Digital Business Transformation: Turning the Digital Dream Into Reality
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Foreword

CIOs must move beyond creating digital awareness in the organization. For a successful digital business transformation, they must develop digital business principles, a digital business blueprint and a digital business execution plan.

This report addresses the question: What steps can CIOs take to ensure that the enterprise realizes its digital business aspirations?

“Digital Business Transformation: Turning the Digital Dream Into Reality” was written by members of the CIO & executive leadership research group, led by Tomas Nielsen (director), assisted by Patrick Meehan (vice president).
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Executive Summary

To lead the business transformation as the concept of digital business matures, CIOs must not only articulate the digital dream but also ensure that the dream becomes reality. Organizations must use a structured approach to answer the key digital questions of why, what and how.

Digital is dominating the agenda

Ninety-two percent of respondents to the 2015 Gartner CEO Survey agree that digital business and technology change is relevant to the business. Digital business is at the top of almost every business leader’s mind. However, what is critical here is that many CEOs still do not have a clear strategy as to how to attain a true digital business. This report is designed to serve as a digital business transformation roadmap.

Starting a digital business transformation program from scratch is not trivial. Many organizations that have executed successful digital transformations share a plan of action. But first we must define this report’s approach to digital business leadership.
As a digital business transformation leader, CIOs should focus on three main topics:

– Foster a drive for digital business, and formulate a set of digital business principles that answer the question: Why is digital critical to the business?

– Design a digital business blueprint that answers the question: What is our digital business?

– Prepare to deliver on the digital business promise by designing a digital business execution plan that answers the question: How do we deliver a successful digital business transformation program?

The answers to these questions lead to a program for the digital business transformation of the organization, consisting of a three-pronged digital business transformation strategy, or roadmap (see figure below).

**Digital business transformation**

**Fostering a drive for digital business**

The digital business transformation often starts with ad hoc activities — when a small group of people (or even a single individual) becomes alert to the impact of digital business on the enterprise. As digital business pioneers, the group
Facilitated sessions
Technology exploration
Analysis
Digital business principles
Facilitated sessions
Technology exploration
Analysis
Digital business principles

(or individual — often a new employee) seeks to change the organization to allow small BU teams to work deliberately on digital initiatives without formal corporate commitment. While the digital business pioneers are crucial in initiating the digital business transformation, executive leadership must commit as well if the digital transformation is to succeed.

The next step after the ad hoc activities is to foster a drive for digital business and formulate digital business principles (see figure below) by answering the question: Why is digital critical to the business?

**Digital business drive**

Fostering a drive for digital business requires the organization, and senior executives in particular, to shift from admiring the digital problem to committing to the transformation of the enterprise into a digital business.

Fostering this drive should include the following:

– Facilitated workshops for senior leaders and CIO business peers
– Technology exploration (e.g., proofs of concept and demonstrations)
– Internal and external analysis (focusing, for example, on the organization’s current digital initiatives and the industry’s digitalization best practices)

Each fostering technique provides a part of the answer, and there may be a need for several iterations of a technique. If, for example, the output of workshops leads to further technology exploration and analysis, this, in turn, may serve as input for additional workshops (why the figure above shows the techniques as a virtuous cycle).

**DEFINITION**

Senior executives demonstrate *commitment* to digital business transformation when they commit both money and resources to the digital business design effort.

Once senior executives are engaged and visibly committed to providing resources, both monetary and human, the organization should draft a set of digital business principles to guide the digital business design. These should
stipulate the primary focus of digital business transformation, how digital business success will be measured, how the digital business design will be developed, who the primary stakeholders (including the governance group) of the digital business design will be, etc.

**Designing a digital business**

At this point, the organization can move into the digital business design phase.

**Digital business design**

With the digital business principles as a foundation, CIOs can proceed to a digital business design that answers the question: What is our digital business? This means designing “the digital <your enterprise's name>” as follows:

– Formulate digital business value propositions.

– Identify the digital technologies the enterprise will use to deliver the value propositions.

– Build a business model that demonstrates monetization of the value propositions.

The digital business design may require several iterations of key steps, including explorative iterations that reveal digital business options. These options will be the basis for focused iterations that identify the top-priority digital business design. Subsequent refinements produce a consolidated digital business blueprint that describes the following:

– The digital business value propositions that the digital transformation will align to

– The technologies, or the “digital DNA,” that will be used to transform the business segments, and their capabilities
By identifying the digital business operating model, this phase answers the question: How do we deliver a successful digital business transformation program? Toward this end, organizations must address the following:

**Strategy and governance** — how senior leadership will lead the digital business

**Execution platform** — how and where the organization will implement and operate the digital business

**Infrastructure and support** — what constructs (such as IT systems and business support organizations) will enable and support digital business, and how they must be changed to do so most effectively

Digital business delivery requires a to-be or end-stage structure of these elements and a transformation design/plan (for moving from the as-is to the to-be state and making digital business a reality). The digital business transformation design/plan — integrated with the digital business principles and the digital business blueprint — prepares the organization to execute the transformation and deliver digital business.
1. Fostering a drive for digital business

To embark on a digital business transformation, the enterprise must be deeply committed to digitalization, be willing to invest in it and to change, and possess the drive to see it through. The first phase in digital business transformation is to foster a drive for digital business and formulate digital business principles.
Does your organization have a drive for digital business?

This “digital business drive” is a condition where the senior leaders in the organization tasked with the overall success of the business agree with the need for the digital business transformation — and are willing to invest the money and resources, and make the commitment to the hard work required, to drive the transformation. Even though surveys of boards of directors, CEOs and CIOs consistently find digitalization high on the agenda, digital business drive shouldn’t be taken for granted.

Some CIOs may find themselves in the fortunate situation that their executive leadership is committed to digitalization. An example of such a CIO is Jeppe Bøgh Andersen of the Gentofte Municipality in Denmark. The municipality executives have been committed to digitalizing the organization since the 1990s. Not only has digitalization been high on the executive agenda since then, but the municipality also consistently allocates some €1.5 million (US$1.64 million) per year to drive digitalization.

Another example is BBVA, where Ignacio Bernal, head of IT transformation and deputy to the global CIO, replied as follows when asked why the Spanish financial institution has become a leading digital bank:

“The main difference between BBVA and other companies is the commitment of our management committee and of the chairman, who has a very clear and specific digital vision and has been advocating for it since the late 90s. In terms of support and empowerment, this has been a very easy journey, because the chairman has a clear view and drives the organization to design, execute and create value from this transformation. The reason that we have been able to sustain this ambitious program all this time is the support of our chairman.”

Lack of senior management buy-in has been shown to be the most significant factor in the failure of digital initiatives. To embark on a digital transformation that will succeed, digital leaders must evaluate the true level of digital business drive among senior leaders in the organization, particularly under the following circumstances:

– There is a shared sense of urgency to act on digitalization of the business.

