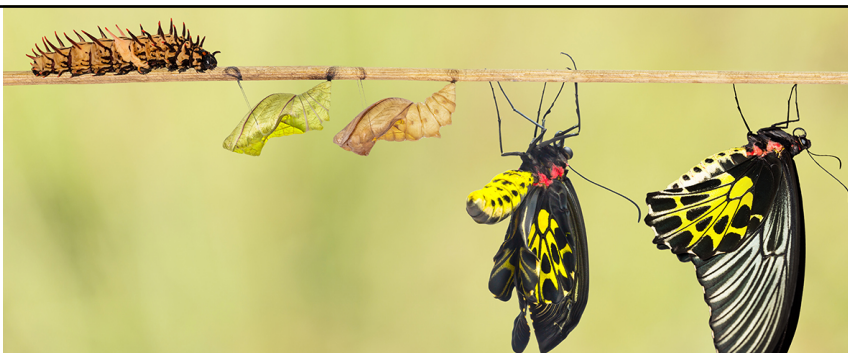




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Crossroads 2017

Turning Digital Disruption into Competitive Advantage

Tuesday, 4 April 2017

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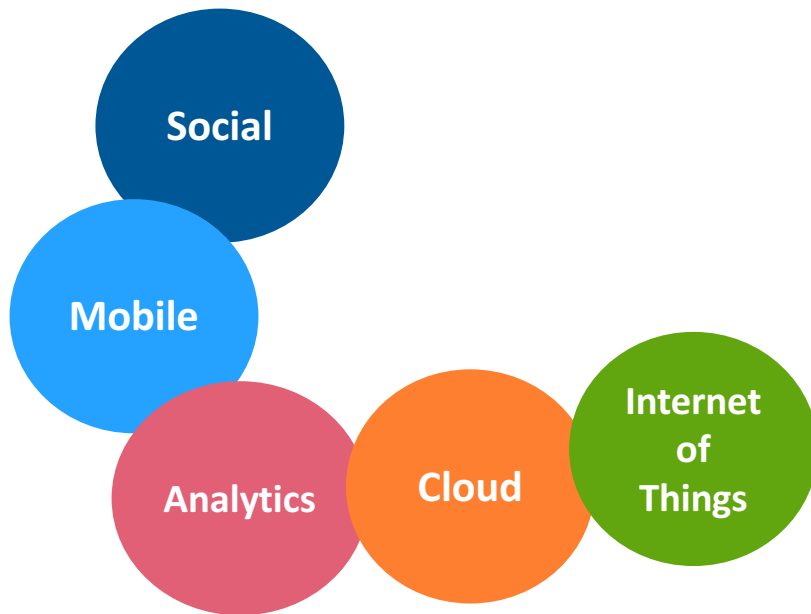
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SMACIT: Disrupting your business



How companies are inclined to respond to SMACIT¹

¹Social, Mobile, Analytics,
Cloud, Internet of Things

IT Strategy








Your Digital Strategy

Business strategy inspired by the capabilities of powerful, readily accessible technologies (like SMACIT), intent on delivering unique, integrated business capabilities in ways that will improve your customers' lives

A great digital strategy provides a grand vision

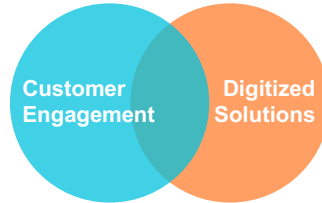


 Schindler	Schindler: Providing urban mobility solutions
 KAISER PERMANENTE	Kaiser Permanente: Patient-provider collaboration
 USAA	USAA: Ensuring the financial security of the U.S. military
 BMW	BMW: Enabling individual mobility
 Schneider Electric	Schneider Electric: Intelligent energy management solutions

Digital Characteristics: What does digital mean?



Increasingly personalized



Increasingly integrated

Seamless across all channels and consistent across sales and servicing >

Responsive to changes in customer expectations >

Engages customer in a personalized relationship, differentiated by customer segments, supported by deep insights >

