



STAYING ON TOP OF DIGITALIZATION

A Ginkgo Management Consulting White Paper

2016

STAYING ON TOP OF DIGITALIZATION

Internet of Things, Sharing Economy, Smart Data and Industrie 4.0 – to mention just a few topics which have been lively discussed by tech people and senior executive suites alike in the context of digitalization for the last years.

Nevertheless, the question is not when the so-called ‘digital revolution’ will take place – it has already begun!

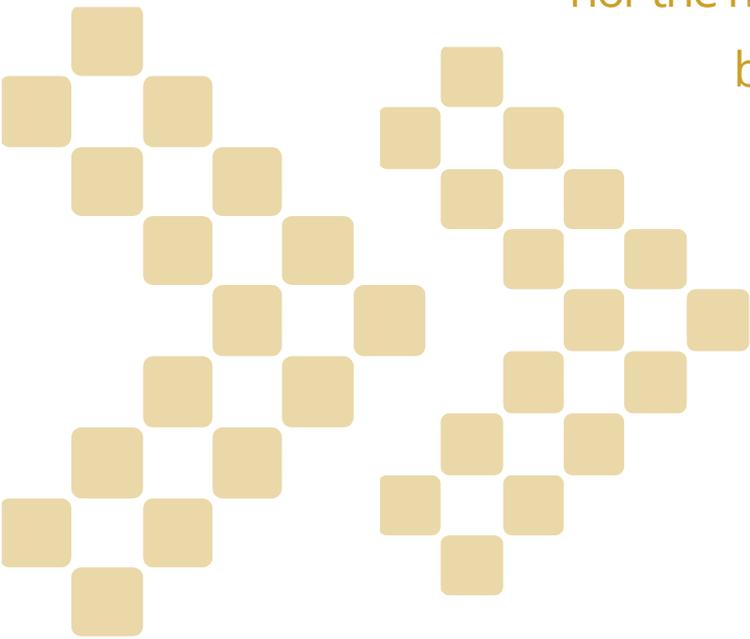
Organizations, no matter which industry or sector, have to come up with short and long-term strategies, answering the questions of how fast and to what extent they want to enter the digital world.

Therefore, underestimating the disruptive potential of an infinitely connected world is per se unadvisable. This can be seen by market shakeouts and by the rising number of failures of companies, which did not bridge the technological revolution. Speed and adaptiveness have evolved as key success factors. Those digitizing fast will have a clear edge and the rest may never catch up.

This paper highlights how companies can transform into digital leaders within the ongoing digitalization rally by acting now and investing in innovative strategies.

In the end, Charles Darwin was right:

“ It is neither the strongest that survives,
nor the most intelligent,
but the one most
responsive to change. ”



MAJOR AREAS OF DIGITAL TRANSFORMATION

There is no doubt that digitalization will have a tremendous business impact and will force considerable change. The disruptive potential of digitalization impacts all industries in three major areas:



First of all, **Customer Experience & Satisfaction** will be increasingly moving into the center of attention. By creating an emotional commitment via all touchpoints, a lasting customer relationship is to be established. Implementing this multi-channel strategy will be key to consistent and non-intermittent success.

Service Enhancements will be the second major area of disruption leading to a radical service orientation with major improvements in availability, quality, delivery, and flexibility as well as process integration. Developing dynamic service offerings and merging them with the core product will be key, especially in an increasingly sharing economy.

Finally, redefining **Supply Chain & Manufacturing** will be the foundation of a production dominated by mass-customization. Close collaboration of suppliers, partners, and customers results in dramatically decreased time-to-market of both more customized products as well as individualized services.

OPPORTUNITIES FOR DIGITAL LEADERS

Following a strategy that considers these major areas will be especially beneficial for businesses leading the transformation process.

By using digital sales channels, new customers will be acquired. Offering mobile car-sharing services, for instance, has enabled pioneering premium car manufactures to target younger customer groups and gain market share.

Another great example that will lead to above average market growth can be taken from the banking industry - the customer legitimization process for credit loans:



Enabling potential clients to not only apply online for a loan but also receive an immediate approval will bear two advantages. On the one hand, the processing time will be tremendously reduced. On the other hand, the cancelation rate can be decreased, as there are fewer chances for a last-minute change of mind.