– There is an understanding of the impact of digitalization on the existing business model and of the need for digital leadership.

Digital leaders can then work on the organizational commitment to designing a digital business — that is, the commitment to allocate the resources necessary for the transformation. If the commitment is not there, digital leaders must first sound the alarm, especially among senior executives, on the importance of digital business transformation.
The case studies illustrate the diverse set of activities that can be used to foster a drive for digital business. For example, consider the two very different approaches taken by Sweden’s Stena (a conglomerate) and SCA (a personal hygiene and forest products company):

- At Stena, CDO Niclas Ingeström engaged the wider organization by providing specific examples of what technology could do to spur the thinking and creativity of BUs. For example, he purchased a drone for US$2,000, asked his team to play with it and then explain what it could be used for. He also recorded a video, in an office simulating a ferry, to show how Apple iBeacons (Bluetooth low-energy devices that can trigger location-based actions and messages) could be used for communication with ferry customers.

- At SCA, Robert Sjöström, senior vice president strategy and business development, global business services, and CIO, along with Gerard Guinane, vice president IT strategy development, took a more analytical approach after being contacted by a number of their peers about digital business. They talked with external experts to develop an informed opinion. Eventually, Sjöström reported back to their peer group of business executives that SCA did not have a consistent view of, and approach to, digital business, and that both were needed.

Despite the different approaches of Stena and SCA, they and other enterprises researched for this report exhibit common characteristics in this first phase of digital business transformation. From these, several conclusions can be drawn:

**Top-level involvement and commitment are essential.** If this is not immediately present, or if senior executives show little interest initially, start with CIO peers and BU leaders, then work upward. We have yet to see large-scale transformations succeed when digital business leaders have not enjoyed the explicit support of top management. Digital leaders should take care not to progress into design prior to securing top-level commitment.

**Enterprisewide engagement and ownership must be secured.** Digital leaders agree that digitalization of the business amounts to a business transformation, not a technology project. Consequently, IT leaders should ensure that they engage the wider organization, not just their insular chain of command. The case studies illustrate that a successful digital transformation is not conducted solely by the IT department.

**Context-specific digital business creates urgency.** General examples of success may whet the appetites of senior leaders, but their interactions with digital leaders show that providing context-specific digital business information (e.g., what competitors are doing or how technologies could impact the organization based on highly relevant examples) is key to creating real urgency.

**Gain a commitment to progress, not transformation.** The purpose of fostering a drive for digital business is neither to define digital business nor to transform the organization. The focus is to evangelize and create top-level willingness to commit resources and proceed to the design phase.
When these conditions exist, the foundation is set for development of the drive for digital business.

**Digital business drive: Plans, tools and actions**

The drive phase typically starts with a small number of people (or an individual) — digital pioneers who realize the importance of digital business transformation for the enterprise. Thus a digital business transformation rarely results from an overall plan — rather, it tends to have a reactive and ad hoc nature. Still, after initial activities, CIOs must take a structured approach to developing digital business drive that centers on technology showcases, analysis and surveys, and facilitated sessions and presentations for business and IT leaders. Allow two to four months to follow the structure shown in the figure below.

**Digital business drive**

Though initial activities are unstructured and ad hoc, they may be small departmental projects with names such as “digital pre-study” or “digital analysis and scope.” The specific activities and their duration may be highly dependent on windows of opportunity — for example, if a competitor launches a new product that the press lauds as “digital,” or if a business leader returns from a trade show and says: “Everyone is doing something with digital. What are we doing?” This phase is often carried out by midlevel leaders and individuals, so however committed to the digital transformation they may be, they generally lack the organizational clout to initiate a wider digital business transformation.

Nevertheless, the impact of all initial ad hoc activities, combined with internal and external influences, is likely to inspire the commitment necessary to begin a structured digital business transformation. The figure on page 14 expands on the steps/activities that address the “why” of digital business drive: Why do we want to become a digital business?
### Steps/activities that foster digital business drive

<table>
<thead>
<tr>
<th>Step/activity</th>
<th>Description</th>
</tr>
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</table>
| **Technology exploration showcases** | – While not full implementations, specific enough to engage the audience and demonstrate potential digital business capabilities (e.g., videos showing how iBeacons can interact with mobile apps; how drones work in a company-specific context).  
  – Will require a commitment in time, and limited innovation funding. (A set of iBeacons can cost less than US$200; drones and 3D printers can cost a few thousand dollars. By using task-based sourcing [e.g., from elance.com], procure specialized resources to create mockups and demonstrations of technologies that the organization currently lacks [e.g., mobile app mockups or Arduino’s open-source development framework for IoT demonstrations].) |
| **Analysis**                  | Develop a consistent understanding of how digital looks in the organization, along with the role and importance of digital business in the marketplace. Entails external and internal analysis:  
  – External analysis should cover the market space, including:  
    - Overall marketplace (digital maturity, business model, etc.)  
    - Competitors’ digital strategy, initiatives and insights (as much as can be collected)  
  – Internal analysis should focus on the current status:  
    - Senior stakeholder views with respect to:  
      - The digital position of the organization vs. competitors and the marketplace  
      - Current digital strategy and digital strengths/weaknesses  
      - Perceived need for digital transformation/initiatives  
      - Current digital initiatives (and revenue, if applicable)  
    - Organizational capabilities  
  The overall analysis should consolidate the input of the technology and facilitated session tracks, and develop a set of digital business principles and a plan for proceeding. |
| **Facilitated sessions**      | Facilitated sessions with business leaders are effective because they build high-level understanding of what digital business can do. The content and structure of the sessions will depend on the organization but generally should cover:  
  – What is digital business, and why does it matter?  
  – How can digital business be expected to impact the organization?  
  The number of sessions generally ranges between two and four, depending on the organization and its maturity. Digital leaders may conduct the sessions themselves, based on the technology and analysis efforts (and on the Gartner toolkits listed at the end of this section), or draw on external parties to get an objective viewpoint and impart more authority. |
Outcomes and deliverables

Senior executives with digital business drive will respond positively to the following question:

“Given what you know of digital business, will you be willing to commit money and resources to a digital business transformation program, starting with a three-to-six-month digital business design?”

Rather than ask this question of executives directly, or through a digital initiative proposal, digital leaders should conduct a survey or individual interviews (as part of their analysis activities) to assess overall leadership’s current state of mind.