Connects customer with related community when desired >

Differentiated from customer experience at competitors >

Integrated to provide a customer solution >

Responsive to emerging opportunities in the market >

Enriched with meaningful information and insights >

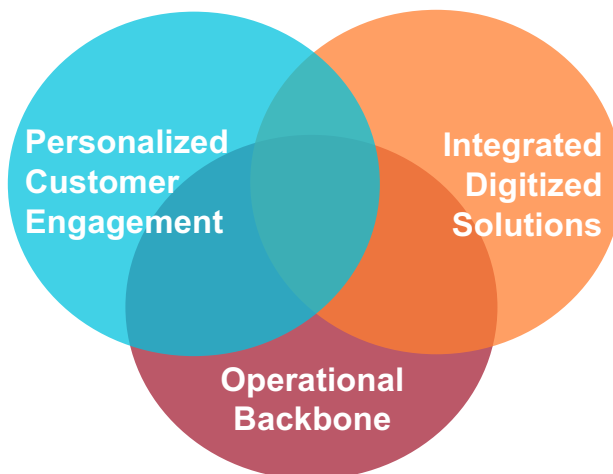
Seamlessly includes partner products and service as appropriate >

Differentiated from competitor products >

Companies tend to have neither or both of these sets of outcomes.

Source: Survey of 171 senior executives, August 2016.

Digital Business Basics



**Operational Excellence/
Integration**

Source: Ross, J.W., Sebastian, I.M. and Beath, C.M., "How to Develop a Great Digital Strategy," Sloan Management Review, Winter 2017, pp. 7-9.

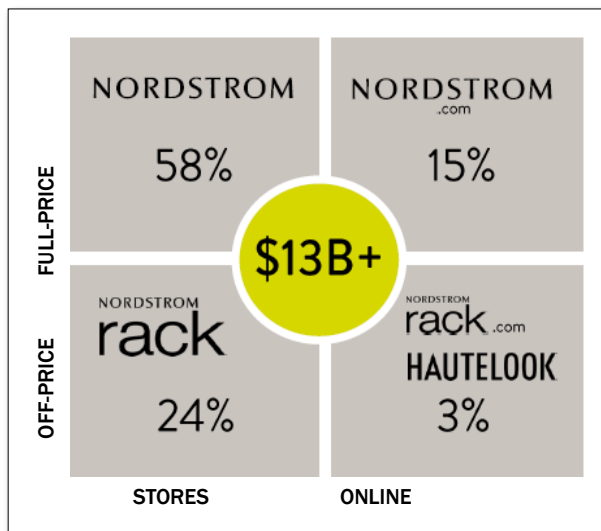
Nordstrom Inc. focuses on customer engagement



Fashion specialty retailer known for outstanding customer service

Disrupted by increasing popularity of online shopping options and discount retailers

50% sales increase since 2009; 10-year total shareholder return of 14% (compared to 8% for S&P 500)



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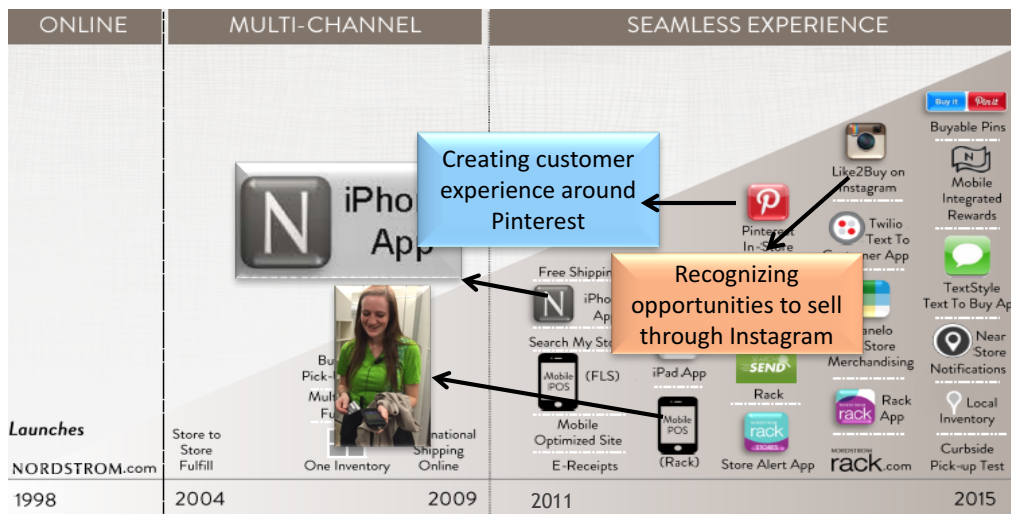
Nordstrom's digital strategy is to provide a seamless, empowered customer experience



