Destination digital

How to monetize continuous digital transformation

Table of contents

Accelerating your digital journey

Digital is changing how we live. Connected humans and machines continuously learn, innovate, take control, disrupt — all the time. A person with an idea and a laptop can mobilize a movement and change the world. Think Mark Zuckerberg.

As a result, in the business world, power and opportunity are shifting to those with digital know-how, those who can apply the know-how and those with the capital and vision to monetize the possibilities.

So how is the journey to destination digital going?

Approaches to digital adoption vary, and the wider move to digital business models has only just begun. Examples include traditional enterprises such as Procter & Gamble and Volvo. These companies mobilized enterprise-wide change focused on exploiting design thinking. New ways of working across the business and with customers to think and act outside in. This means changing enterprise culture by learning how to sense and respond at a very practical level to changing customer needs.

Others such as Amazon and Google designed for digital from the outset while some exploited digital to disrupt existing sectors by creating new models for existing value propositions — for example, Uber and Airbnb.

While there are many different start points to the digital journey, there are a few things successful enterprises have in common: a clear future vision and a culture capable of sensing and responding to the digital dynamics of continuous change.

The digital dynamics affecting a specific enterprise will be unique; however, common structures and frameworks are emerging for mapping out the digital business context, assessing value options and charting how to introduce the new culture to continuously exploit the value. Mastering digital dynamics is about successfully exploiting the frameworks.

This paper focuses on the common structures and how to exploit them, specifically:

- The digital business model context — what is it and why

- Assessing digital value — populating the model and defining the value structure this creates

- How to introduce the new digital culture and exploit the value

Thinking outside-in: The digital business model

There is no digital business model blueprint, but there is a way of thinking about merging traditional business and IT logic into a single future context structure. One that deals with so-called "outside-in" thinking.

Why is outside-in important? Businesses exist to serve customers; however, all too often they spend disproportionate amounts of time on internal structures, directing and controlling interactions — something referred to as inside-out. Today digital capabilities are enabling change all the time. Forget this and what it means to customers and employees, your business will become out of touch or worse, irrelevant. That's why digital requires an outside-in approach when defining the business model.

Here is an example of the importance of outside-in: consider retail banking. Ten years ago, retail banking spent its time making branch offices more appealing to customers. Then the design question was, "How do I become the most convenient branch experience for my customers?"

Digital capabilities changed that. How customers view a retail bank is fundamentally different. The branch visit is now only one touchpoint on multiple customer journeys attached to many customer sub-segments who actively exploit the easiest and most convenient route to getting what they want.

The new design question is, "What is my customers' relationship with money, and how do I engage in ways that are relevant and can be monetized?" The new task is to balance customer advocacy with monetizing touchpoints on each journey — journeys that banks need to understand and interact with. Those not structured to think and respond like this will fail.

In business model terms, inside-out is a strategy of bolting new capabilities onto existing ones set in a stable context and separated into discrete IT-enabled domains. Change in this world relies on stability but also encourages silo behavior where change is a lengthy process often involving conflicting agendas. It is an approach no longer relevant or appropriate in a digital world that changes every day.

The outside-in approach assumes digital capabilities operate better in unison, enabling a business model to be seen as a single changeable customer-centric structure. A business capable of responding to new customer and market requirements dynamically as a whole.