Tool: Digital business survey

<table>
<thead>
<tr>
<th>Question</th>
<th>1 Disengaged</th>
<th>2 Interested</th>
<th>3 Evolving</th>
<th>4 Engaged</th>
<th>5 Committed</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do you see digital business impacting our enterprise?</td>
<td>Digital business is IT, covered by the IT strategy.</td>
<td>Digital business may drive some limited changes in our business model.</td>
<td>Digital business has the potential to fundamentally change our industry and our business.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How do you see the need for digital business from a planning and strategy perspective?</td>
<td>Digital business is covered in our regular planning.</td>
<td>Digital business may require us to refresh our current strategy.</td>
<td>We need to fundamentally transform our business to become a digital business.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How well do you know the technologies shaping digital business in our industry?</td>
<td>I am not aware of any specific digital technologies or categories that apply.</td>
<td>I am aware of the broad technology categories that may shape digital business in our industry.</td>
<td>I am aware of specific and highly relevant technologies and solutions, and have a good understanding of their business impact.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When do you see a need for initiating a digital business transformation?</td>
<td>Currently there is no need.</td>
<td>No urgent need exists, but we need to consider digital business in the medium to long term.</td>
<td>We need to act now, either to be first mover in our industry or to catch up.</td>
<td></td>
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</tbody>
</table>
Overall leadership should have a digital mindset averaging 3.5 – 4 before digital leaders can proceed to the next stages of the digital transformation. If evaluation of the answers to these questions reveals leader commitment below this level, it is advisable to continue to work on digital business drive.

In addition to an engaged and committed leadership team, the drive for digital business should lead to formulation of the digital business principles that will underpin the digital business design. At their core, digital business principles link to the overall business strategy. For example, as illustrated in the figure below, an organization that values customer intimacy may center its digital business principles on external interaction, whereas a product enhancement orientation lends itself to product leadership principles. By the same token, operational excellence would suggest principles that focus on using digital business transformation as a lever to achieve operational improvements.

**Example: Three value disciplines and digital business principles**

![Diagram](image)

Source: Adapted from “The Discipline of Market Leaders” (1997).
The specific content of digital business principles, therefore, depends on the enterprise and its specific digital initiatives, but it should still provide high-level guidance for the design and delivery phases, serving as a basic outline that covers the following points:

– Why does the organization want (or need) to engage in a digital business transformation — i.e., what internal and external triggers and motivations must be addressed?

– What is the foundation for digital business? For example, is it articulating corporate values, gaining a strategic position vis-à-vis competitors or achieving high-level objectives crucial to the organization's digital success? In other words: Why have we succeeded in the past, and why will we succeed in the future with digital business?

– How will the organization design the digital business operating model?

With an engaged and committed leadership team and a set of digital business principles that everyone in the organization can follow, the enterprise can progress to the next phase in the digital business transformation: the digital business design.

**Gartner research**

To support fostering a drive for digital business, CIOs can draw on Gartner research, including toolkits on creating workshops and/or presentations (for details, see Further Reading):


– “Toolkit: Use Business Moments to Identify Hidden Value Opportunities for Your Enterprise”

– “Digital Business Requires CIOs, CEOs and Strategy Officers to Improve Technology-Related Competitor Intelligence”
2. Designing a digital business

Once a drive for digital business is established, CIOs must develop a digital business design. This calls for looking beyond the current business to identify new opportunities and potential business models.
What does digital business design mean for us?

With digital business being integral to the overall business design, it is not surprising that senior business leaders want to answer the following question correctly: What does digital business mean for us in the context of our business and industry? This is the second step in developing the digital business transformation strategy.

As examples of how to approach digital business design, consider two of our case study enterprises:

– As a digital business principle, SCA defined that digital business would focus on how to interact with customers, and then looked at how to transform interactions with customers across various scenarios.

– Gentofte Municipality looked at its overall business capabilities, and then followed the principle of “delivering the greatest impact to our employees and citizens” to identify the top priorities of its digital business transformation (e.g., developing the digital classroom).

Organizationally, these two enterprises could not be more different. SCA is a complex organization with employees around the globe, while Gentofte is a public-sector organization that carries out its work within a 30-kilometer radius. Nevertheless, in terms of design, SCA and Gentofte share key lessons learned that are broadly applicable:

To succeed as a digital business, the organization must define what digital business means to it individually. Though “digital business” is not a finite term, and one organization may look to another for inspiration, a successful digital business design must uniquely fit the organization. A digital business design must build on the core of the organization — its digital business principles.

Digital is not a “greenfield” exercise. While it may be tempting to design a digital business model from a greenfield standpoint, this rarely works. Digital business will typically be an extension of the current business model and its products or services. Rather than seeing this as a limitation, organizations should ask: How can we inject “digital DNA” into our business model, exploiting the advantages we already possess, given our background and history? Even if an organization has lacked a corporate digital business design and/or strategy, there are likely to be small digital pockets that the overall strategy can embrace and exploit.

The digital design should reflect a technologically enabled business. While technology plays a key role in digital business, CIOs need to frame the technology through a business design lens. In other words, the digital design shows how technology can be used as a means to a business end. Successful digital business design does contain significant technology, but this must exist in a context that does not lose sight of overall business objectives.
Digital business design: Plans, tools and actions

Based on the research for this report, a digital business design has three main components:

– Digital business value propositions
– Digital technology identification
– Digital business model development

A digital business design is accomplished in two main iterations:

**Explorative** — where ideas are generated, tested and enhanced

**Focused** — where the brainstorming leads to a singular digital business blueprint

The figure below depicts the entire digital business design process.
Exploring the digital business design

The purpose of the explorative iteration is to identify relevant technologies and how they could impact the business (see figure below). It may entail an initial general-idea iteration that spurs creativity and even the “dreaming up” of technology. A second and possibly third iteration may be required to gradually narrow down the technologies and their applications.

Steps/activities in explorative digital business design

<table>
<thead>
<tr>
<th>Step/activity</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Digital business value propositions** | – The foundation for the digital business transformation is the digital business value propositions, which form the basis for “the digital <enterprise’s name>.” To develop them, the first step is to identify the organization’s business capabilities and use them as a framework for the enhanced or transformed business.  
  – After having identified the business capabilities, organizations should use the digital business principles to trigger re-examination of the foundation of the enterprise’s current value propositions and the capabilities used to execute them. This process must reflect the specifics of the enterprise’s business, for example:  
  – Using digital technologies to achieve better customer engagement, such as changing from mass marketing to one-on-one engagement  
  – Enhancing product features with added connectivity and customer feedback, such as providing customers with additional information targeted at their specific usage or needs  
  – Transforming the business model from delivery to availability through digital connectivity — from delivering physical products to becoming part of an asset-intensive industry that provides operating capabilities  
  – As the digital business design is intended to be done in several iterations, the first iteration of digital value propositions may be somewhat speculative, being refined in subsequent iterations.  
  – The design efforts can be supported by a “digital business moments” workshop (see “Toolkit: Use Business Moments to Identify Hidden Value Opportunities for Your Enterprise” in Further Reading). |
| **Digital technologies**          | – After developing digital business value propositions (based on the business capabilities), the next step is to identify the relevant technologies for the digital business. A starting point for this can be the four Nexus and the five post-Nexus (or SMART) technology categories:  
  – **Nexus of Forces** — social media, mobile, cloud, and information (big data)  
  – **Post-Nexus or SMART technologies** — sensors/IoT, maker machines (e.g., 3D printers), robotics, augmentation of humans, and thinking machines  
  – In terms of process, the first step is to identify the technology (or technology category) candidates for digital business design, on a conceptual level. As designs emerge, the specifics of the design will provide the basis for identifying the technologies that are the best fit, potentially identifying specific vendors (or vendor candidates), leading to refinement of technology options. |
| **Business model**                | – Now look at the intersections of technology and business capabilities. For each, explore how the business model could look, whether in terms of revenue model (subscription, one-off, “freemiums,” upgrades), KPIs, etc. |
Intermediate outcome: Digital business opportunities

