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Turning Digital Disruption into Competitive Advantage

Friday, 16 June 2017

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Suncorp Group
Swinburne University of Technology
Sydney Water
TD Bank
Teck Resources Limited
Tenet Health
Tetra Pak
Trinity Health
USAA
Westpac Banking Corporation
World Bank

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SMACIT: Disrupting your business

Social

Mobile

Analytics

Cloud
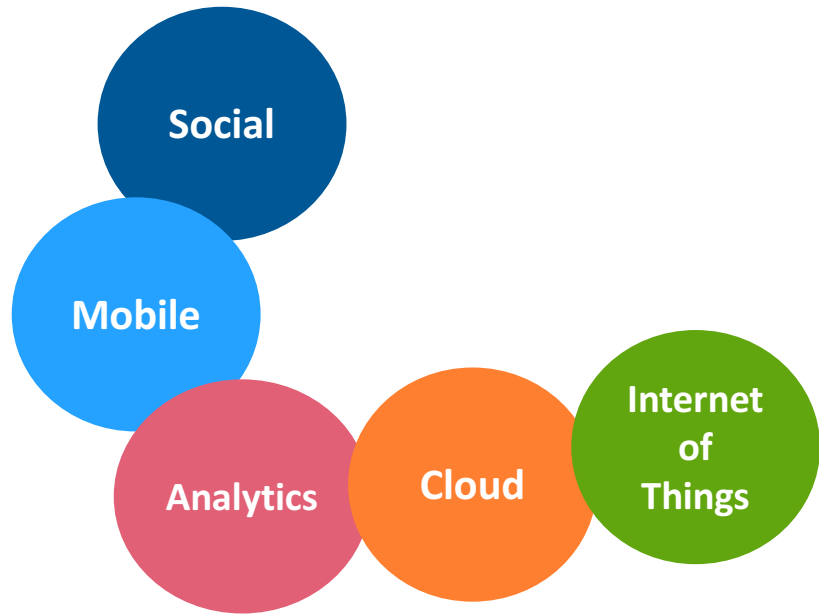
Internet of Things

How companies are inclined to respond to SMACIT[1]

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

IT Strategy

Cognitive Computing Strategy

Biometrics Strategy

Mobile Strategy

Social Media Strategy

Internet of Things Strategy

Cloud Strategy

Big Data & Analytics Strategy

Blockchain 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.**

Digital strategy transforms an established company from digitized to digital.

A clear vision is essential to digital success
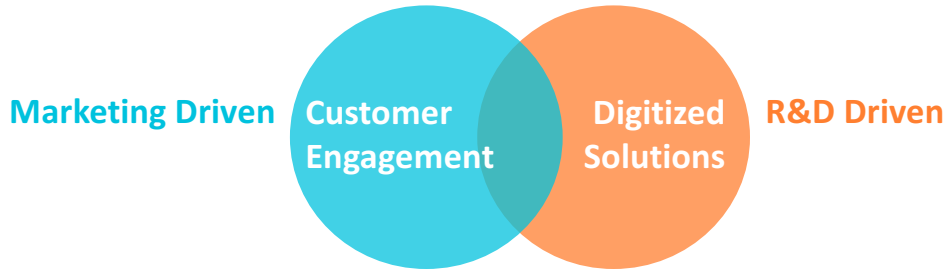
MIT CISR

Developing the builders of tomorrow

Innovating for a healthier world

Enabling individual mobility

Ensuring financial security of U.S. military members

Two choices for driver of your digital strategy

Marketing Driven Customer Engagement   Digitized Solutions **R&D Driven**

Seamless and Consistent ›	› **Value-added**
Responsive ›	› **Proactive**
Personalized ›	› **Information-enriched**
Collaborative ›	› **Boundary-less**

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

Source: MIT CISR Survey of 171 senior executives, August 2016. For more information see Ross et al,
"Designing Digital Organizations: Summary of Survey Findings, MIT CISR Working Paper No. 415, February 2017.

Digital strategy basics:

An operational backbone is table stakes (digitizes your company)
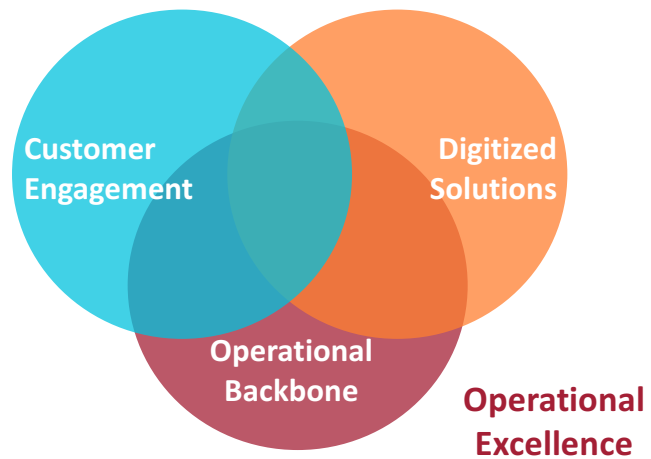
Customer Engagement   Digitized Solutions

