Microsoft

Digital Transformation Playbook: Four Elements to a Successful Strategy
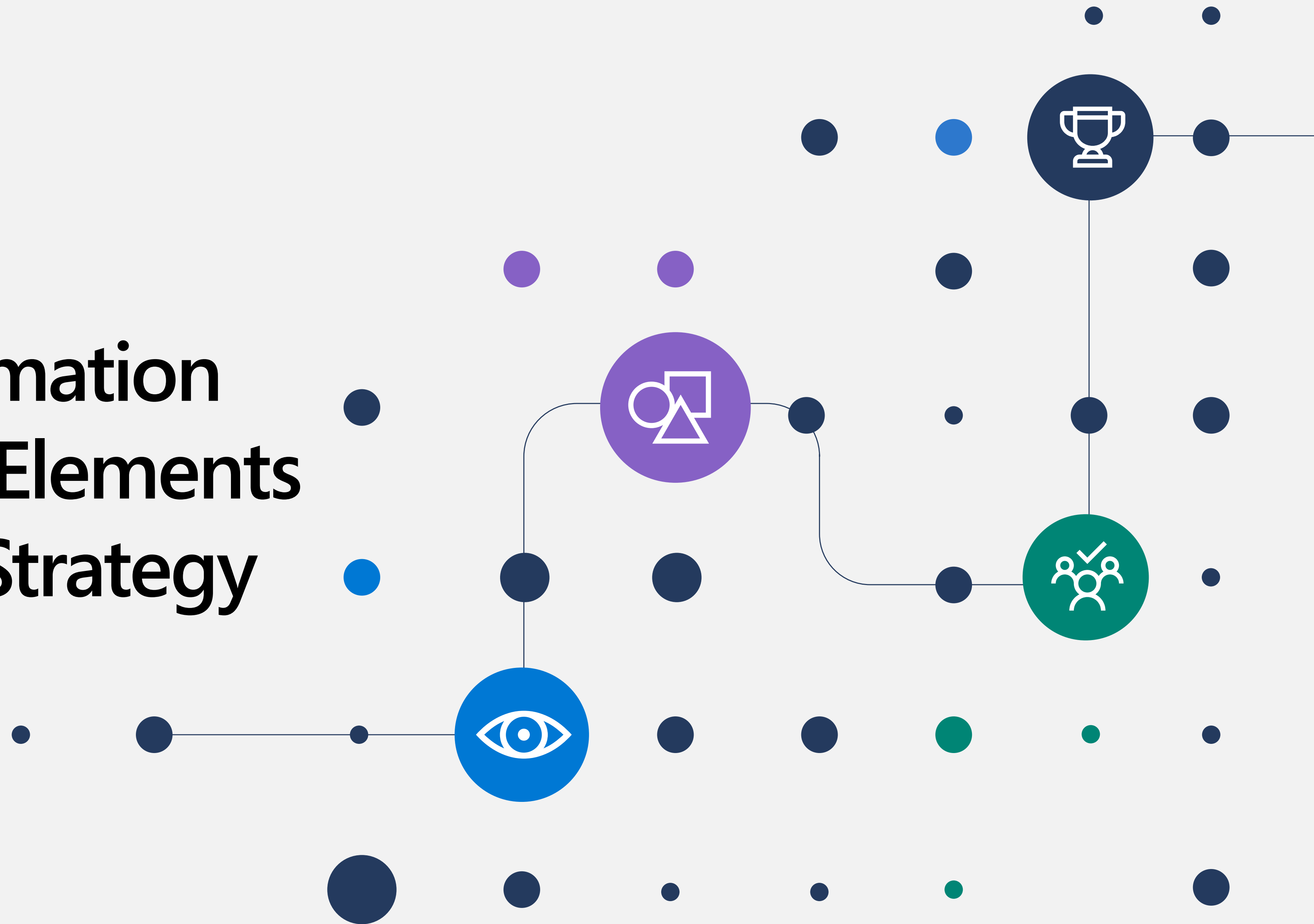
Table of contents

Introduction

Organizations of all sizes and types are facing a higher velocity of change in their business, market, and industry. The pressure to deliver results is mounting exponentially. As a leader, you know you must stay ahead of, or overtake, the competition.

