THE **CONFERENCE BOARD**

Realizing the Full Potential of Digital Transformation

October 7, 2020

Today's Webcast – Realizing the Potential….
Key Actionable Insights

1. "Digital Transformation" is less about Digital and more about **TRANSFORMATION**

2. Where The Conference Board brings unique value: Real stories, learnings, and insights from Fortune 500 and beyond **Practitioners**.

3. **Three core insights** extracted on how Digital becomes TRANSFORMATION

4. **Five competencies** required to support and enable Digital TRANSFORMATION

Today's Presenters

Charles Popper
Co-Program Director, CIO
Business Council
The Conference Board

Chander Velu
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Department of Engineering,
University of Cambridge
Senior Fellow
The Conference Board

John Metselaar (Moderator)
Program Director and
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The Conference Board

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Realizing the Full Potential of Digital Transformation

Three Areas of Focus
Janet Hao, Sean Hicks, Charles Popper, and Chander Velu

Authors

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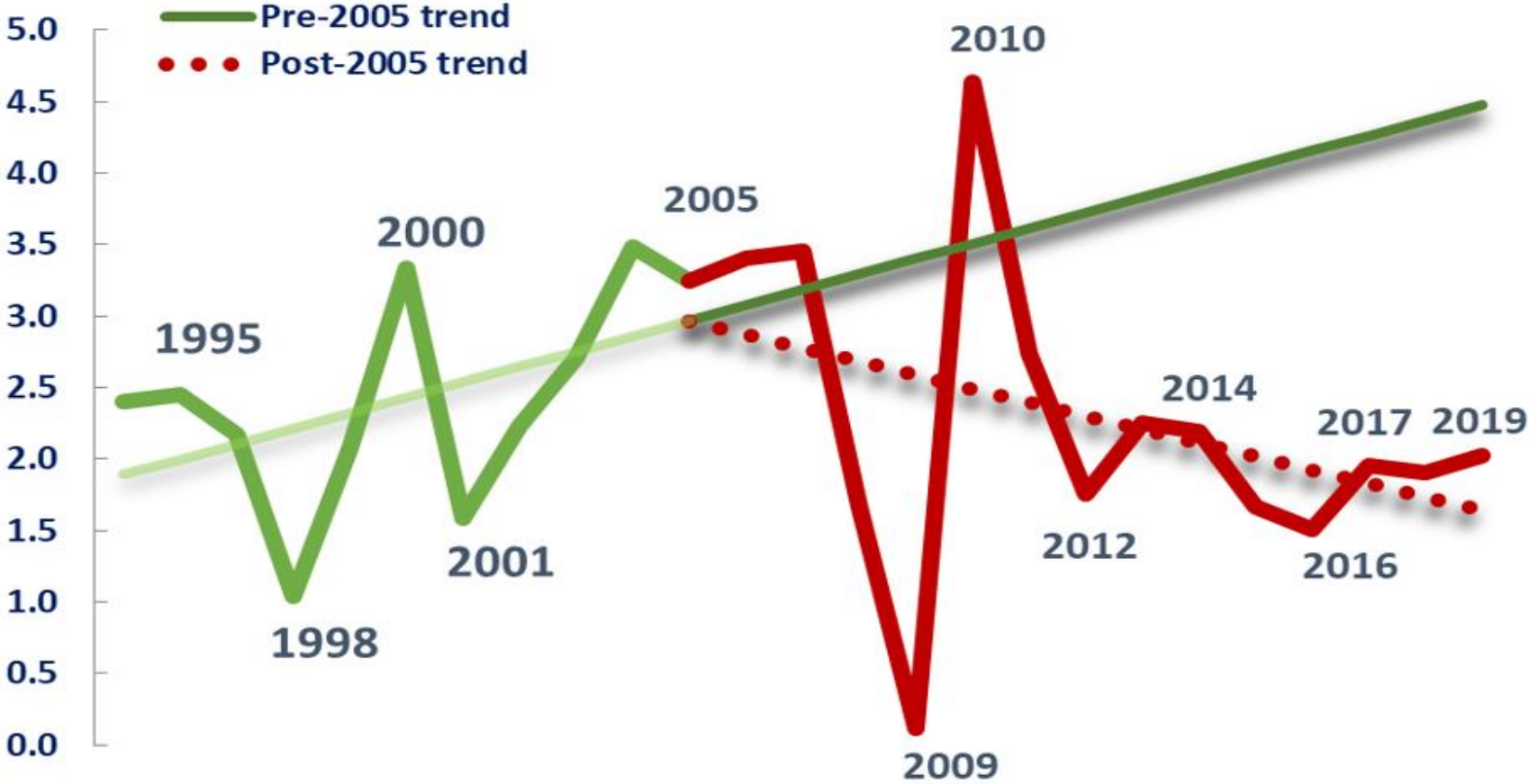& Digital Transformation
The Conference Board

Chander Velu
Associate Professor,
Department of Engineering
University of Cambridge