Pioneering this process in the respective industry will not only drastically cut the handling time and lower costs but most importantly separate the winners and losers in terms of the digital leadership competition.

Across all industries, leveraging the opportunities mentioned above, will lead to the same effects. On the one side profitability will be boosted by lowering the costs through, e.g. automation and self-services.

On the other side, the gross margin can be increased by e.g. customer selection optimization, risk mitigation, promotion, and loyalty programs based on a predictive data management.

CHALLENGES TO OVERCOME

As with all transformation processes the digital revolution comes with a fair share of challenges to be considered. This is especially valid for established players, who have to tackle the “evolutionary” burden compared to newcomers.

A good example can be seen in the so-called Fintechs, startups disrupting the financial establishment, may bypass regulatory burdens or data privacy concerns just by choosing legal business locations. Established businesses on the opposite have to cope with the slow adoption of national, international and governmental policies and in addition labor intensive business processes.

To wait and see is not an option - preparations to enable oneself for digitalization are crucial. In order to leverage the opportunities of a digitalized economy, businesses must advance and set “own standards”.

Thus, there are **five main clusters** that have to be managed uniformly. Establishing a company-wide digitalized **mindset** is the first step to take.

With a common understanding amongst employees and an accompanying mission in place **organizational** challenges have to be tackled.

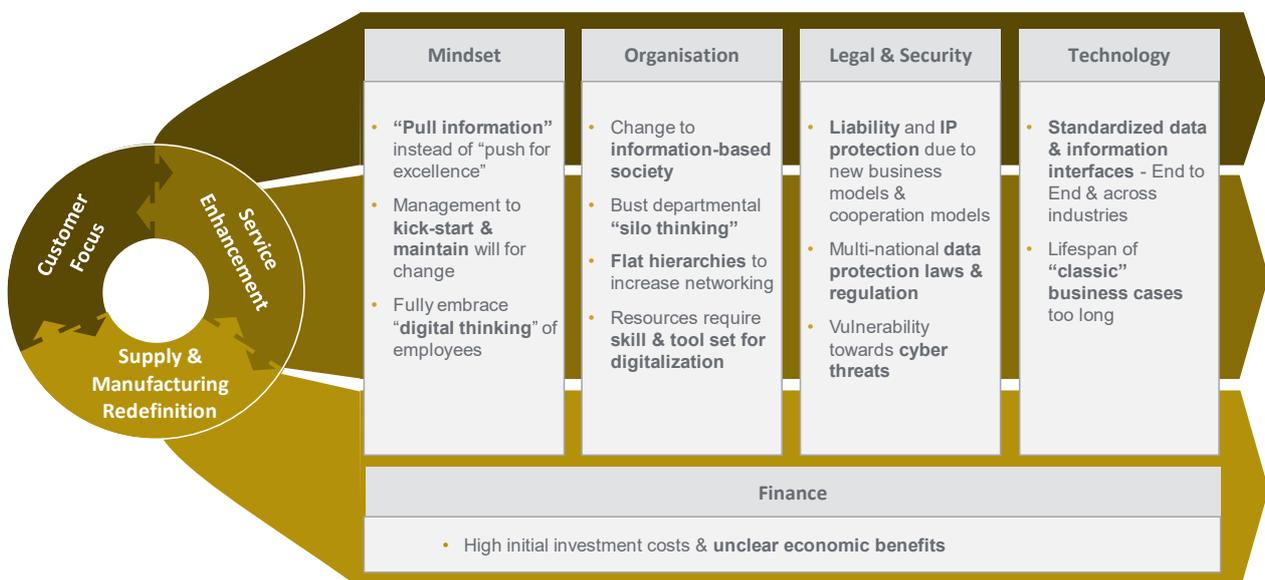
For dealing with the information-based society, departmental silo thinking has to be transformed for which flat hierarchies may help. Specialized talent pools and tool sets need to be built up or acquired to be able to think out-of-the-box.

With the people on board and organizational challenges mastered, **legal & security** issues have to be addressed. In order to build up trust and minimize risk of reputation loss, for example through leakage of sensitive customer data due to cyber-crime, fraud free processes and infrastructure have to be built up.

Technological aspects regarding infrastructure, namely the fundamental backbone of digitalization, have to be established as a prerequisite. Transforming the existing monolithically established blocks into agile and collaborative open structures is key.

Based on an efficient infrastructure, each and every industry has to set standards for data, interfaces, and information streams.