The outside-in business model context that emerges is organized into five connected domains — referred to as 5D — as outlined in **Figure 1**. The 5D structure provides a digital business model context and a map of what to focus on in a form that is decomposable and constantly changeable. This then forms a clear connection between the options and potential of the digital future while enabling localized action plans to drive the agenda forward
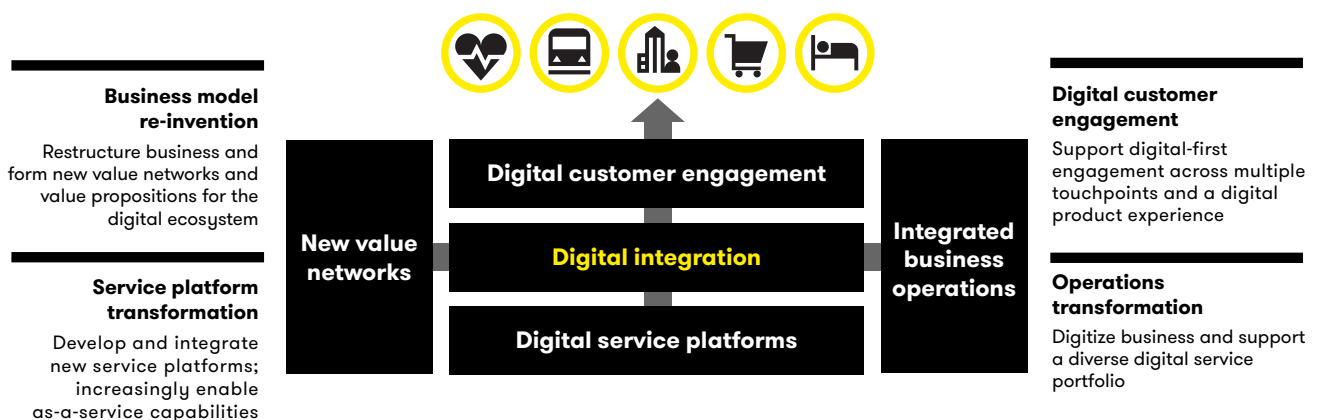
Business model re-invention

Restructure business and form new value networks and value propositions for the digital ecosystem

Service platform transformation

Develop and integrate new service platforms; increasingly enable as-a-service capabilities

Digital customer engagement

New value networks

Digital integration

Integrated business operations

Digital service platforms

Digital customer engagement

Support digital-first engagement across multiple touchpoints and a digital product experience

Operations transformation

Digitize business and support a diverse digital service portfolio

Figure 1. The importance of digital integration

Four of the five domains map to sources of digital value creation. A fifth, digital integration, binds and connects them. Digital integration contains the next-generation IT operating model and capabilities to leverage emerging digital technology.

Ways of working are introduced to evolve as options within the specific 5D structure grow. This is important to ensure that digital activity — while iterative and evolving — is introduced, organized and embedded appropriately in the new digital-ready culture.

Assessing digital value options

CEO sponsorship for exploiting digital has never been stronger. Digital exploitation is now seen as essential to improving business value in new ways — no longer an IT discussion but rather a transformation opportunity. Important transformation areas often cited are customer and employee engagement, process agility, simplification and automation, digital platform development, talent acquisition and collaborating in broader, growing digital ecosystems. These are themes that align well with the 5D structure outlined in Figure 1.

Is it a trend or the dawn of a new way of running business? We believe it's the latter. We believe the context for articulating value options in terms of 5D is set within a local industry and market context. Assessing the digital dynamics is completed by considering the three truths of digital disruption linked to the four sources of digital value creation as outlined below.

The three truths of digital disruption

The first is that the consumer is in charge, they are already digital and will define the next market-facing move. Consider, for example, the retail banking example noted previously.

The second is the importance of asymmetric competition, where competition will come from unexpected sources. Consider, for example, Orange buying a bank. Why? To compete in emerging markets and third-world countries where the majority of interactions with retail banks is via a mobile device. Other examples include Uber and Airbnb.

The third truth is that digital leaders maintain control of the customer interactions without the need for asset intensive investments. Examples include firms like Uber, Airbnb and Netflix.

As disruptive impacts are assessed, opportunities that arise are aligned into four sources of value creation:

1. Through technology enablement and new ways of working within IT, something we call the digital core

2. Through digitizing business processes, for example, automation and new ways of working within the business

3. Via business innovation or re-invention, including aligning with adjacent sectors and exploiting new customer value propositions such as telecommunications working with providers and automotive suppliers

4. Digital customer experience by understanding customer journeys at a detailed level and leveraging digital capabilities to improve the brand experience by introducing new products and services

Figure 2 shows an example of the 3x4 assessment, highlighting the impacts for a food retailer. The narrative elaborates on the digital customer experience theme.