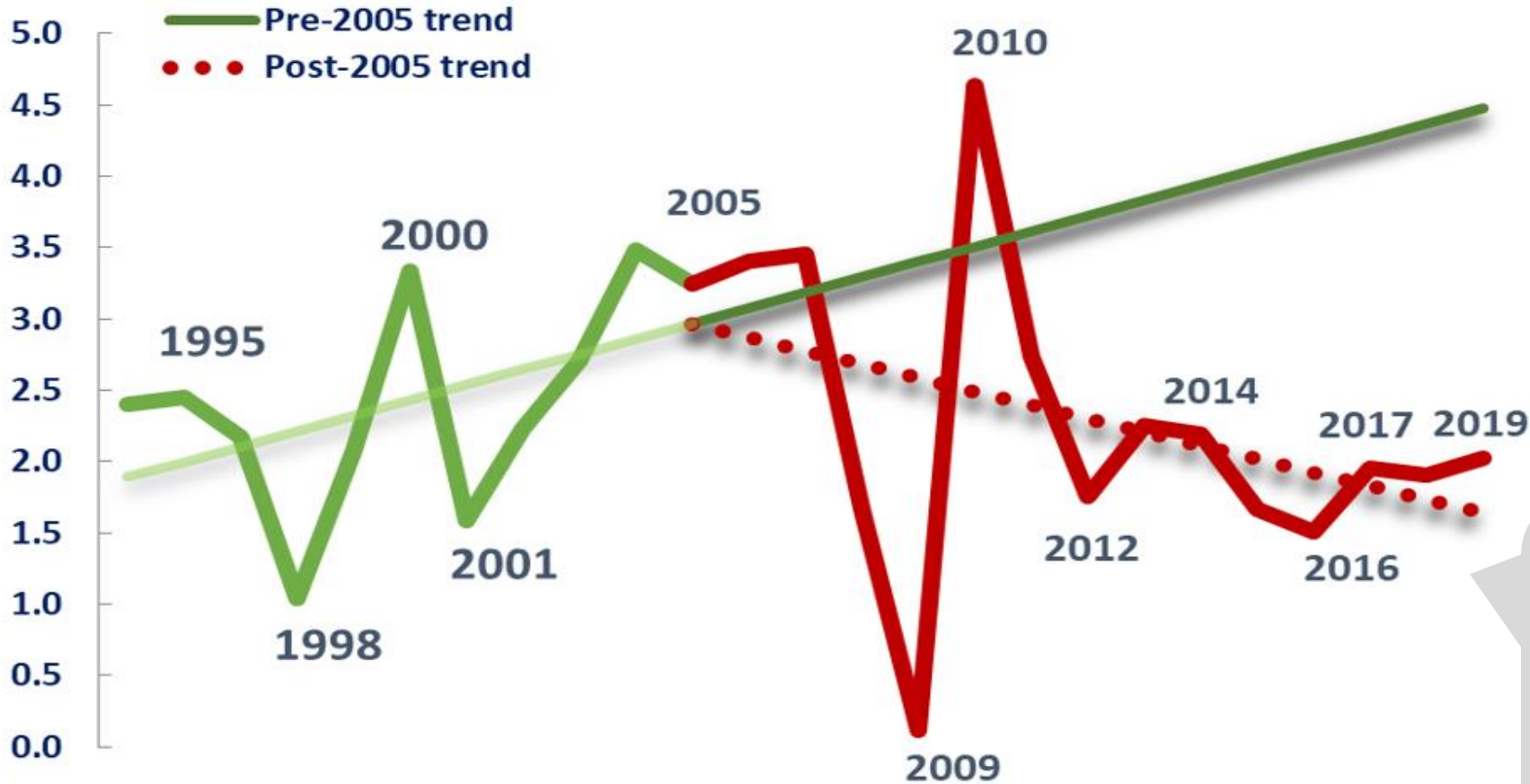# Growth in Global GDP Per Person Employed

Annual and trend, 1995-2019, %

Source: The Conference Board Total Economy Database, April 2019
(https://www.conference-board.org/data/economydatabase/)

Growth in Global GDP Per Person Employed

Annual and trend, 1995-2019, %

Productivity Paradox: Despite the ubiquity of digital technologies, global productivity growth has tapered since 2005.

Source: The Conference Board Total Economy Database, April 2019 (https://www.conference-board.org/data/economydatabase/)

What is Digital Transformation?

Digital transformation is the use of digital technologies (such as ubiquitous broadband, cloud storage, mobile technologies, data analytics, machine learning/artificial intelligence, and emerging production technologies such as additive manufacturing) and the data they produce to connect organizations, people, physical assets, and processes to generate better business outcomes.

DIGIT**IZATION**

The conversion of products to digital format and the concomitant inventions that ensue

DIGIT**ALIZATION**

The application of digital technologies to re-engineer and enhance business processes and the internal operating model.

DIGITAL **TRANSFORMATION**

The innovation of external business models via the application of digital technologies.

Three Insights

1 Digital transformation must be integrated within business strategy

2 Digital transformation is most impactful when it leads to business model innovation

3 Measuring digital transformation requires a multifaceted approach

1

Digital transformation strategy must be integrated within the business strategy

- Companies with a digital strategy closely derived from the overarching corporate or business unit strategy saw superior results from their digital transformations

- These companies were not "going digital" merely for the sake of "going digital"

- "Bold bets" on digital initiatives often fail if they are not integrated within a firm's strategy