Source: Nordstrom Investor presentation, June 2015

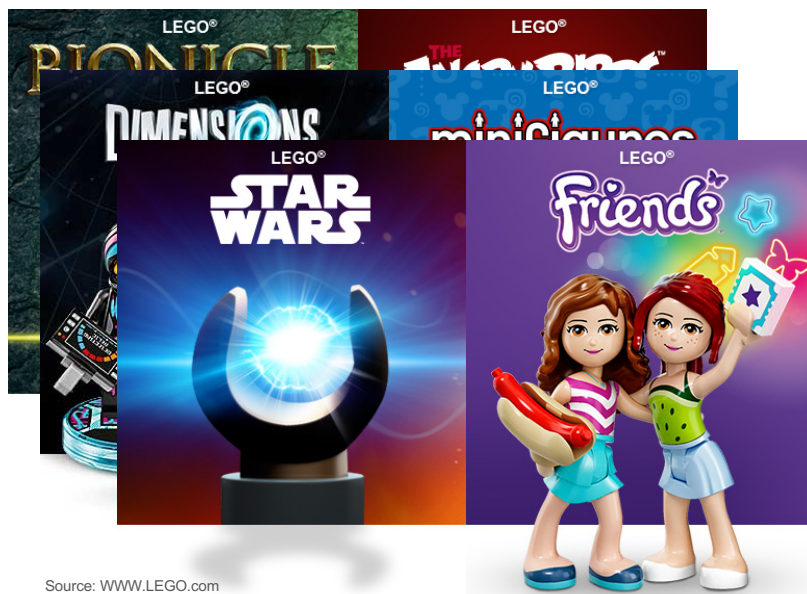
Operational backbone

Nordstrom is continuously enhancing customer engagement



Source: Nordstrom Investor presentation, June 2015

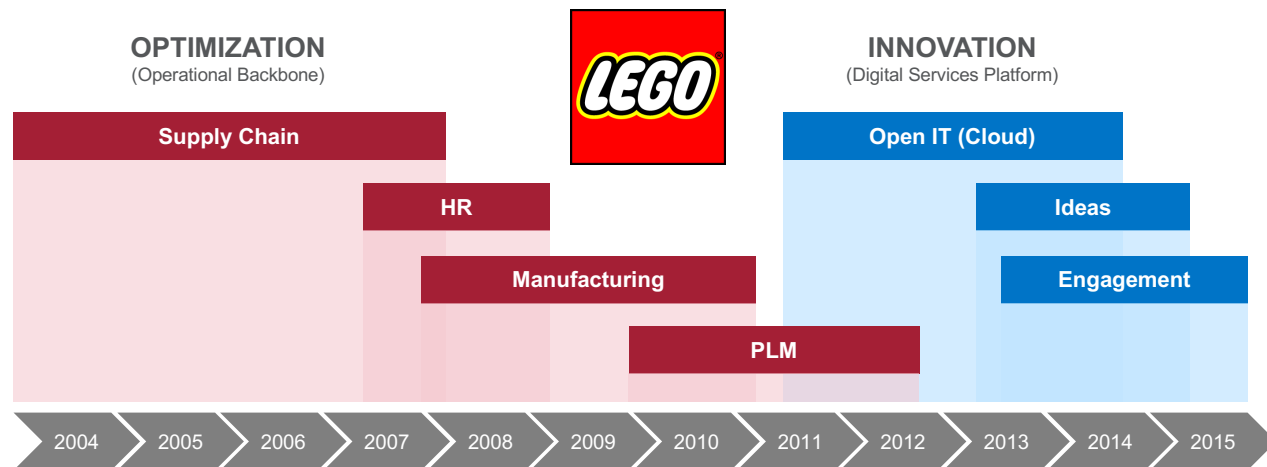
LEGO's Digital Strategy: Developing the Builders of Tomorrow



2015 Revenue	USD 5.3B
2015 Profit	USD 1.4B
Revenue from new products (12 mos)	60%
Employees	14,000

Source: WWW.LEGO.com

To become digital, Lego's platforms expanded beyond operational excellence

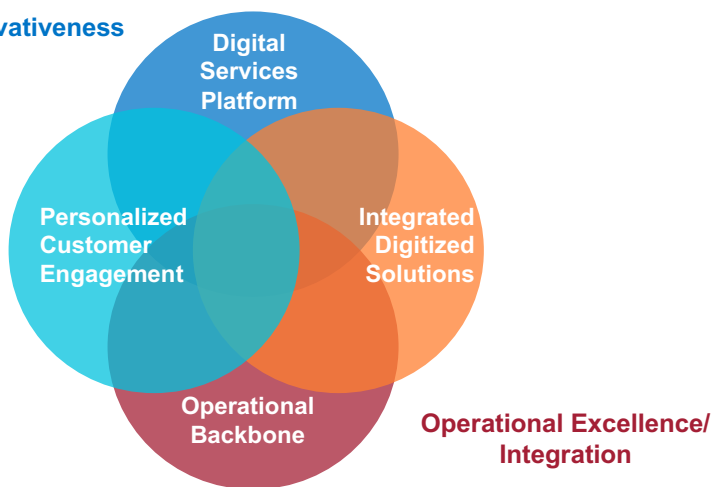


Source: Andersen and Ross, "Transforming the LEGO Group for the Digital Economy," MIT CISR Working Paper No. 407, March 2016.