The outcome of the explorative iteration will be an initial outline of digital business opportunities, highlighting the intersection of business capabilities and technologies, as in the figure below from SCA.

Assessment of digital business opportunities at SCA (partial view of tool)

The initial digital business opportunities that have been identified will be the basis for the focused iteration of digital business design, where the opportunities are transformed into specific and prioritized business designs.

Focusing digital business design

During the focused iteration, digital business opportunities from the explorative iteration are validated, refined and prioritized into a consolidated digital business blueprint. The structure is the same as the explorative iteration, but the focus is on turning each of the opportunities into specific business designs (see figure below).

Steps/activities in focused digital business design

<table>
<thead>
<tr>
<th>Step/activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital business value propositions</td>
<td>The focused iteration develops definitive value propositions and shows how they would look in detail once the digital business strategy has been implemented.</td>
</tr>
<tr>
<td>Digital technologies</td>
<td>Typically entails identifying vendors, considering proofs of concept, assessing maturity of the vendor and technology, etc. — i.e., looking at the technologies with the intent of basing a business on them.</td>
</tr>
<tr>
<td>Business model</td>
<td>– Fix the future digital business model for each value proposition by developing explorative business models into detailed business cases, including how to measure and drive business operations. – Pay attention to the impact on the end user/end customer to ensure applying a comprehensive outside-in view. Also, evaluate the potential outcomes and prioritization of digital initiatives based on the digital business principles (see section 1).</td>
</tr>
</tbody>
</table>
Outcomes and deliverables

To summarize, the digital business blueprint reveals what digital business means for the organization. It forms the basis of the digital business model by describing the following:

– The digital business value propositions (based on digital business capabilities) that will be the focus of the digital business transformation

– The technologies, or “digital DNA,” that will be used to transform business capabilities

– The impact of the transformation on the existing business model (i.e., how success will look)

Once the digital business blueprint has been created, it should be validated to ensure that it will lead to the desired transformation. Validation begins with understanding the five paradoxes of digital business leadership (see figure below).

The five paradoxes of digital business leadership

<table>
<thead>
<tr>
<th>Digital business leadership paradox</th>
<th>Which requires ... (strategic)</th>
<th>While ... (operational)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radically innovate while continually optimizing</td>
<td>... challenging and innovating at a business-model level</td>
<td>... having optimal digital business processes that hone competitiveness</td>
</tr>
<tr>
<td>Compete in sprints while delivering long-term value</td>
<td>... exploiting digital business moments</td>
<td>... delivering value in a longer time frame</td>
</tr>
<tr>
<td>Integrate external partners while operating as a single entity</td>
<td>... redefining the organization’s role in partner relations</td>
<td>... integrating “plug and play” partners into the business</td>
</tr>
<tr>
<td>Recognize that digital value plays a larger role in the sale but that true value is delivered over time</td>
<td>... increasing the importance of participating in a sales scenario</td>
<td>... establishing a longer time horizon for the organization to realize aggregate economic value</td>
</tr>
<tr>
<td>Provide technologically enabled offerings while focusing on value, not technology</td>
<td>... developing digitally designed and enabled products and services</td>
<td>... having technology become the product and define the customer relationship</td>
</tr>
</tbody>
</table>

As shown in the figures below and opposite, the paradoxes can be adapted for use as a starting point in validating the digital business blueprint. As CIOs ask the validation questions, they should beware of the pitfalls of digital business.

**Digital business blueprint validation and typical pitfalls**

<table>
<thead>
<tr>
<th>Paradox</th>
<th>Dimension</th>
<th>Digital business blueprint validation</th>
<th>Pitfalls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-model innovation and continuous optimization</td>
<td>Innovation</td>
<td>Does the blueprint clearly provide a new business model, or the process for developing such a model, as part of the strategy implementation?</td>
<td>No real business innovation due to over-reliance on optimization based on one-to-one digitization of analog business practices</td>
</tr>
<tr>
<td></td>
<td>Operational excellence</td>
<td>Does the blueprint provide sufficient insight into how business processes are expected to look, along with a basis for ongoing operational improvement?</td>
<td>Over-reliance on “the big idea” through assuming that the business model is unique and so valuable that operational excellence will be secondary</td>
</tr>
<tr>
<td>Competing in business moments based on long-term information</td>
<td>Business moments</td>
<td>Does the blueprint identify business moments and how the organization will seize the business opportunities in them?</td>
<td>Focusing on the product rather than on the customer interaction/buying process</td>
</tr>
<tr>
<td></td>
<td>Long-term information</td>
<td>Does the blueprint support the collection of data and the processing of it into actionable knowledge?</td>
<td>Over-reliance on the dynamics of short-term interactions; no strategic consideration of data management</td>
</tr>
<tr>
<td>Integrating external partner offerings into a single integrated enterprise offering</td>
<td>External offerings</td>
<td>Does the blueprint cover how the enterprise will incorporate external parties?</td>
<td>A strategy based on in-house innovation and delivery; no architecture and/or plan for how to incorporate external innovation</td>
</tr>
<tr>
<td></td>
<td>Integrated offering</td>
<td>Is there a clear and uniform model for how customers will interact with the organization, regardless of who provides the service and where it comes from?</td>
<td>Offering third-party products as add-ons or integration aids, so customers do not receive true integration; instead of offerings strengthened with external components, third parties establish direct customer connections</td>
</tr>
</tbody>
</table>
## Digital business blueprint validation and typical pitfalls (continued)