DIGITAL TRANSORMTION

STRATEGY

DIGITAL TECHNOLOGIES
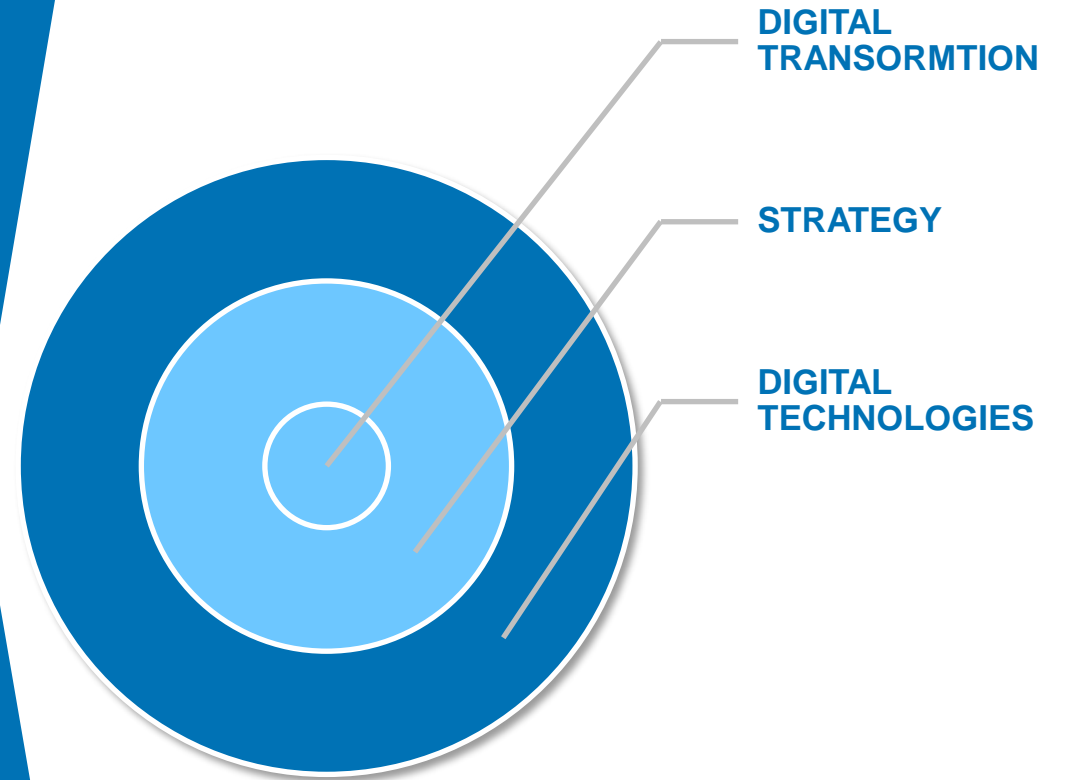
CEOs: Creation of new business models because of disruptive technologies a critical issue

INTERNAL HOT-BUTTON ISSUES	CEOs						Non-CEOs
	Global	USA	Europe	Latin America	China	Japan	C-Suite
Attraction and retention of top talent	1	1	1	1	1	2	1
Create new business models because of disruptive technologies	2	2	2	3	3	4	2
Create a more innovative culture	3	5	3	2	4	3	3
Develop "Next Gen" leaders	4	3	5	5	T-6	1	4
Cost reduction	5	6	4	7	T-6	8	5
Data analytics/data collaboration	6	4	10	6	8	10	6
Volatility in cash flow	7	T-10	7	8	5	T-16	11
Better alignment of compensation and incentives with business strategy	8	8	14	9	2	7	9
Manage mergers and acquisitions	9	7	6	11	12	13	7
Build a more inclusive culture	10	9	11	14	T-13	5	8
A more effective performance measurement system for employees	11	T-15	9	10	9	9	10
Wage inflation	12	17	8	17	T-10	T-11	15
Redistribute work between humans and machines	13	14	16	12	T-10	T-11	13
Workforce diversity	14	T-10	12	16	T-16	6	16
Data privacy	15	13	15	15	15	T-16	12
Implement equal pay for equal work	16	19	13	4	19	T-16	14
Labor regulations	17	18	17	13	T-13	T-14	18
Other	18	12	18	18	T-16	T-14	17
Provide healthcare benefits for employees	19	T-15	19	19	T-16	19	19
	N=740	N=123	N=162	N=188	N=89	N=112	N=780

Note: T indicates tied ranking

Source: The Conference Board C-Suite Challenge 2020

Digital transformation is most impactful when it leads to business model innovation

Business Model

- Value Proposition
- Value Creation
- Value Capture
- Value Network

Strategy

Operating Model

- Tactical set A
- Tactical set B
- Tactical set C

Strategy stage (contingency plan for which business model to adopt)

Business model (underlying business logic of the go-to-market strategy)

Operating Model (tactical optimization)