Operational Backbone

Operational Excellence

Source: Ross et al, "Designing Digital Organizations," MIT CISR Working Paper No. 406, March 2016.
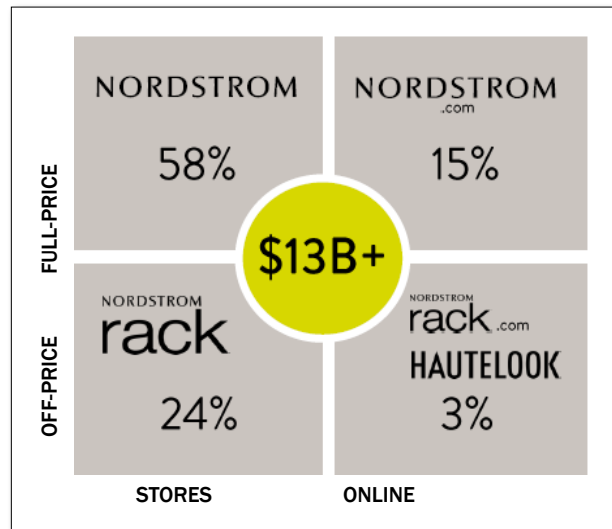
Nordstrom Inc. focuses on customer engagement

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)

Fashion specialty retailer known for outstanding customer service
Disrupted by increasing popularity of online shopping options and discount retailers
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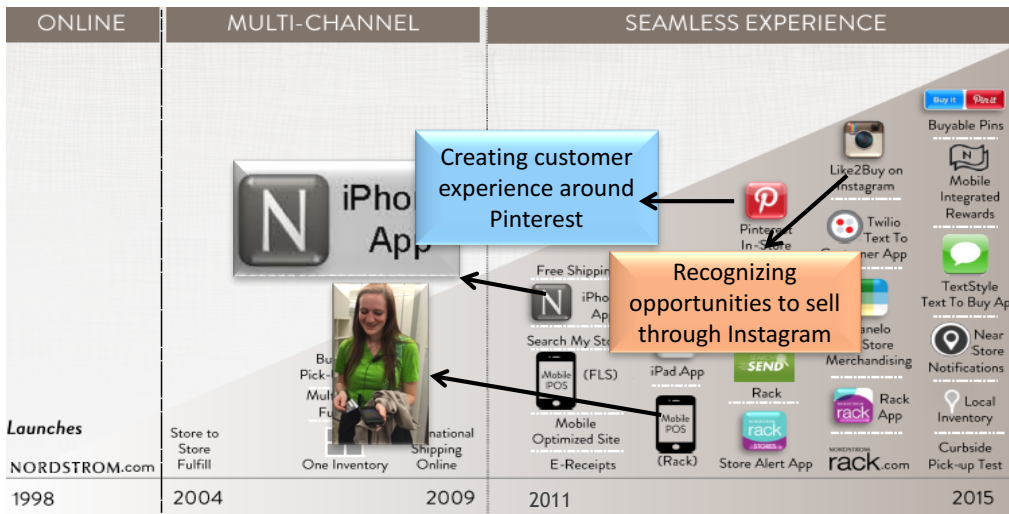Source: Nordstrom Investor presentation, June 2015

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

Operational backbone

Source: Nordstrom Investor presentation, June 2015

5

Nordstrom is continuously enhancing customer engagement

Source: Nordstrom Investor presentation, June 2015

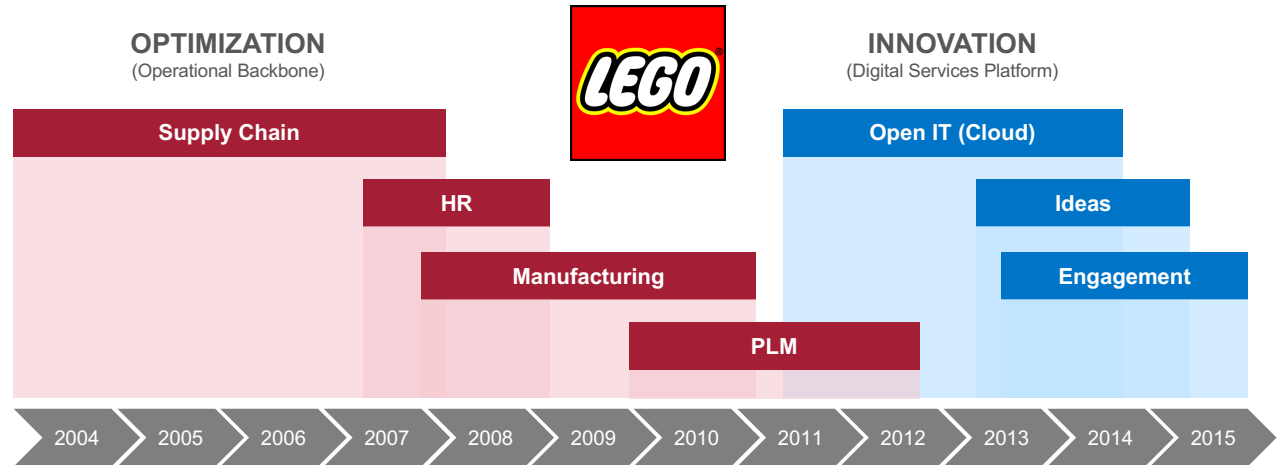## LEGO's Digital Strategy:
Developing the Builders of Tomorrow