Figure 2. Digital customer experience for a food retailer

Retail food example	Consumer is in charge	Asymmetric competition	Winners minimize their asset base
Business model innovation	Curated choices Right price More convenience Whenever	Automated digital retailing	Low-density delivery partnerships
Digital customer experience	Kiosks, digital shelf edge, digital fitting room, hyper-personalized product information and commerce	Digital watermarks, Social 2.0, gamification, affinity group buying, shopping assistant	Rapid, flexible delivery CX as-a-service
Digital business process transformation	Shelf execution as-a-service Inventory digital shadow	Collaboration with suppliers	Supply chain as-a-service F&A as-a-service
Digital technology core	Wearables/mobile Home assistant robot Digital kitchen	Connected transit direct to consumer Commerce fulfillment	Cloud-enabled integrated architecture Platform as-a-service Mobility as-a-service

Digital customer experience

Today's food retailers need to cater to more empowered consumers. This means delivering a consistent, integrated shopping experience across channels and devices. Being able to react quickly to changing consumer demands and delivering a differentiated experience at every turn.

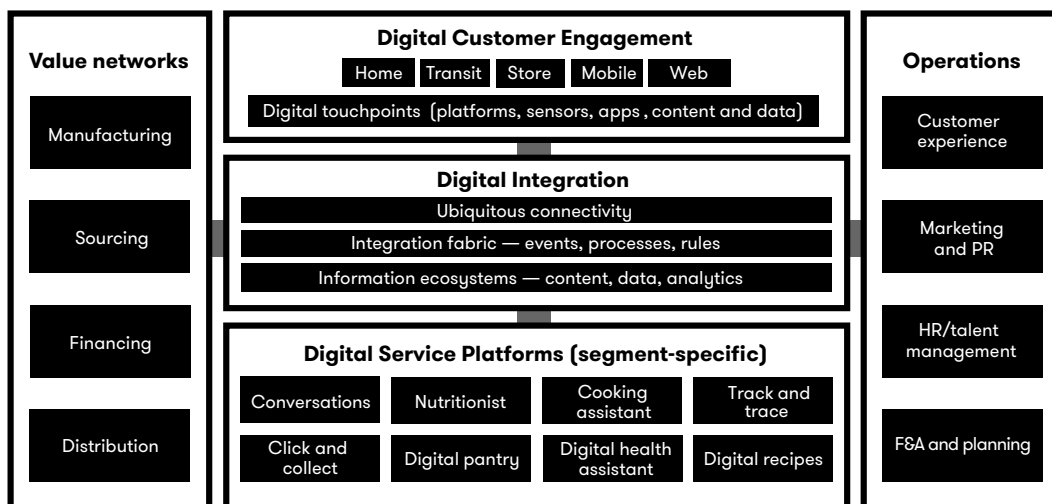Emerging disruptions address how retailers:

- Interact with highly informed customers

- Tackle the lifestyle context — for example, help keep me fit and healthy

- Move from one-to-one engagement to mass social engagement

- Deal with share of attention, make interaction personalized and fun and create cheaper and simpler platforms for them to use

Answering these questions identifies opportunities to create value, including:

- Brand awareness and advocacy — loyalty, increased footfall and revenue growth

- Breadth and depth of brand engagement and marketing effectiveness — loyalty and portfolio growth

- Reduced cost of sales and promotional effectiveness — conversion, return on marketing spend

As a result of this type of analysis, a populated 5D model emerges, listing all the potential value opportunities open to the retail business as outlined in F**igure 3**.

