

Creating a strategy in the digital era



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The digital era is here. Technology continues to transform the relationship between businesses and their customers. While a changing relationship continues the pattern of the last century, the pace of this change is rapidly accelerating.

When companies began thinking about the internet in 1996, only 257,601 websites existed.¹ Now, with over one billion websites, it's virtually impossible to operate a business without a website—or any other digital channel. And this is just an indicator of the impact digital technology will have moving forward.

Technologies like blockchain, augmented reality (AR), virtual reality (VR), artificial intelligence (AI) and the Internet of Things (IoT) promise to change how organizations operate—and challenge how they ensure future competitive advantages.² These changes, and the increasing speed of change, is why leading CEOs recognize technology is affecting their organizations more than any other single force.³ And successful CEOs will identify how to strategically navigate this change.

One thing these CEOs know is that simply deploying the latest technology is not enough. And most important, it's not a digital strategy. In fact, businesses that view a digital strategy as strictly technology upgrades generally won't succeed—and neither will their consulting or technology partners.

So, regardless of your strategic role, the answer is to shift how you view strategy in the digital era. Making that shift requires an approach that digitizes your business strategy with the right capabilities rather than build a technology-focused digital strategy.

When digital strategy works—and when it doesn't

Companies like Apple, Google and Starbucks have successfully reconciled digital technologies into their business models. And they are celebrated for using advanced technologies to grow their businesses and grow their brands.

But what's sometimes overlooked in these references is that the individual technology is not the primary reason for success. Rather, these leading organizations succeed because new technologies allowed them to focus on and enable their overriding goal—customer experience and satisfaction.

“A competitive strategy explains how you will do better than your rivals. And doing better, by definition, means being different.”⁴

—Joan Magretta

Perhaps this is better seen by looking at what hasn't worked. You've likely seen firsthand examples of organizational projects where the new technology was the end unto itself—a website, app or customer relationship management (CRM) capabilities for example.

These initiatives may come from a perceived need to keep up with innovative technologies. Or a business leader or consultant may drive the project as a technology-based solution to some organizational challenge.

This often occurs because defining a specific project goal by a technology deployment usually makes it easier for the IT department and the consultants to measure the project's success. But that approach lacks key metrics as it fails to look deeper into who the external or internal customer is—and what they really want and need.

In other words, what would make the experience so engaging and useful that customers want to pay and employees want to engage? The answer to this question goes beyond technology and becomes strategic—it impacts organizational structure, processes, culture and people. And each of these experiences are relevant factors of digital transformation.

Digital transformation still incorporates appropriate technology to accomplish your strategic business objectives. But it always should be centered around three basic principles, which requires top-management attention:

- Satisfy customer needs, so you can succeed as a business
- Attract new customers, so you can grow your business
- Prepare your organization with adaptive capabilities, so you can win future business

Digital strategy consulting: An insider's perspective

Modifying a strategy approach also forces changes for digital transformation service providers, such as strategy consultants. Traditionally, strategy consulting has been driven by in-depth market knowledge, academic findings and project experience. Organizations looked for consultants who held a broad market view, and could combine that view with research activities and extensive experience executing similar projects.

Such a combination provided valuable insights and methodologies from other companies and projects—and it still does. And many clients enjoy war stories and the knowledge they bring. But these market insights and project experiences don't always answer the key question, "What does the customer want and need?"

Looking at today's digital world, organizations that have successfully integrated digital technologies see them as tools that support a customer-centric perspective. This view implements new technologies only if they address customer wants and needs more efficiently, effectively or completely.

It's important to recognize the obvious; what works for one business may not work for another. That's because each company—and its customers—are unique.

And the digital era has fostered an expectation each unique business-customer interaction should be individualized. So, although strategy consultants have traditionally used overall market estimates to define a strategic direction, now they must deeply understand and explore these individual relationships and interactions between businesses and their customers.

This shift means industry benchmarks remain useful—but only when supplemented with an intimate knowledge of the organization, its core capabilities, its culture and, most importantly, its customers. Gaining this intimate knowledge requires a combination of customer-centric and classical approaches that allow consultants to identify customer pains, generate ideas and ultimately develop enabling solutions.

Exploring a new way of digital strategy development

The result of these changes is that the digital era revolutionizes traditional strategy development from a product-centered process to a customer-centered process built on empathy. But since strategy development should be measured by results, every digital initiative must still address how it will impact the bottom line and how it can be scaled.

Without an ability to see the future, organizations often face unplanned scenarios. That makes estimating results a challenge, and failure a definite risk. So how can a strategy developer or consultant guide a client through a customer-centered process to create meaningful business impact—all while navigating the sea of uncertainty?

Time is another consideration. Traditional strategy development usually follows a discrete process. It starts with a short-term engagement to bring in outside expertise and develop recommendations to solve the company's challenges.

If the engagement is linked to a technology-based solution, this recommendation phase is followed by vendor selection to implement the developed recommendations. And a consultant may or may not be involved in project oversight. Then, after a three- to five-year sabbatical, the cycle repeats.

Because this serial process takes time, technology is often commoditized by the time it's deployed. That reduces—and sometimes eliminates—the anticipated project benefits.

We believe both the technology and the strategy development process must become agile—iterating to deliver fast, scalable results. In other words, act like a startup and scale like an enterprise.