Digital Technologies
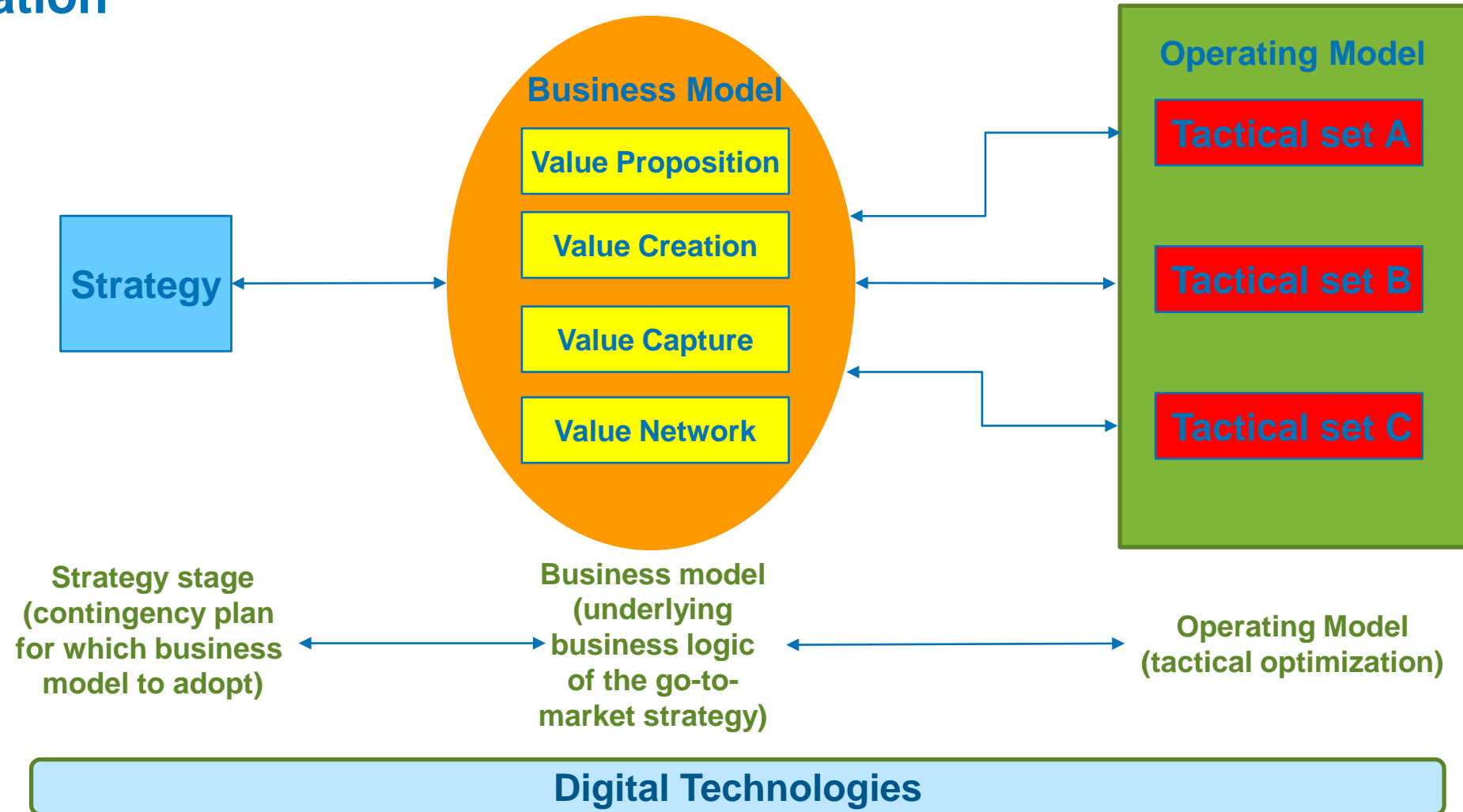
Source: Casadesus-Masanell and Ricart, 2010, LRP; Velu, C. (2018), Coopetition and Business Models, Routledge