<table>
<thead>
<tr>
<th>Paradox</th>
<th>Dimension</th>
<th>Digital business blueprint validation</th>
<th>Pitfalls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognize that digital value plays a larger role in the sale but that true value is delivered over time</td>
<td>Digital value in sales</td>
<td>Does the blueprint outline how digital value will be part of the sales proposition targeted at external customers?</td>
<td>Fails to spell out how the initial digital offering will be enhanced over time; focuses on current offerings</td>
</tr>
<tr>
<td>Provide technologically enabled offerings while focusing on value, not technology</td>
<td>True value over time</td>
<td>Is there a clear plan for how to develop the digital offering over time and enhance it based on information collected?</td>
<td>Focuses on initial delivery; no consideration of the long-term roadmap; no “double-loop learning” (with explicit links to usage/customer data being used to evolve the offerings)</td>
</tr>
<tr>
<td>Provide technologically enabled offerings while focusing on value, not technology</td>
<td>Technological enablement</td>
<td>Does the blueprint identify and apply specific technology to the digital business model?</td>
<td>Technology described only in terms of generalized performance/characteristics and other factors</td>
</tr>
<tr>
<td>Provide technologically enabled offerings while focusing on value, not technology</td>
<td>Business value</td>
<td>Does the strategy link the specifics of technology to business value?</td>
<td>Strategy focuses solely on technology implementation and technical specifications, not on the derived business model</td>
</tr>
</tbody>
</table>
Gartner research

To support designing a digital business, CIOs can draw on the following Gartner research (for details, see Further Reading):

- “Digital Business Requires CIOs, CEOs and Strategy Officers to Improve Technology-Related Competitor Intelligence”
- “The CIO Survival Guide: Your Role in a World of Increasingly Smart Machines”
- “Digital Business Innovation With Smart Machines”
- “How CIOs Need to Think About Digital Business Technologies”
- “Toolkit: Workshop for Identifying the Business Capabilities Critical to Your Digital Business Success”
- “Business Model Innovation: Unleashing Digital Value Everywhere”
- “Seven Ways CEOs Can Apply Digital Business for Competitive Advantage”
3. Delivering on the digital promise

The final phase in digital business transformation is to create a digital business operating model that will allow the organization to deliver digital business.
What it means to deliver

At its core, digital business is about entirely or partially “dematerializing” traditional business. As Gartner analyst Daryl Plummer describes it, “Digitalization is about manipulating representations of virtual or physical assets, channels and capabilities. Because they are in digital form, they are easier to manipulate more rapidly, thus enabling a more continuous flow of disruptive changes (see “Digital Business Technologies Are Changing the Nature of Change” in Further Reading).

Digital business delivery requires an operating model that will support the digital business design discussed in section 2. As our case studies illustrate, there is a wide range of operating models and specific constructs to choose from. A common theme, however, is that digitalization is not a temporary, fluid transition into a new and stable normal. Most enterprises find that when digitalizing their business, they must re-examine how they work both internally and externally, aiming to create an organization that delivers digital business by both operating the initial design and by building and evolving to exploit new opportunities as they appear.

SCA, BBVA and Gentofte (see the case studies in the Appendix) use different modes of digital business delivery, with SCA focusing on integrating digital business in the business units; BBVA realizing that digital business requires a reorganization of teams to accomplish the technology transformation; and Gentofte focusing on creating lasting, broadly based digital commitment and insight among all employees. At the same time, the cases reflect common principles:

**Digital business requires new operating models.** By definition, a digital business transformation is not more of the same. It requires the organization to redesign its operating model.

**Digital business requires an integrated operating model.** Digital business is technologically enabled. Consequently, a key element of digital business operating models is the tight integration between IT and business elements — not just initially but also for long-term delivery and refinement.

**Digital business requires enterprisewide commitment.** Successful digitalization means creating an organizational construct whereby evolution and improvement are not done either as business or IT, but as a joint business-IT commitment to realize business goals. Thus a key consideration in all delivery setups is how to ensure ongoing and two-way integration between the different elements — and avoid re-creating the IT-business divide.

**The operating model must evolve as transformation progresses.** Since digitalization is a transformation journey, successful organizations adapt and improve as they progress. The starting point of digital initiatives can vary (see the BBVA case study in the Appendix), but for large organizations in particular, the digital transformation may be a multiphase, multiyear journey, requiring the evolution of the organization, its objectives and management focus.
Digital business delivery: Plans, tools and actions

To deliver digital business (see figure below), CIOs must develop a digital business operating model that addresses the following:

- Strategy and governance
- Execution platform
- Infrastructure and support

**Digital business delivery**

In the to-be stage, the digital business operating model takes shape. In the transformation design/plan stage, gaps between as-is and to-be are identified, and the steps of the transformation are set.
To-be digital business delivery

Using the digital business blueprint, CIOs need to define the digital business model as follows:

Steps/activities in the to-be stage of digital business delivery

<table>
<thead>
<tr>
<th>Step/activity</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Strategy and governance**   | - Designs the organization for digital business, including the necessary organizational and leadership structures, and the answers to key questions:  
  - Who will be responsible for digital business?  
  - What are the principal organizational structures, and how will a centralized digital unit (if appropriate) share responsibilities with the BUs?  
  - How will digital initiatives be financed and managed?  
  - Case example: SCA built its governance structure around the principle that digital business would be integral to the individual BUs, supported by a central group of internal experts. |
| **Execution platform**        | - Develop the execution platform; establish ownership responsibility for building and operating the digital business, including how the frontline digital organization operates in terms of:  
  - Execution skills and responsibilities  
  - KPIs and metrics  
  - Processes  
  - Case example: Gentofte created a digital leadership development track for business leaders to help the execution platform build innovation and digital thinking into the organizational fabric. |
| **Infrastructure and support**| - Defining the infrastructure and support (technical infrastructure, skills, etc.), which may trigger a refresh of the IT strategy outlined below. Improved technical support may include skills in handling direct customer contact.  
  - Case example: BBVA conducted lengthy and costly renovations of IT infrastructure, and then focused on innovation initiatives that would create “the digital bank of the future” using the renovated technology core. |

Intermediate outcome: Digital business operating model

The to-be analysis in the digital business delivery phase leads to a consolidated digital business operating model. An intermediate outcome, the model describes how the organization intends to build and operate the digital business.

Transformation design/plan: Digital business delivery

As the final part of digital business delivery, directly following the creation of the digital business operating model, the transformation design/plan is based on as-is and to-be gap analysis. Covering the steps outlined in the figure below, it guides the digital business transformation.