To succeed digitally, an operational backbone is not enough



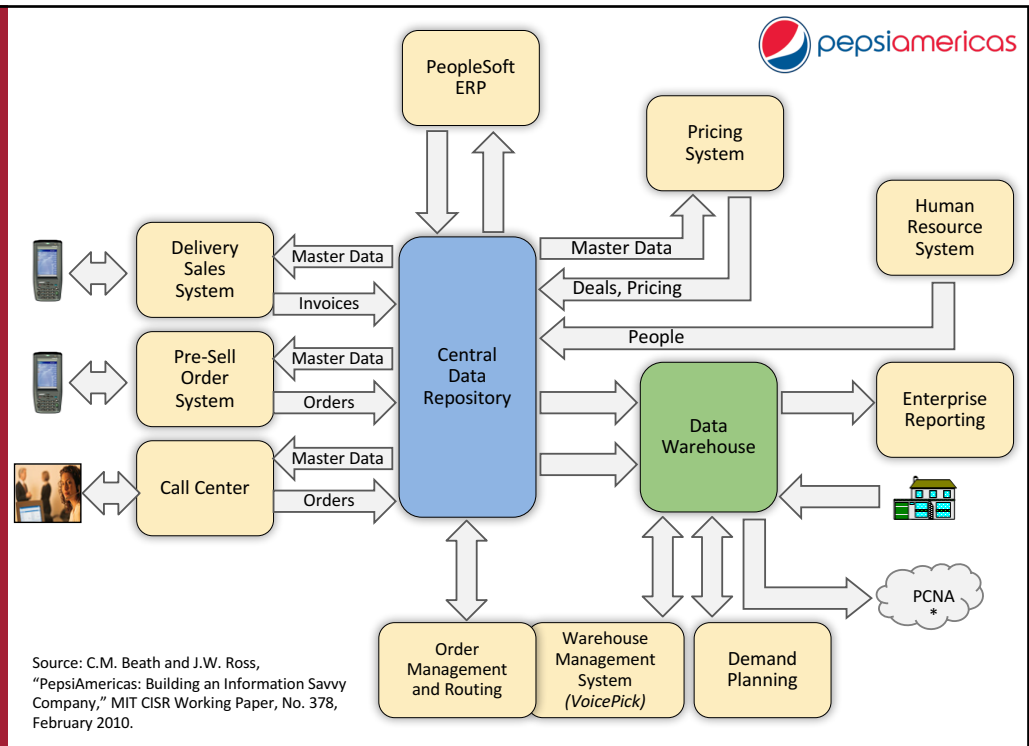
Agility and Innovativeness



Source: Ross et al, "Designing Digital Organizations," MIT CISR Working Paper No. 406, March 2016.

Big old companies know how to architect the operational backbone.

Map the target state!



A digital services platform grows organically



The digital services platform is like a coral reef

- › Constantly expanding set of API-enabled common business services
- › Analytics engines with growing set of data repositories and dashboards
- › Developer platform enabling an increasing number of partner offerings

How to achieve operational excellence, agility, and innovativeness: Two management environments



	Operational Backbone	Digital Services Platform
Management Objective	Efficiency, Scale, Security and Reliability	Innovation and Agility
Funding	Major project/program investments	Localized funding by product/capability owners
Quality Control	Release management; thorough Q&A	Test, learn, enhance or discard
Data	Single source of truth for operating data	Sensor/social/purchased data repositories
Architecture Principles	STP and workflow management; transparent view of data	Isolate common functionality from products
Key Roles	Process and data owners	Product and service owners
Key Processes	Roadmapping; architecture reviews	Cross-functional development; User-centered, iterative design

Source: Ross, Sebastian, and Beath, "Digital Design: It's a Journey," MIT CISR Research Briefing," Vol. XVI, No. 4, April 2016.

Some first steps to competitive advantage



Commit to a digital vision

Create critical operational capabilities

Experiment with digital services

Adopt and continuously improve agile methodologies