All of these challenges require initial and sometimes unforeseeable investments, which is a risk to be considered on the **financial** side.

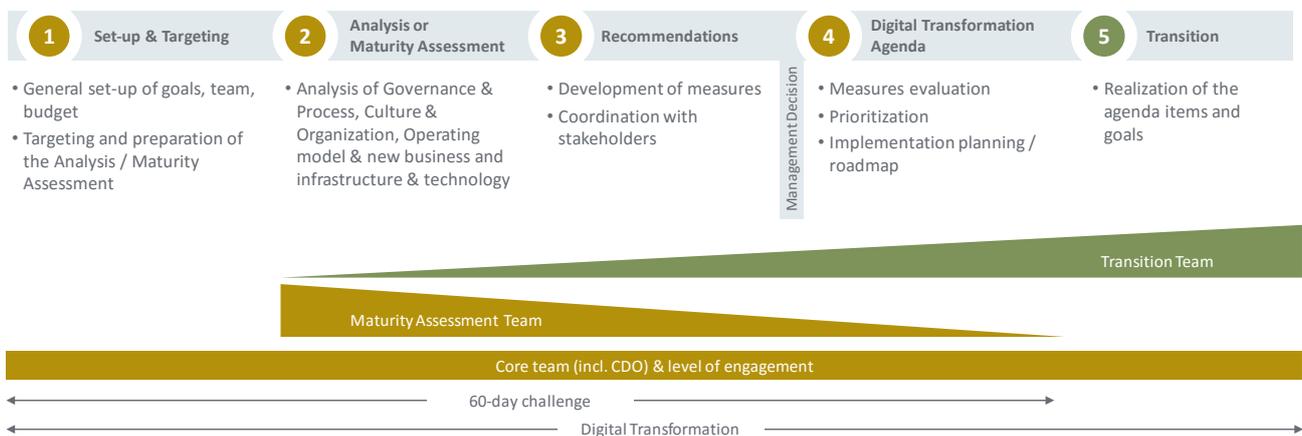


GINKGO APPROACH AND BEST PRACTICE

A digital leader is first and foremost aware of himself, collaborates, works internally smartly together, adjusts to market and technology changes and adapts them quickly. Furthermore, he measures his effectiveness as well as his increased competitiveness.

How can companies win the digital race?

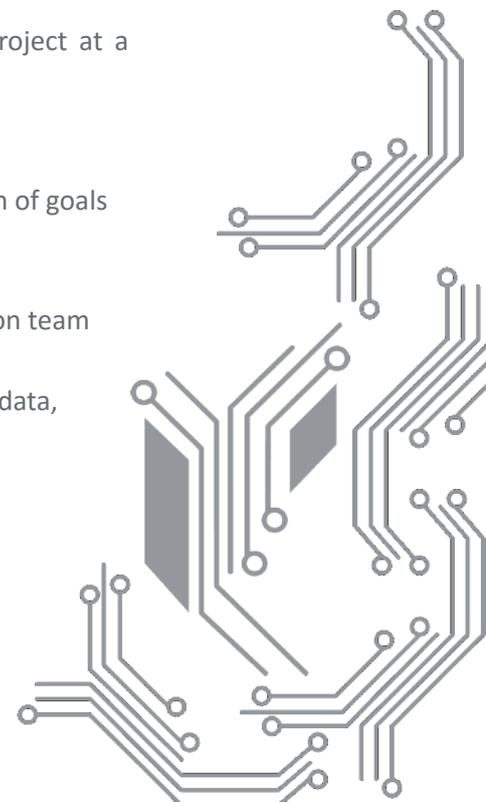
Ginkgo Management Consulting's digital transformation model provides adequate answers. Our approach is specifically intended to help businesses and enterprises IT to assess their digital processes against an established standard. Thus, providing a framework – a digital transformation agenda and roadmap – to progress their digital efforts.



1. Set-up & Targeting

This is the start of the journey, and the goal of this phase is to define the project at a comprehensive level. The major tasks for the set-up are:

- **Project charter / project initiation document**
Outlines the purpose and requirements of the project, including the definition of goals and the allocation of the budget
- **Project initiation**
Set-up of the analysis or the maturity assessment team as well as the transition team
- **Targeting**
The first step for identifying the target is collecting and consolidating existing data, documentation, policies, etc. Ginkgo amends the categories which have to be measured in the analysis phase





2. Analysis or Maturity Assessment

Ginkgo recommends a maturity assessment based on the target picture. This analyzes strengths and weaknesses in regards to the digital transformation readiness. Keep in mind that an increased “maturity” of a company goes hand in hand with reduced implementation risks and shorter product and project lead times.