Steps/activities in the transformation design/plan

<table>
<thead>
<tr>
<th>Step/activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy and governance</strong></td>
<td>The as-is and to-be gap analysis, and the transformation design as a whole, should focus on the leadership transitions needed, who will manage them and how to ensure leadership continuity.</td>
</tr>
<tr>
<td><strong>Execution platform</strong></td>
<td>Skills, structures and processes that need to be built for the execution platform will normally connect directly to end customers, so allow for sufficient time to develop them before the digital business launch.</td>
</tr>
<tr>
<td><strong>Infrastructure and support</strong></td>
<td>There might (as in BBVA’s case) be a need for significant, even multiyear, renovations of core IT systems, as well as fundamental changes in how IT and other support elements operate.</td>
</tr>
</tbody>
</table>
Outcomes and deliverables

The final outcome of the delivery phase is a digital business execution plan — that is, a plan for how the organization will execute the digital business transformation. The content of the plan will be specific to the organization but should cover the following:

- Responsibilities and governance of the transformation (including overall lead, work stream leads and steering committees)
- Work streams, timelines and budgets (e.g., phases and appropriate “islands of stability”)
- Objectives, KPIs and benefits realization

Gartner research

To support delivering on the digital promise, CIOs can draw on Gartner research, including toolkits (for details, see Further Reading):

- “The New Leadership Team for Digital Technology”
- “Support Digital Business and the Nexus of Forces With Application Architecture Innovations”
- “Renovate the IT Core: Laying the Foundation for Digital Business”
- “IT Strategy: A CIO Success Kit”
- “Driving Business Transformation by Changing the Culture”
- “From Physical Books to a Digital Business, the Transformation of Houghton Mifflin Harcourt”
- “Toolkit: Kick-Start the Conversation on Digital Ethics”
- “Three-Step Roadmap to Bimodal Adaptive Sourcing: Leverage Digital Urgency to Be an IT Broker”
- “Determine Your Digital Business Architecture Building Blocks to Guide Investment Decisions”
4. Conclusion: Embedding drive, design and delivery

This report has described digital business transformation as logical drive, design and delivery phases that answer the essential digital business questions: Why? What? How? The outcome of each phase — digital business principles, the digital business blueprint and the digital business execution plan — will provide a foundational digital business transformation.

The goal here is not transformation to a stable world but to a new digital business reality, where instead of equilibrium, business leaders have an organization that can evolve, and business tasks are not sequential but continuous, as are three essential questions:

**Drive**: Who is responsible for transformation and innovation, and ensuring technology-to-business adaptation and organizational competence?

**Design**: Who will own the design of the digital business platform, including the financial model, governance structure and objectives — keeping an explicit business platform approach and securing the basis for evolution?

**Deliver**: How will the organization build, operate and enhance digital offerings, as part of the ongoing value delivery relationship with end customers?

Digital business transformation is achieved when the answers to these questions are ingrained in the organization’s structure and culture.
BBVA is making both technical and organizational changes to deliver on digital business

Headquartered in Spain, Banco Bilbao Vizcaya Argentaria (BBVA) is a multinational banking group operating in 31 countries, with 50 million customers, nearly 20,000 ATMs and 8,000 branches. BBVA has a long tradition of focusing on technology and in 2014 bought Simple, a banking service known as the “anti-bank.” When asked about this acquisition by The New Yorker magazine, Executive Chairman Francisco González noted: “Some bankers and analysts think that Google, Facebook, Amazon or the like will not fully enter a highly regulated, low-margin business such as banking. I disagree. What is more, I think banks that are not prepared for such new competitors face certain death” (see www.newyorker.com/currency-tag/the-bank-and-the-anti-bank).

BBVA created the foundation for digital transformation in 2007. Though not a precise definition of a digital BBVA, the initial design effort included the following:
– A vision of the digital bank in 2020
– The technological structure needed, such as real-time platforms
– An approach to managing big data
– An approach to integrating customer-centric solutions

Design efforts also identified IT shortcomings in current systems (see figure below).

**2007: A multi-interfaced architecture**

![The “spaghetti”](source: BBVA)

Challenges

– Product-based siloed approach
– Complex data collection sources (global position, customer, etc.)
– Multiple, unorganized connections between channels and back end(s)
– Reduced mobility and flexibility

Source: BBVA.

In addition, the digital technology vision outlined a layered digital banking platform and a set of underlying architecture principles (see figures below).

**Future digital banking platform and architecture principles**

![A layered platform](source: BBVA)

**In-house-oriented services**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation level oriented to physical channels with customized technology</td>
<td>Omnichannel: presentation and navigation logic</td>
</tr>
</tbody>
</table>

**Security**

| Security managed by channel | Security managed in the services layer to allow for secured external connections |

**API manager**

| In-house-oriented services | API manager: external channels integration capabilities; modern interface for developers and consumer-oriented business API (RESTful) |

**Technical and siloed monitoring**

| Basic service catalog for internal use (architecture and service developers) | Full-service catalog for all internal developers (front-end, channels) and external entities |

| Technical and siloed monitoring | E2E business process monitoring |
BBVA is making both technical and organizational changes to deliver on digital business (continued)

According to Ignacio Bernal, head of IT transformation and deputy to the global CIO, the initial digital transformation journey was a technology effort. The rest was a long-term focus on the need to develop digital banking innovation. This involved nontechnology (i.e., not technology-driven) innovation initiatives that would enable BBVA to create “the digital bank of the future” on its renovated technology core. The initiatives included digital innovation centers designed to explore disruptive digital banking technologies, and partnerships with universities and research institutions, such as MIT and Stanford Research Institute.

As initiatives succeeded, Bernal noticed that the early efforts helped BBVA develop an appreciation for the inherent challenges of innovation. This led to development of an innovation management capability. “One of the key lessons learned,” he explains, “is that we needed to put innovation very close to the business and have objectives that were much more concrete.”

Furthermore, even though the first stage focused on technology transformation, a number of critical insights into digital had been gained. Bernal continues:

“We learned that mobile will become a key digital disruptive element in the banking industry, and that data and big data will be a source of disruption, not only ultimately improving our internal processes but also generating additional revenue. Finally, we learned that the concept of open platforms — opening our core banking to third-party developers — will be yet another disruptive element.”

From 2012 to 2014, BBVA reorganized certain teams to accomplish the technology transformation. Among the changes:

– Splitting the technology team into one team concerned with core banking applications, and another, front-office team concerned with disruptive and transformational technologies such as banking apps and the customer experience

– Spinning off a company — BBVA Data and Analytics — to monetize data and analytics to third parties (i.e., business partners such as retailers)
Bernal explains what happened next:

“We realized that even with a digital technology foundation, we needed a completely different operating model to succeed in the digital space. In other words, business and technology needed to work together in new ways. For example, business needed new and different priorities that would move it away from being focused on the branch network.”

Consequently, BBVA established a digital banking division headed by a CDO who is on the top-level management committee. Then the company co-located IT and business leadership teams in Madrid to integrate front-office IT with the business units. By working together as one agile team, IT and business leaders would have the same digital objectives.

