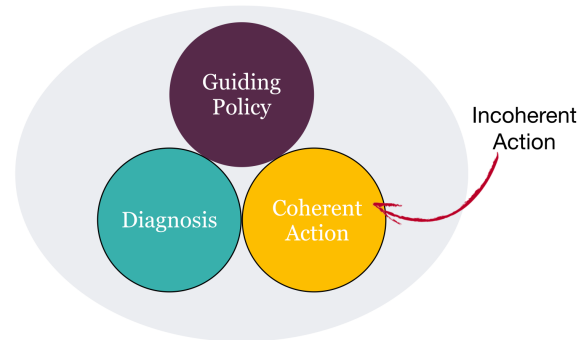
Digital Businesses, however, look for the near term challenges that need to be solved. While the solution to the challenge may be digital, it doesn't have to be. For example, wholesalers or manufacturers wanting to sell directly to consumers online and bypass their retail channel won't solve the big issue of *channel conflict* using technology. That requires diplomacy. On the other hand, logistics companies wishing to solve their information flow with customers do need technology to overcome their challenge.

Tactical Excellence is achieved when the diagnosis is accurate and the guiding policy is clearly articulated, creating coherent action.

Using the Ionology Digital Strategy Quadrant, a 'play' is typically selected where a company is challenged with creating brand warmth or increasing reach (or both).

A typical play can have lots of major Mile Markers. Creating clearly defined mile markers is the responsibility of senior managers. The Mile Markers are broken into projects which are handled by Project Managers. The projects are then broken into tasks. The tasks become the coherent action. An individual or team is allocated a task with guidance on why they are embarking on that task and what success looks like.
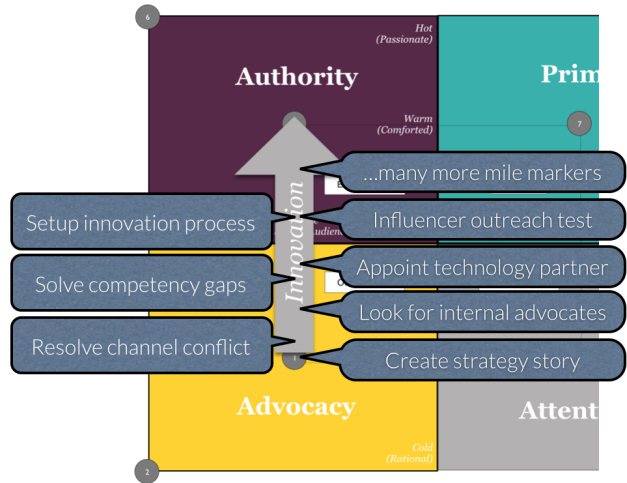
In small businesses, it's not uncommon for the senior manager to be the project manager, and even the person taking on tasks.

In any project there are always assumptions. We assume that customers want to hear what we have to say. We assume that customers want to buy what we are selling. We assume that bloggers want to publish our content. We assume that we can depose a competitor and win a position in natural search. We assume that once we have enough attention, our payment models will simply work. We assume a lot of things when creating a strategy. We have to make assumptions in the early stages of strategy development. It is imperative that the project manager seeks to resolve the assumptions as a priority of any tactical plan.

Mile Marker (1)	Projects (2)	Tasks (3)	Assumptions (4)
Most major Mile Markers can be broken into a series smaller projects. The Mile Markers signify the major events that must happen if the business is to achieve its stated vision.	Projects are the reality checks, the tactical plans that must be undertaken to complete a Mile Marker.	Actions required to compete a project	Assumptions made when creating Mile Markers
		and overcome assumptions.	and Projects. These form some of the first actions that should be taken.
	A Mile Maker can contain multiple projects.	Perpetual or one-off tasks assigned to individuals	Test to see if outcomes actually match assumptions.
		who understand the diagnosed problem and guiding policy.	Constant review of data to validate assumptions.

What we do at Ionology?

We Help you Build a Digitally Innovative and Transformed Organisation

Successful organisations have helped their people develop the digital mindset, the skills to create data-enabled strategies and the ability to leverage emerging technology through cycles of innovation.

We can help you do the same. We deliver expert led executive education programs to enterprises and governments. Our courses bridge the gap between business strategy and technology helping you gain new competitive advantage that aligns with your business transformation strategy.
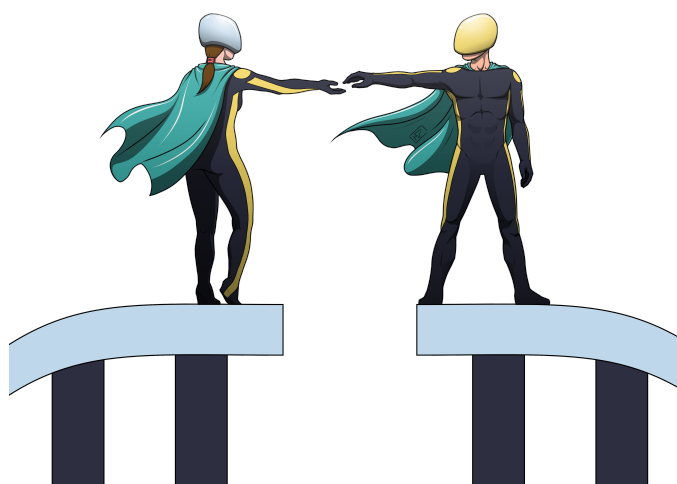
How we do it

Transformation Starts with Education

- We teach the most practical methods for delivering digital transformation, AI, digital innovation and data-driven decision making online and in your premises, worldwide.
- We help rapidly develop the 'digital mindset' across your organisation, exposing your teams to the latest techniques and tools for creating data-driven roadmaps.
- We build confidence, enabling you and your decision-makers to deliver real, tangible transformation, using evidence-based insights to create new products, services and business models.
- We help you select, create and leverage the right AI or emerging technology that delivers a digitally transformed organisation.

About Ionology

Since 1999 we have been involved in developing transformational programmes for some of the most successful enterprises, governments and niche businesses. Digital transformation strategy is a team effort, it decides whether a business flourishes or wilts.

Digital transformation means different things to different people. Some view it as simply 'remaining relevant' in a changing environment. Others perceive it as a radical change of business model in order to win new customers.   Regardless of the interpretation of digital transformation, the one constant we know to be true is that competitive advantage is won or lost in the boardroom. It is the leader's role to ensure their industry knowledge is used to maintain competitive advantage and is not overshadowed by the pursuit of technology. The company's market position and ambition must be clearly articulated before technology is considered. **Technology is the enabler, not the differentiator.**

Our framework, models, software and courses offering ensures that your business can evolve over a manageable timeframe to best exploit the new opportunities in the digital economy.

Prof Niall McKeown, Founder & CEO of Ionology