The analysis of the company’s current situation and their IT organization will face the following **input dimensions**. No matter what industry your business is in, you will find **typical examples** of potential measures or essential steps to take below:

Governance & Process

- Establish a person in charge for Digital Transformation - it does not really matter if it is a Chief Digital Officer (CDO) or a senior program/project manager. But there should only be one!
- Customize decision-making across the board, using big data analytics to empower employees to serve their customers
- More responsibilities for employees are vital, on the other hand the senior management has to be aware of keeping direct control

Culture & Organization

Changing an organization entails more than changing an organizational-chart.

- Adopt a proactive culture and organization that support risk-taking
- Bust departmental “silo thinking”. Integrate teams / bipolar thinking / break silos of IT and Business
- Considering organizational development, it is crucial that not only a structure is set up but also social systems via communication and trust. This will lead to high-performance teams and the elimination of geographic borders and corporate boundaries

Operating Model & New Business

- Switch on the Digital Operating Model which will enforce agility, flexibility, boundlessness, service orientation and decentralization (Industrie 4.0 issues), special regards to customers
- Transformation from manual processes to automation and self-services
- Intensify supplier relationship management (build trusting relationships) with service providers and ecosystem partners
- Find new IT resourcing options (cloud) or enhance relationship management of such providers
- Never stop searching for new business opportunities

Infrastructure & Technology

- Create a flexible and scalable computing infrastructure that allows to standardize data and information interfaces (end-to-end and across industries)
- Enhance your infrastructure to deliver the right information to the right people at the right time. Think platforms rather than monolithic application clusters
- Take your time for changing legacy technology platforms

3. Recommendations

Based on the findings of the analysis or maturity assessment, we will work together with stakeholders to derive precise and bespoke measures. Measures have to be developed in a way which allows a stepwise implementation with an end-to-end view to find iterative and collaborative approaches.

At this point a management decision is necessary as Ginkgo's experience has shown. This decision needs to cover the range of opportunities which arise from the recommendations of different functions within the company e.g. CEO, CDO, Business Unit, IT, HQ or subsidiaries. Thus, realizable and feasible measures can be retrieved which can be implemented into your digital strategy.

4. Digital Transformation Agenda

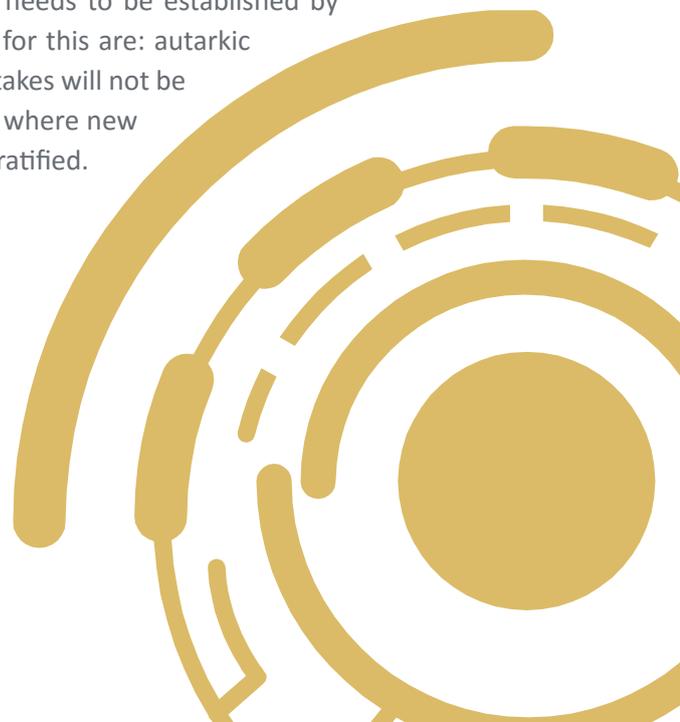
Implementation planning includes a realizable roadmap with prioritization of measures which are part of our Digital Transformation Agenda. Hence, it contains also details for the practical parts within the transformation. Therefore, the roadmap helps the management to oversee scope and team members to climb the transformation ladder step-by-step (the agenda implementation is mostly led from the top). In addition, executives will gain a solid sense of what needs to be done.