Though the digital transformation journey continues, Bernal points out that BBVA has already gained benefits as it moves into a new phase:

“When our financial results were presented in March 2015, our CEO started to explain in detail the impact of the transformation in terms of cost savings. Clearly, this is a way to monetize, or create value, from our transformation journey. In the new phase of the transformation that started last year, the main value will not come from cost optimization, even if we continue automating our internal costs and leveraging technology in other ways. Instead, the main value will come from capturing additional revenue, or at least protecting our current revenue, by leveraging digital in a true sense. Now we have more specific and business-related digital objectives in terms of sales, customer acquisition, customer experience, etc.”

*Based on an interview with, and material from, Ignacio Bernal, head of IT transformation and deputy to the global CIO, BBVA, March 2015.*
Gentofte Municipality uses savvy digital leadership to improve local government

Gentofte Municipality — north of Copenhagen, Denmark — serves 73,000 residents through 6,000 employees, 50 of whom are in IT. Gentofte started its digital journey in the mid-1990s, accelerated digitalization during 2005-2006 and has since been recognized as a digital leader in local government. In 2009, the European Commission/Digital Agenda for Europe judged Gentofte “the best European online public service empowering citizens,” and in 2010, Gentofte was named Denmark’s best Web municipality, according to the Danish Government Department for Digitalization.

Throughout its journey, Gentofte has looked at digitalization as a means to transform business operations through efficiency and innovation. CIO Jeppe Bøgh Andersen sums up one of the core lessons learned by his small IT organization: “Not focusing means ignoring everyone.”

Accordingly, at the core of Gentofte’s digital business transformation is the principle of focusing digitalization efforts on a few areas at a given time. To decide where to begin, Gentofte took an analytical business approach that identified five key capabilities:

– Providing care and support for children and young citizens (including schools and daycare)
– Providing social services and healthcare to citizens in need
– Managing the facilities and assets of the municipality
– Supporting cultural life in the municipality
– Providing municipality administrative services

After deciding that digital business transformation efforts should focus first on either children/youth or citizen healthcare, Gentofte narrowed the scope to schools, a key children/youth capability of a digital municipality.
A key consideration was how to get the biggest impact. This led to two decisions:

– Not to focus digitalization efforts on the school administration, since this was already the responsibility of three people. Many vendors had solutions for “digital school administration,” but the impact would simply be too limited.

– To focus on teaching — “the digital classroom,” as Gentofte calls it — because the municipality has 6,000 to 7,000 pupils in its schools and employs hundreds of teachers.

Using a business capabilities approach thus allowed Gentofte to rephrase the generic question, “What is the digital municipality?” into the more focused, “How can we use technology to change how our teachers teach pupils in the classroom?” This, in turn, enabled Gentofte to target its next steps, which included seeking out technologies that could indeed change student-teacher interactions and then defining how the interactions would look in the digital classroom.

Andersen adds that Gentofte recognizes the need for continual digital development and has two main initiatives in that regard:

**Make “digital leadership” a development track.** In HR’s organizationwide training program for future leaders, one development track will be digital leadership. This aligns directly with Gentofte’s positioning of IT as “everyone’s IT,” and with the municipality’s insistence that all leaders need the competence to operate in a digitally transformed world.

**Create a “digital venture capital fund.”** This dedicated fund extends existing digital funding. As business leaders seek money for digital initiatives, they may receive allocations from the fund. Once the initiative yields results, they pay the fund back.

With both main initiatives, says Andersen, Gentofte is striving to ensure that digital business never becomes a one-off — that continuous business transformation becomes embedded in the culture of the organization.

*Based on an interview with, and material from, Jeppe Bøgh Andersen, CIO, Gentofte Municipality, March 2015.*
SCA’s mandate for change relies on better input and deeper insight

Sweden-based SCA is a leading company in the global hygiene (including personal-care products) and forest products industries, with customers in 100 countries, 44,000 employees and yearly sales of €11 billion (US$12.24 billion).

In 2013, SCA began a more focused review of its strengths and opportunities in digital, led by Gerard Guinane, vice president IT strategy development, and Robert Sjöström, senior vice president strategy and business development, global business services, and CIO. Guinane explains the situation at that time:

“As a fast-moving consumer goods company, SCA was already implementing some successful activities in the digital area, such as our Libero Baby Club in Sweden, our Girls First application supporting teenage girls entering puberty, and the embedded technology in our TENA Identifi solution for incontinence care. Robert Sjöström recognized the need for a much more comprehensive companywide approach to the topic of digitalization, as had other members of the management team. He had a dialogue with the entire management team, confirming that SCA needed to have a clearer view about what digital meant for us as a business. He gave examples of the breadth of digital and what it offered, and the team agreed that this analysis was absolutely true. We decided that the first thing we should do is be clear about what digital is within SCA, and then set about defining the strategy to achieve much more in digital.”

Guinane and Sjöström conducted both internal and external analyses to identify the need for change. The internal analysis included:

– Surveys of business leaders regarding the current and future impact of digital (e.g., their views on digital strategy and key organizational/technology capabilities)

– The current state of digital business at SCA (especially with respect to BU-specific digital initiatives)

The external analysis looked at four dimensions — organization, strategy, transformation and “learnings and general trends” — and how other enterprises had addressed them. This led SCA to commit to developing a digital design. As Guinane explains, “It started as a proper project in the fourth quarter of 2013, when we put together a group consisting of BU presidents, supported by one key person in their respective sales and marketing organizations.”

Guinane then drove the development of an overall roadmap for SCA’s digital journey, with a focus on building on existing strengths, closing capability gaps, aligning the entire management team and finding new ways of working. A seminal moment was assessing the impact of digitalization on the company. “We did some internal interviewing to try and answer the question of what is digital,” he says. “Combining this with the external work we’d seen, we concluded that we had to narrow the scope if we were going to get anything we could execute on. We were
seeing that digital was potentially everything in the company, and if we were to tackle it that way, we’d spend five years putting a strategy together.”

Guinane and his team decided on three digitalization segments:

– Digital in the outside market
– How we work together internally on digital
– Digital products

SCA focused on an aspect of the first segment: interactions with people outside SCA, either through the Internet or devices not owned by the company. “The CEO wanted it clear that when we talk about digital in sales and marketing, we mean the endgame: generating sales and making a profit,” says Guinane. “If we were going to have a digital program, the outcome should be that we drive profitable and measureable growth.”

Next, SCA defined a digital focus and a set of six objectives, or digital pillars:

**SCA’s digital challenge**

<table>
<thead>
<tr>
<th>Digital focus</th>
<th>SCA will drive profitable growth through increased sales and internal efficiencies by maximizing the digital opportunities in all areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital objectives</td>
<td>Deliver a comprehensive and coordinated approach to maximizing the digital advantage for SCA</td>
</tr>
<tr>
<td>Drive increased product and solution awareness and ongoing brand loyalty</td>
<td>Enhance customer and consumer insights through every interaction</td>
</tr>
<tr>
<td>Protect and grow existing sales as new channels provide alternative buying options</td>
<td>Accelerate profitable sales growth in new markets, segments and/or channels</td>
</tr>
<tr>
<td>Improve profitability by delivering efficiency gains from SCA’s digital assets and capability</td>
<td>Reinforce the SCA brand through maximized use of the SCA digital footprint</td>
</tr>
</tbody>
</table>

Source: SCA.