2016 Revenue	USD 5.4B
2016 Profit	USD 1.4B
Revenue from new products (12 mos)	60%
Employees	19,000

Source: WWW.LEGO.com

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

OPTIMIZATION
(Operational Backbone)

INNOVATION
(Digital Services Platform)

Supply Chain											
HR											
Manufacturing											
PLM											
Open IT (Cloud)											
Ideas											
Engagement											

2004 › 2005 › 2006 › 2007 › 2008 › 2009 › 2010 › 2011 › 2012 › 2013 › 2014 › 2015

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

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Digital strategy basics:

An operational backbone is not enough to make you digital

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

Speed and Innovation

Digital Services Platform

Customer Engagement

Digitized Solutions

Operational Backbone

Operational Excellence
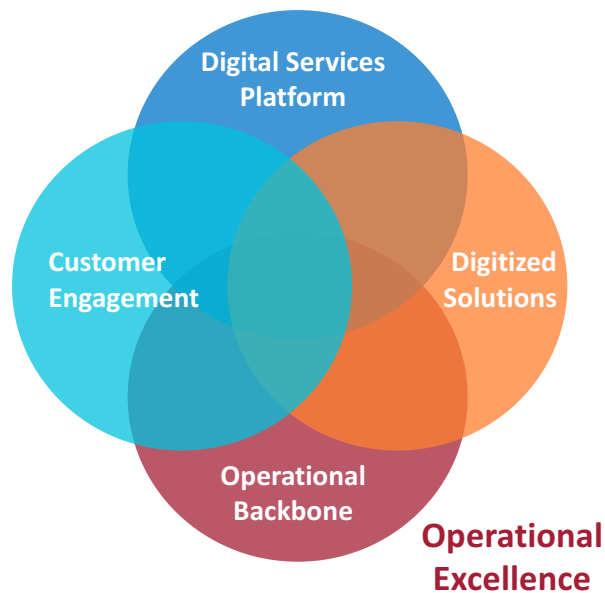
Schindler Group: Providing urban mobility solutions
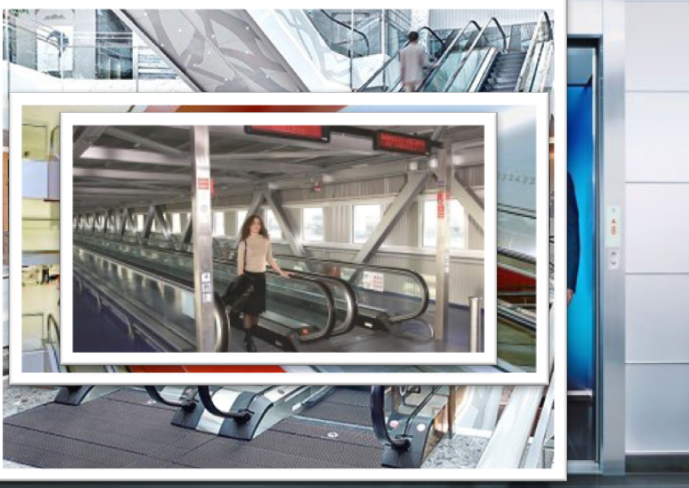
2016 Revenue	CHF 9.7B
2016 Profit	CHF 1.1B
Founded	1874
Employees	58,000

Source: www.Schindler.com

Schindler's platforms enable digital business

Operational Excellence

Leading Edge Digital Business Initiative

SHAPE
Global Business Platform

Schindler
Harmonized
Applications for
Process
Excellence

Operational backbone

Field Link:
Mobile business app for technicians

Schindler Dashboard and Dashboard Mobile: Customer empowerment

Port technology: Enriched elevator and escalator products

2005   2010   2016

Big old companies know how to architect the operational backbone.

Map the target state!

Source: C.M. Beath and J.W. Ross, "PepsiAmericas: Building an Information Savvy Company," MIT CISR Working Paper, No. 378, February 2010.

A digital services platform has no target state— it grows organically

How to build and maintain an operational backbone AND a digital services platform

	Operational Backbone	Digital Services Platform
Management Objective	Efficiency, Scale, Security and Reliability	Innovation and Agility
Funding	High-level investments in enterprise and business unit programs and projects	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	Shared technology infrastructure; End to end process management	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

Define your digital strategy

Build reusable digital services

Adopt and continuously improve agile methodologies