This approach transforms the entire strategy development process. So the strategy development and consulting process needs to break that traditional paradigm by encouraging new ways of working:

- Explore the ecosystem and understand the external and internal customers
- Discover new opportunities for competitive advantage and value creation
- Design solutions using rapid prototyping methodologies
- Identify needed capabilities and enabling technologies
- Deploy and test prototypes using a fail-forward approach
- Build adaptive capabilities to ensure scalability
- Ensure C-level leadership support early in the process and communicate a clear customer-centric vision⁵

This more iterative approach looks for answers to three primary questions that represent three basic phases:

1. “What is?” to capture the existing situation
2. “What if?” to generate future scenarios
3. “What works?” to balance business value and implementation ease

The sequence of these three phases may be adjusted depending on the project purpose. For example, if the goal is thinking outside the box, the process might start by asking the *what if* question instead of limiting ideas to current conditions that are dominated by existing industry logic.⁶

No matter where you start, agile principles need to be adhered to. That means obtaining continual customer feedback to ensure ongoing competitive advantage.

This approach helps ensure you satisfy customer needs, attract new customers and prepare for future market shifts. One additional advantage—you don't lock yourself into a solution only to think about the go-to-market strategy after the fact when it might be too late, too expensive or no longer needed.

The secret ingredient: Being diplomats for success

This new approach still involves knowledge of state-of-the-art technologies, broad industry trends, competitor successes and failures—combined with strong analytical thinking. Naturally, that knowledge comes from extensive experience with real customers. But successful digital strategy owners and consultants also possess additional skills.

As mentioned before, the primary skill is customer-centered thinking. Without a customer focus, a digital strategy will rarely succeed. But agility is equally important. Although agile methodology initially requires more commitment and may appear to require more resources, the payoffs are huge.

While customer focus and agility are vital, an old-fashioned characteristic becomes increasingly important in the digital era—integrity. Without integrity, the digital strategy owner and consultant will struggle to achieve breakthrough results. Integrity provides a solid foundation upon which team trust and cohesion are built.

Integrity starts with trusting recommendations then adds actions that align with the words. For strategy consultants used to providing guidance and not executing plans, this can require adaptation. This means the consultant must be an active diplomat for success—working with the client's business and IT leaders to align and implement the strategy recommendations.

While sometimes difficult, by listening to stakeholder needs and translating them into win-win situations, the consultant builds trust within the partnership. In addition, the ongoing interaction strengthens the consultant's understanding of the client's organizational capabilities and culture, as well as customers' needs.

The second half of the integrity equation requires the consultant sincerely seek the client's best interest. That means the consultant must recommend the best solution for the client—without influence from relationships with solution providers, vendors or even the consultant's own product portfolio. At IBM Global Business Services, we strive to be diplomats for success.

For the consultants: Shifting to win

When strategy consulting in the digital era shifts from the traditional approach to an ongoing trusted advisor relationship, everyone wins. For strategy consultants, they no longer operate from the one-and-done perspective. This approach frees the consultants to focus more energy on delivering client value than on finding work from new clients.

As a result, consultants can gain a better understanding of the client's organization and needs, helping produce more valuable and effective recommendations. In exchange, consultants agree to provide unbiased guidance, bring together the necessary resources and coach the team to digital success.

For technology firms, the shift helps level the competition for potential customers. In addition, this new approach to digital strategy consulting reduces the complexity and risk associated with technology deployments while emphasizing continual updates over the typical four- to five-year upgrade cycle.

For clients, they gain an advisor who understands their customers and their business, and is committed to their long-term success. Most importantly, they can reduce the risks of IT deployments while increasing the likelihood of using advanced technologies to create market breakthroughs.

Follow the evolution of strategy in the digital era

The digital strategy landscape is transforming. When promising technology choices are available everywhere, a product or technology perspective can provide valuable insights and options.

But the primary measurement of success must be how well you meet your customers' needs. For companies, that means satisfying external and internal customers. And for consultants, that means ensuring their clients achieve strategic success in their respective markets.

To continue delivering client value, corporate and consultant strategy developers must adapt to this new approach. That means shifting from an expert who provides occasional recommendations to the team's trusted advisor and partner.

3 keys for strategy success in the digital era

- 1. Focus on internal and external customer needs and map against technology**
 - 2. Use prototyping to adaptively create capabilities and apply them to ecosystems**
 - 3. Create trust-based relationships between relevant stakeholder, including business and IT, and ensure top-management sponsorship**
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Successfully maneuvering this shift requires understanding and internalizing the ultimate corporate truth—a business exists to serve its customers. It also demands an agile strategy development process, capable of quick iterations to pilot new technologies and scale those that successfully advance the company's strategic goals.

When combined with industry knowledge, technology expertise and an objective perspective, strategy developers can guide the team toward goals that meet those customers' needs. And when done right, technology projects are no longer an end to themselves. Instead, they become an ongoing method to satisfy customers' needs—an iterative process that helps organizations succeed in an ever-changing world.

How IBM can help you succeed

In the digital era, change is constant. More than evolving to the next level, organizations must continually reinvent themselves or risk obsolescence.

We call this digital reinvention, and IBM has been doing it for over 100 years.⁷ Our IBM Interactive Experience (iX) group, as part of IBM Global Business Services, combines this experience and knowledge with world-class talent to help you succeed with your own digital reinvention.

IBM Interactive Experience consultants can help you develop new strategies, redesign experiences that generate new sources of value, and digitally reinvent your operations to improve efficiency and transform your enterprise. Combined with IBM's global reach, outcome-focused methodologies like IBM Design Thinking and deep industry expertise, we are uniquely positioned to be your digital strategy partner.

For more information

To learn more about how IBM Interactive Experience and IBM Design Thinking can help propel your business forward, please contact your IBM Global Business Service professional or visit: ibm.com/ibmix

Additionally, IBM Global Financing provides numerous payment options to help you acquire the technology you need to grow your business. We provide full lifecycle management of IT products and services, from acquisition to disposition. For more information, visit: ibm.com/financing

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