SEO, digital media, community and other digital technology strategies were identified and mapped to the digital objectives in terms of their contribution:

**Mapping objectives to technology strategies (partial view of tool)**

![Mapping objectives to technology strategies (partial view of tool)](image-url)

Source: SCA.
SCA’s mandate for change relies on better input and deeper insight (continued)

To measure success, KPIs for each pillar were established:

**KPIs for a technology strategy (i.e., SEO strategy)**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>KPI</th>
<th>Description</th>
<th>Level</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEO strategy</td>
<td>1.1 Organic search visibility</td>
<td>Index 1 – 100 based on organic ranking on defined strategic keywords and groups of keywords for the site in a local market, utilizing derived weights for rank 1 – 10 based on generic CTR for organic ranking 1 – 10</td>
<td>1</td>
<td>Month</td>
</tr>
<tr>
<td>SEO strategy</td>
<td>1.2 Organic search volume</td>
<td>Annualized and P3M total local market actual search volumes for defined strategic keywords and groups of keywords with trend indices</td>
<td>2</td>
<td>Month</td>
</tr>
<tr>
<td>SEO strategy</td>
<td>1.3 Organic ranking</td>
<td>Actual organic ranking for the site in the local market for the defined list of strategic keywords with indications of changes vs. previous periods as well as top 3 key competitor ranking and changes</td>
<td>3</td>
<td>Month</td>
</tr>
<tr>
<td>SEO strategy</td>
<td>1.4 Site search traffic</td>
<td>Percentage share of total site visits indicated for (a) total search visits; (b) branded search visits; (c) generic search visits; (d) paid search (SEM) visits; and (e) strategic keyword search visits</td>
<td>3</td>
<td>Month</td>
</tr>
</tbody>
</table>

Source: SCA.
Guinane and his team presented the entire digital business model to the steering committee for alignment, and the CEO signed off on it. The question now became: How do we go from a study and a strategy to something that works? SCA was already digitally active in a number of areas despite the lack of an overall strategy. As Guinane explains:

“We got the message that people don’t know who to talk to about digital business initiatives. They don’t know what other people are doing, and they don’t know what ‘good’ looks like. Most people working on initiatives were doing so in their spare time. So if I’m the customer service manager in a certain country, I may start what we would consider digital activities. But I’m really just doing my customer service job and digital activities on the side.”

This realization that business was becoming digital helped shape a fundamental rule of engagement in SCA’s digital strategy: Digital business is integral to the individual business units and supported by a central group of internal experts. The role of the central unit would be to focus on governance, organization and processes, including sharing of knowledge and experiences.

As for digital business delivery, Guinane and his team have very deliberately sought to integrate it into the individual business lines, not to form a separate delivery function. He expands on the role of delivery:

“One of the most important phrases we wrote down along the way is, ‘This is about embedding, not creating, a digital organization.’ As we did all the interviews for the digital roles, one of the most important questions was whether leaders in a future digital center of excellence (COE) would be happy to be accountable for everything but responsible for none of the execution themselves.”

According to Guinane, SCA has created a small team of four specialists, led by a vice president of digital transformation, that will be the nucleus of the digital transformation. He sees this form of a digital-practice COE as a clear need, noting:

“We are very clear now that a digital-practice center of excellence will always need to exist, just as we have a manufacturing COE to drive continuous improvement and keep up with technology in that area. Bear in mind, however, that the rate of change in manufacturing technology is almost a snail’s pace compared to the rate in digital activities. We will always need a COE where a team that works for the VP of digital transformation thinks ahead of people in the operational roles and understands that what is good today is not good tomorrow.”
SCA’s mandate for change relies on better input and deeper insight (continued)

While work on a digital-practice COE continues, Guinane is co-chairing an effort to embed digitalization in existing structures. As part of this, marketing has developed an academy based on a competence map for how a marketing person can succeed, whether working as a global brand owner or locally in a single country. As Guinane explains:

“We do two things: First, we add specialist training courses that focus on digital competencies; second, and more important, we emphasize digital in existing training courses, because, again, we see digital as simply the way you do business now. Thus we don’t talk about ‘digital’ campaign management. We talk simply about campaign management, with a clear focus on how you do that digitally, along with how you tie these activities to the non-digital world. At the end of the day, we don’t want to talk digital. We want to talk about going to market — the way we do business. We will be most successful when ‘digital’ has disappeared from the vocabulary and it just becomes the way we work. For now digital has taken a more prominent role in the overall SCA strategy under the objective to “Win in Digital.” This is an important step on the road to it becoming the way we do business.”

*Based on interviews with, and material from, Gerard Guinane, vice president IT strategy development, SCA, March 2015.*

**Using technology demonstrations at Stena to engage the organization**

Stena is a Swedish conglomerate started in 1939, with more than 15 companies in diverse industries, such as ferry operations, offshore drilling, shipping, properties (ownership and management) and recycling. Traditionally Stena has focused on technology and is now starting a digital transformation effort.

When Niclas Ingeström was named CDO in 2014, he was tasked to drive digitalization across all business units, but the BUs had very different levels of digital maturity. Some had a good understanding of digitalization; others had a traditional business orientation.
Ingeström engaged the wider organization by providing specific examples of what technology could do to spur the thinking and creativity of the BUs. For example, he initiated the following proof-of-concept (POC) activities:

– Purchasing a US$2,000 drone and asking his team, “Who would like to take this home for the weekend, play with it, come back on Monday and explain what we could use it for?”

– Acquiring Apple iBeacons (Bluetooth low-energy transmitters that can be used with mobile devices) to demonstrate how to use them indoors for location-specific information in a simulated environment — in this case, an office simulating a ferry, showing how customers on the ferry could learn as they pass a bar that it is “happy hour” inside, or that there is a tax-free supermarket nearby.

Both POCs were documented with videos shown to a wider company audience. The leadership of two other BUs joined the design phase to gauge how these technologies could enable the digitalization of their businesses. One expects to use iBeacons to drive additional revenue, while the other hopes to reduce costs significantly by using drones for aerial inspections of its operating units.

According to Ingeström, these technology demonstrations are engaging other senior BU leaders to embrace and exploit their own digital initiatives. They are also creating a broad-based drive to approach digitalization strategically. Moreover, they have fostered a culture at Stena whereby experimentation and innovation can become part of the organizational fabric.

*Based on an interview with, and material from, Niclas Ingeström, CDO, Stena, June 2015.*
Further Reading

Executive Programs reports

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