Digital transformation opportunities and challenges

3M → **Servitization of furnace filters and manufacturing**

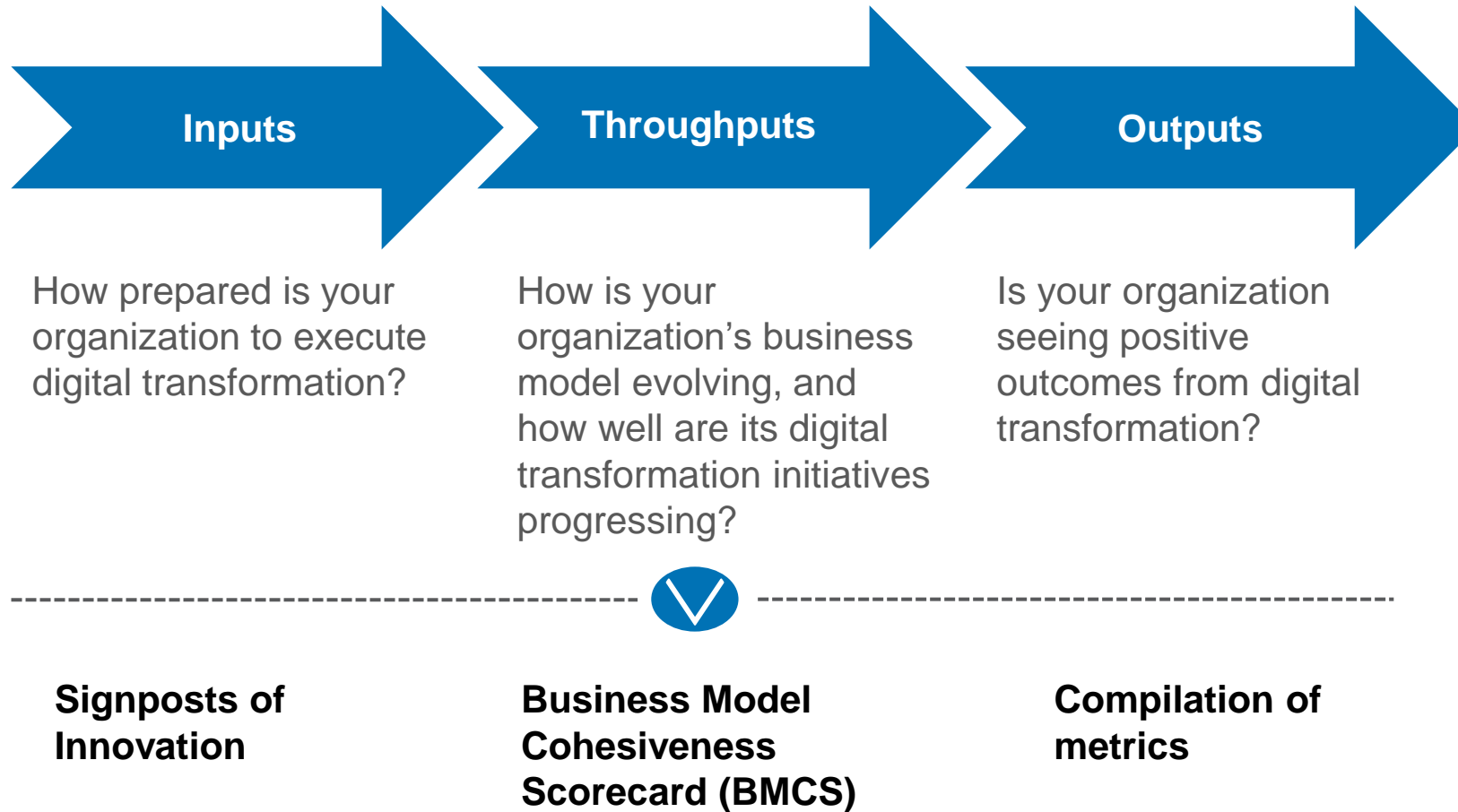

Global Car Rental Co → **Telematics and fleet management services**

De Beers → **Global traceability of diamonds**

Measuring digital transformation requires a multifaceted approach

Inputs

Throughputs

Outputs

How prepared is your organization to execute digital transformation?

How is your organization's business model evolving, and how well are its digital transformation initiatives progressing?

Is your organization seeing positive outcomes from digital transformation?

Signposts of Innovation

Business Model Cohesiveness Scorecard (BMCS)

Compilation of metrics

Use Signposts of Innovation to assess readiness for digital transformation

RESEARCH & DEVELOPMENT
using breakthroughs in science, engineering, or applied sciences

DIGITIZATION
using mobile technology, Internet access, cloud services, big data and analytics as well as social media and enterprise platforms, artificial intelligence, and cognitive computing

EXTERNAL INNOVATION ECOSYSTEM
contains all external parties and factors which affect a firm's ability to innovate positively (or negatively)—from other companies to government policies to customer needs, to name just a few

BUSINESS & FINANCIAL OUTCOMES

INTERNAL INNOVATION CULTURE
is the collection of leadership and organizational values, policies, processes, practices, and tools that affects the innovation potential of a company

ENVIRONMENTAL & SOCIAL SUSTAINABILITY
involves innovation driven by the pursuit of a business growth strategy that seizes opportunities and manages risks related to the company's environmental and social impacts

BRAND & CUSTOMER EXPERIENCE
that drives and is built through innovations

Source: The Conference Board.

MIS Reporting on Profitability and Business Models
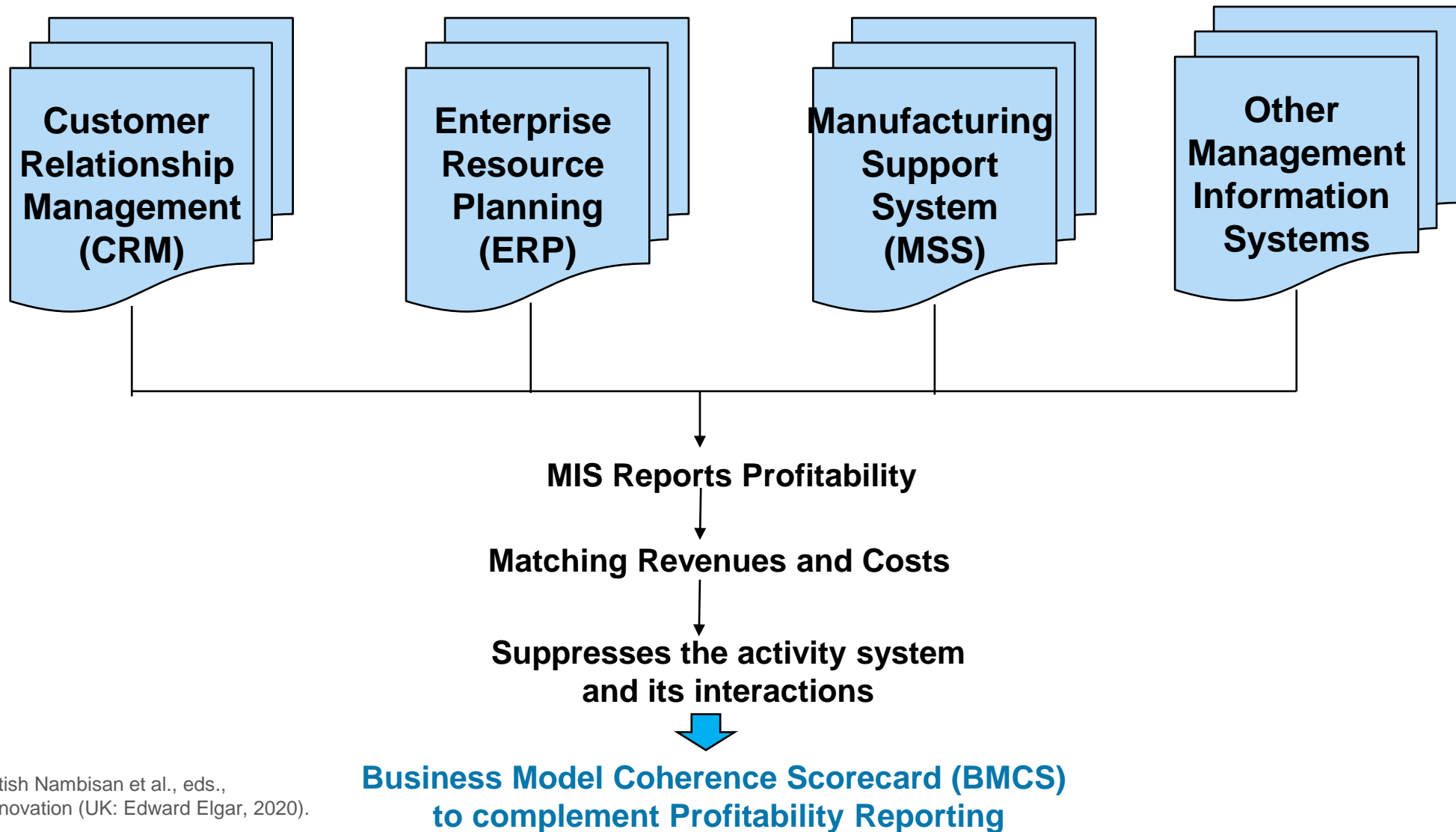
Customer Relationship Management (CRM)	Enterprise Resource Planning (ERP)	Manufacturing Support System (MSS)	Other Management Information Systems