Figure 3. 5D model identifying value opportunities for a food retailer

Value networks	Digital Customer Engagement	Operations
Manufacturing	Home Transit Store Mobile Web	Customer experience
Sourcing	Digital touchpoints (platforms, sensors, apps, content and data)	Marketing and PR
Financing	**Digital Integration** Ubiquitous connectivity Integration fabric — events, processes, rules Information ecosystems — content, data, analytics	HR/talent management
Distribution	**Digital Service Platforms (segment-specific)** Conversations Nutritionist Cooking assistant Track and trace Click and collect Digital pantry Digital health assistant Digital recipes	F&A and planning

Enabling and monetizing continuous digital change

Most enterprises are at the beginning of their digital journey. To get started and stay on track, they must establish a new culture capable of tackling continuous change. A culture based on fluid engagement and collaboration between planning environments, the entire organization, suppliers, partners and the broader ecosystem. One reinforced by governance and transformation enablement capabilities that resolve tensions and resistance to change.

Collaboration of this kind already exists with developer and start-up communities. Enterprises that can effectively orchestrate and tap into these new ecosystems will gain the economic advantage — leveraging force multipliers to deliver value.

Some of the basic changes are in the way businesses think. For example, traditional business perspectives of "owning" customer relationships and "squeezing" suppliers don't apply in the digital world. Control and certainty are replaced by a pioneering culture where experimentation and failure are preferable to passivity. Although immediate relevance and focus may vary, every enterprise must balance the need for ideation and experimentation with broader existing challenges.

Culture here is defined as new ways of working — real behavior change brought about by thinking, communicating, problem-solving, executing and behaving differently. Truly changing behaviors is the most challenging outcome to achieve.

Figure 4 outlines the digital lifecycle to cope with continuous change. It is clear that with digital, things happen all the time, and the broader canvas created with 5D emerges as a portfolio of options — options that follow a more iterative life cycle.

Ideas in EXPLORE are tested in the real world. Solutions that then need to scale enter the ELABORATE phase, where preparing for larger-scale change implementation is the main focus. In EXECUTE, programs are incrementally introduced at scale. EVOLVE caters to ongoing alignment and change management of digital transformation capabilities as they are required.

Additional details of each life cycle phase are covered in the next section.
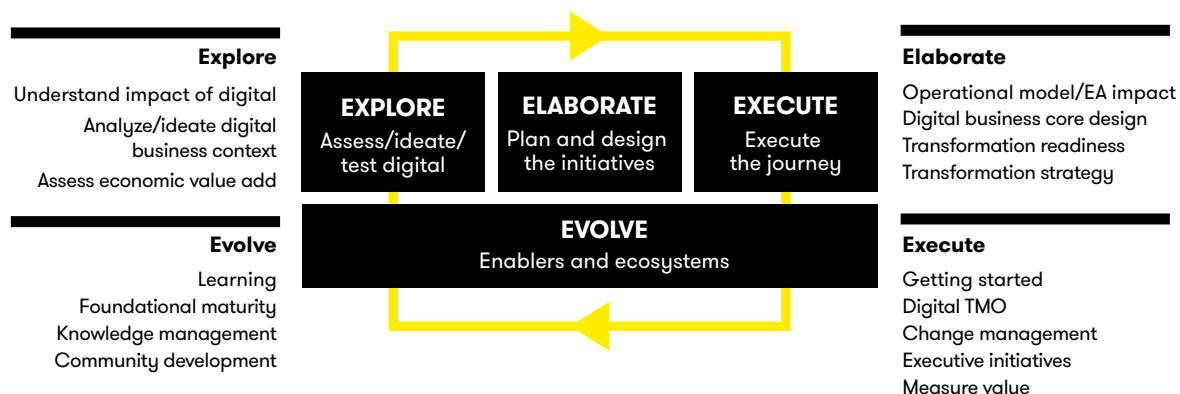
Explore

Understand impact of digital
Analyze/ideate digital
business context
Assess economic value add

Evolve

Learning
Foundational maturity
Knowledge management
Community development

EXPLORE
Assess/ideate/
test digital

ELABORATE
Plan and design
the initiatives

EXECUTE
Execute
the journey

EVOLVE
Enablers and ecosystems

Elaborate

Operational model/EA impact
Digital business core design
Transformation readiness
Transformation strategy

Execute

Getting started
Digital TMO
Change management
Executive initiatives
Measure value

Figure 4. Digital lifecycle structure outline

EXPLORE

How relevant is digital to my enterprise and what is it worth? The focus here is on the impact of digital through continuously examining the impact of the three truths, sensing and responding — assessing value creation options, populating and updating the 5D landscape, and testing the ideas in action. The emphasis is that digital change is not the generation of lots of paper based analysis; it involves real results with real stakeholders as early as possible.