5. Transition

An implementation on the basis of the agenda items and the professional support (done by the transition- and core team) is part of the change management and leads to digital transformation. Two types of speed and hard choices are required for the transition to leave behind the traditional business and embrace the digital future.

The *slower type of speed* is to manage legacy technology platforms or systems changes. Another example is to roll-out some new services when a certain maturity grade has been reached.

The *faster type of speed* is a prerequisite for digitalization and needs to be established by innovation promotion and a forward thinking culture. Examples for this are: autarkic working, incubator- or think-out-of-the-box-mentality, where mistakes will not be punished. Furthermore, a reward system has to be implemented where new ways of working or successful digital transformations should be gratified.





CASE - MANAGING A GLOBAL CUSTOMER EXPERIENCE INITIATIVE

Ginkgo's challenges and lessons learned from setting up a global program management office for an ongoing corporate wide multi-channel customer experience initiative are described in this case.

As the digitalization is accelerating, major OEMs alike realize that shifting from a rather product driven brand culture to a service oriented strategy will be vital for lasting success. With the client moving steadily into the center of attention, Chief Marketing Officers alike have to reevaluate the complete customer journey across all touchpoints to keep their competitive edge.

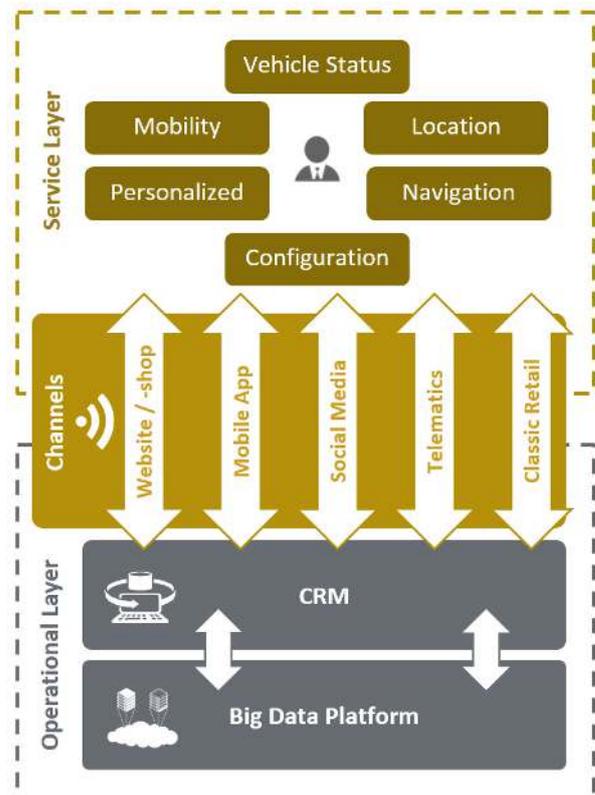


For a globally operating client of Ginkgo Management Consulting, this added up to 100 plus parallel initiatives, which, even thus following a common vision, were lacking governance in the overall implementation. The main focus has been too long on coming up with a new customer relation strategy which implied sketching and connecting the digital as well as physical touchpoints and eliminating existing inefficiencies e.g. process discontinuities, system redundancies, missing standards to mention a few. The complexity of integrating innovative technologies such as telematic services and connected devices, which generate tremendous amounts of data, have been underestimated. Therefore, a global program management was installed to align the business expectations and technological requirements.

This implied that the increasingly digitized services that provide highly personalized offers for the customer via multi communication channels had to be synced with the underlying operational layer. By tapping the information which the service provider received in return, the contact history will be updated or enriched.

Nevertheless, actively managing both the digital and physical channels as well as owning and centrally maintaining the data is only half of the story. Just as relevant as these, were the implementation of adequate data analysis capabilities. Connecting the dots and thus predicting client's service demands along the complete customer journey are the Holy Grail of customer experience management.

Using both classical as well as agile management tactics to align the activities of marketing, sales, after sales, financial services, information technology as well as security in a coherent target picture paved the way to successfully initiating our client's journey of digital transformation - which in the end turned out to be nothing else than a business transformation.





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