MIS Reports Profitability

↓

Matching Revenues and Costs

↓

Suppresses the activity system and its interactions

↓

Business Model Coherence Scorecard (BMCS) to complement Profitability Reporting

Business Model Cohesiveness Scorecard (BMCS)
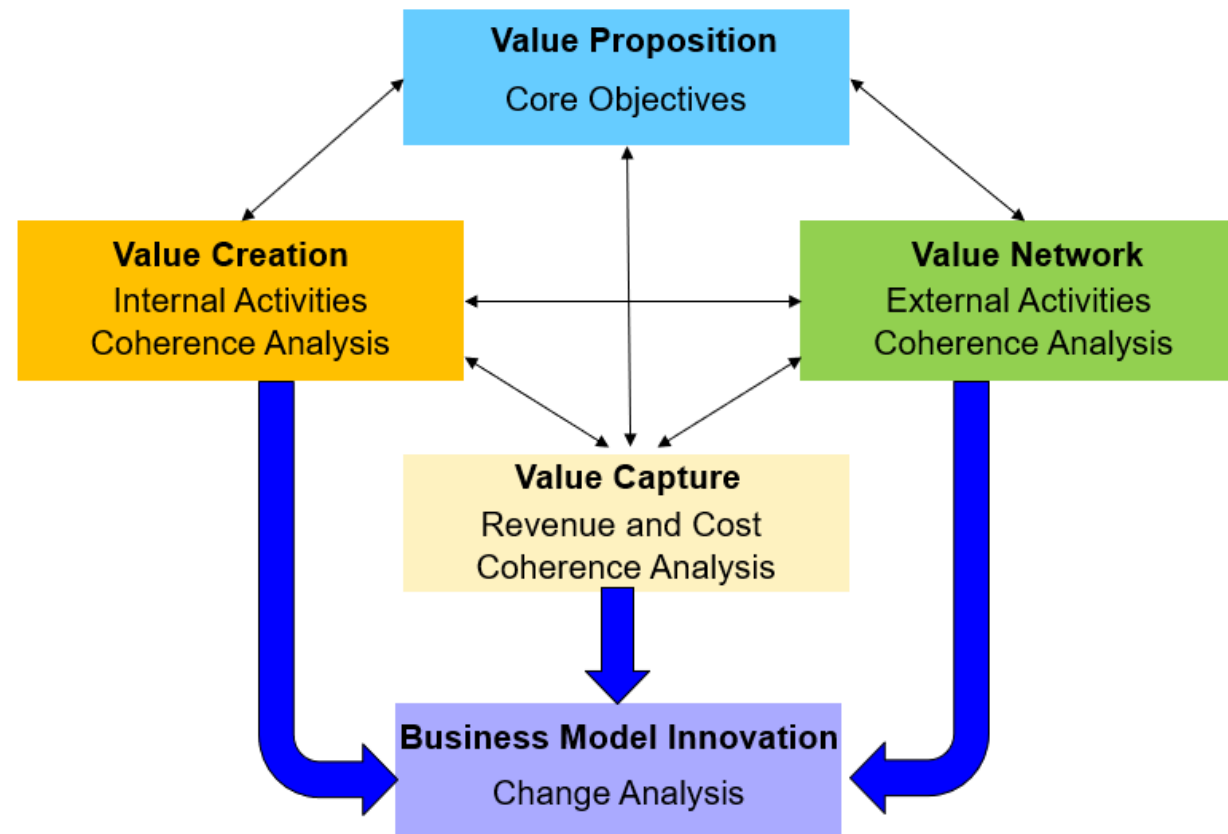
Source: Velu, C. "Business Model Cohesiveness Scorecard: Implications of Digitization for Business Model Innovation," in Satish Nambisan et al., eds., Handbook of Digital Innovation (UK: Edward Elgar, 2020).