Techniques can be traditional assessments, applying rapid design thinking, techniques such as the business model canvas or widespread experimentation and innovation-gathering-testing techniques. The desire here is to succeed or fail early and at a very practical level.

A recommended parallel activity is to use economic value add (EVA) to consider the end-to-end business impact. The end of the explore phase for any new idea is marked by a decision gate that allows an idea to move from crystallizing the ambition into elaborating the potential as a workable solution and how it will be implemented.

ELABORATE

What is my digital transformation roadmap (T-Map) and how do I implement it? The 5D choices form a T-Map as a portfolio of operating model choices linked to architecture, digital core and transformation capability change. The latter is key, as the most pragmatic way to change and learn is to gradually improve the digital maturity and readiness as change takes place.

To enable this, DXC recommends introducing a Digital Transformation Management Office (DTMO). The DTMO operates across functions and enables fluid connection and issue resolution to maximize agility. The portfolio supporting execution of the T-Map is then baselined, iterated and evolved over time in line with existing planning, governance and review activity.

EXECUTE

How do I implement my journey? It is important to link outcome commitments to execute-level and business unit scorecards to align with existing planning processes and enable greater cross-functional collaboration, experimentation, agility and speed. This aligns and embeds incremental change within existing structures that changes them gradually over time.

The Proctor and Gamble example cited earlier gradually enrolled 20,000 staff in the digital journey, something that happened over time. The digital culture that emerged evolved through careful sponsorship from the top aligned with practice outcome-based change within the operating model grounding new ways of working with the entire business' ongoing performance improvement.

EVOLVE

How do I enable continuous value-based digital transformation? Going digital is not a one-off event or program. It is a culture change that will evolve and implement a digital vision over time.

Ideally, the DTMO is a cross-functional team wired into ongoing planning activity. They are charged with governing foundational assets, improving digital transformation capability maturity, identifying and connecting in the broader ecosystem of digital capabilities and partners, and enabling easy access, application and evolution of all collaborative techniques. It may also be the lead function within a digital incubation center responsible for testing, deploying and incrementally changing the business operating model.

Regardless of how the DTMO is established, it must be seen as an enabler to a broader digital strategy sponsored from the top. The outcome should be that EXPLORE-ELABORATE-EXECUTE-EVOLVE activities become business as usual, enabling the enterprise to become a digital ecosystem player — one capable of sensing and responding, anticipating and innovating as a single unit, all the time.

One of the big questions is where this function would reside. DXC believes this a board-level function aligned with existing planning functions charged with operating across the business.

Taking the next step

Mastering digital dynamics is complicated — do you have it covered?

The answer is likely to be "sort of, part of it but not all of it." DXC Technology knows that digital requires a new business model and a culture change that introduces a way of operating that fundamentally impacts how most enterprises work. Even those that chose to go digital from the outset now face the challenge of controlling issues such as architecture and collaboration.

Digital does not mean and should not result in chaos. That's why we recommend introducing a Digital Transformation Management Office.

The imperatives and approach for getting started depend on your current situation and attitude to risk. Some enterprises have positions of strength based on existing customer relationships and information equity, as well as assets that are hard to replicate. Others less so, having already been significantly disrupted or on the cusp.

Whatever your starting position, taking control of your continuous digital transformation agenda has never been more important. At a minimum, we recommend you understand the digital dynamics affecting your enterprise and know your digital business context and value creation options.

If you currently do not have this level of clarity, our recommendation is act now to establish that clarity — and discover the value from your digital transformation.

**Learn more at
www.dxc.technology/
consulting**

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