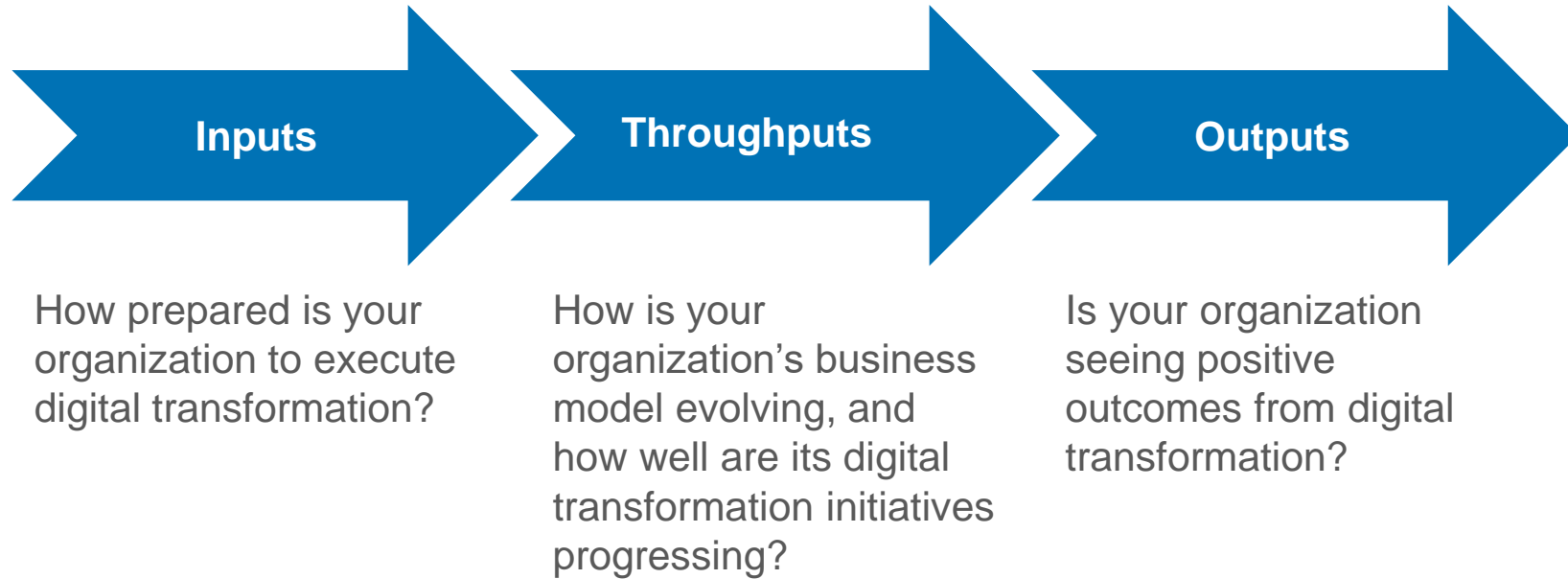# BMCS provides information for Business Model Innovation

Distributed Manufacturing with Intelligent Automation
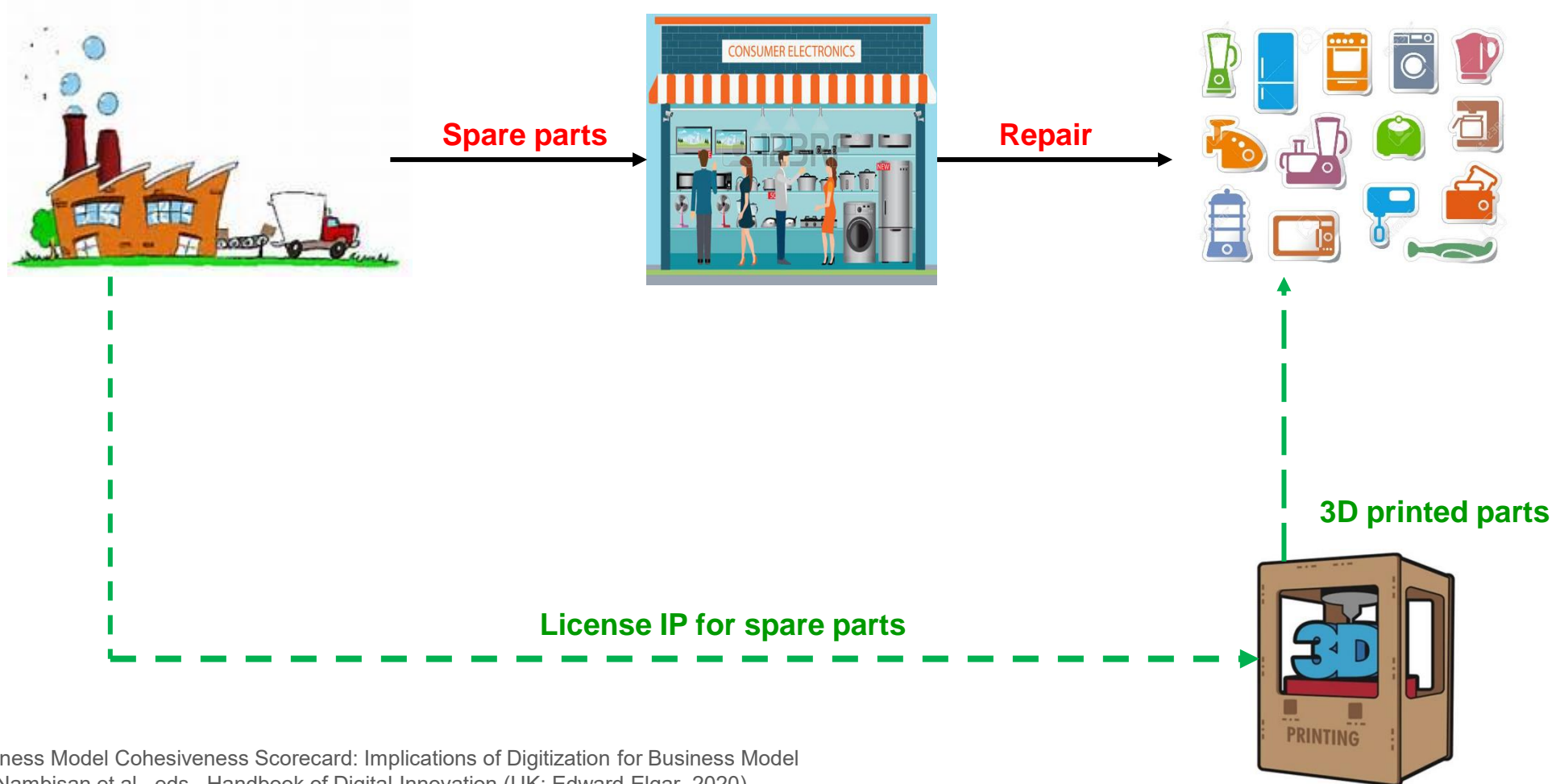
Spare parts

Repair

3D printed parts

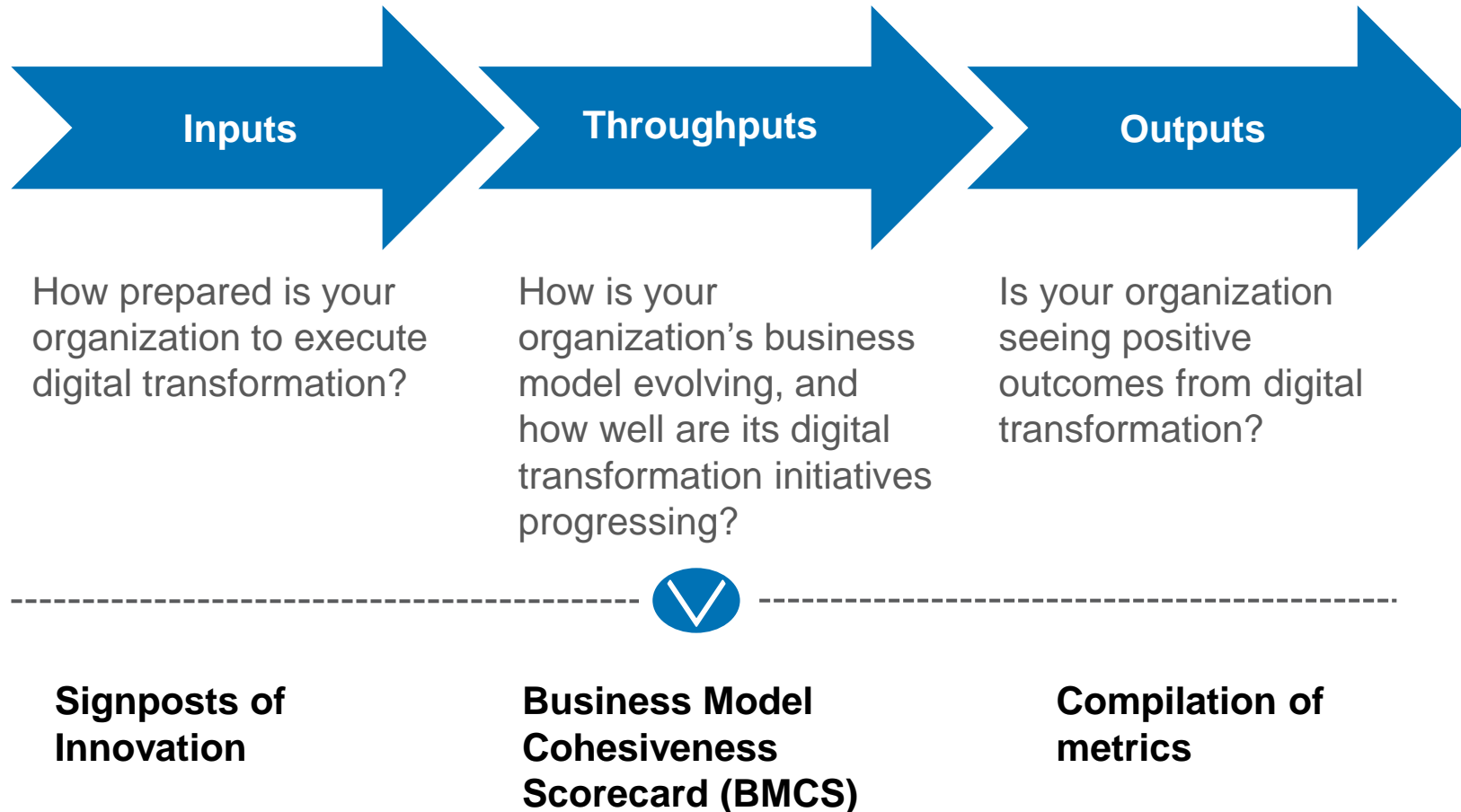**License IP for spare parts**

Source: Velu, C. "Business Model Cohesiveness Scorecard: Implications of Digitization for Business Model Innovation," in Satish Nambisan et al., eds., Handbook of Digital Innovation (UK: Edward Elgar, 2020).

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Data Proficiency – The quality and maturity of data, including the accuracy, consistency, and completeness of data as well as the maturity of data governance, privacy, and management policies and processes is one of the primary inputs of digital transformation.

Questions!

How it is accelerating the rate of change in our Operating Models and Business Models and in turn requiring advancements in CI speed and capability.

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