Whether you're excited or daunted about digital transformation, this playbook can help you tackle the process in incremental steps. Digital transformation is not a one-size-fits-all scenario, nor does it manifest through a single chess move. Digital transformation is a journey that creates value, solves problems, and empowers people to do their best work.

This playbook is a roadmap of that journey. Depending on where your company is in its process, you can use this playbook from beginning to end or jump to the section that's most relevant to you.

91%

**of business leaders see digital transformation as a way of sparking innovation and finding efficiencies [1]**

85%

of business leaders say they must offer digital services or become irrelevant [2]

An innovative approach to digital transformation

We've worked with more than a thousand companies on their digital transformation journey and have noticed that the most successful organizations stay focused on unlocking value, whether the impact of that value is incremental or transformative.

As we've worked with companies on digital transformation, we've refined and optimized the process into a framework we call I.D.E.A. I.D.E.A. applies broadly tested and accepted concepts from leading institutions and research firms and comprises four key phases:
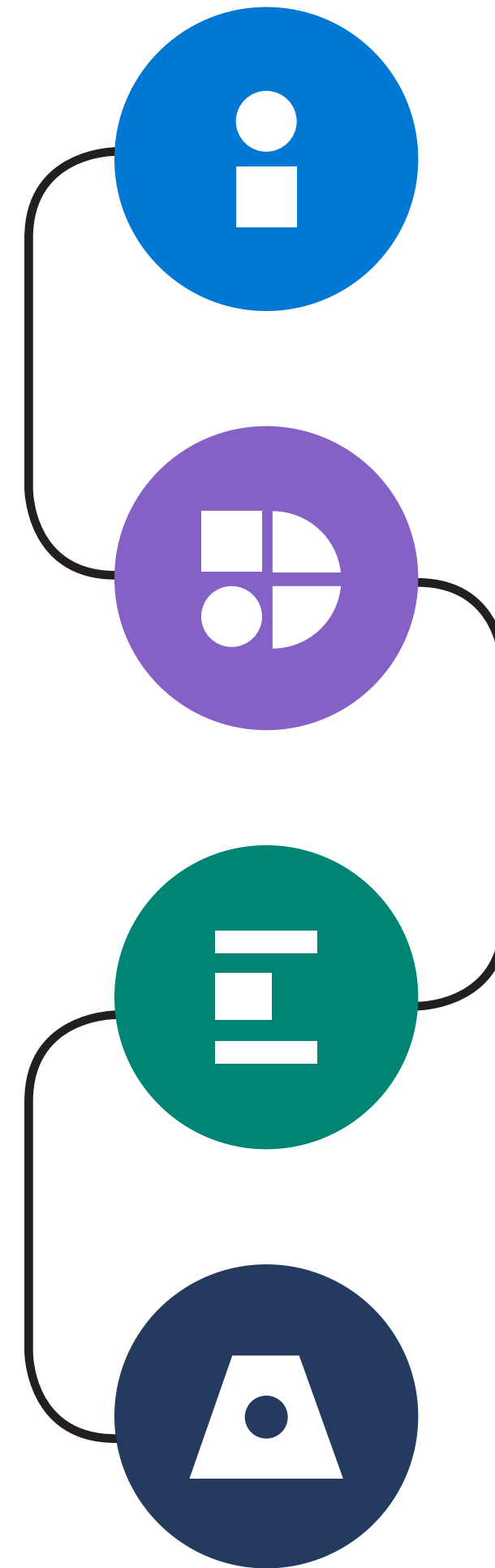
Inspire

The **Inspire** phase helps you envision the future state of your business and define a strategy for achieving it.

Design

The **Design** phase prompts you to scope your transformation aspirations and technology roadmap through a series of business-value and technical assessments.
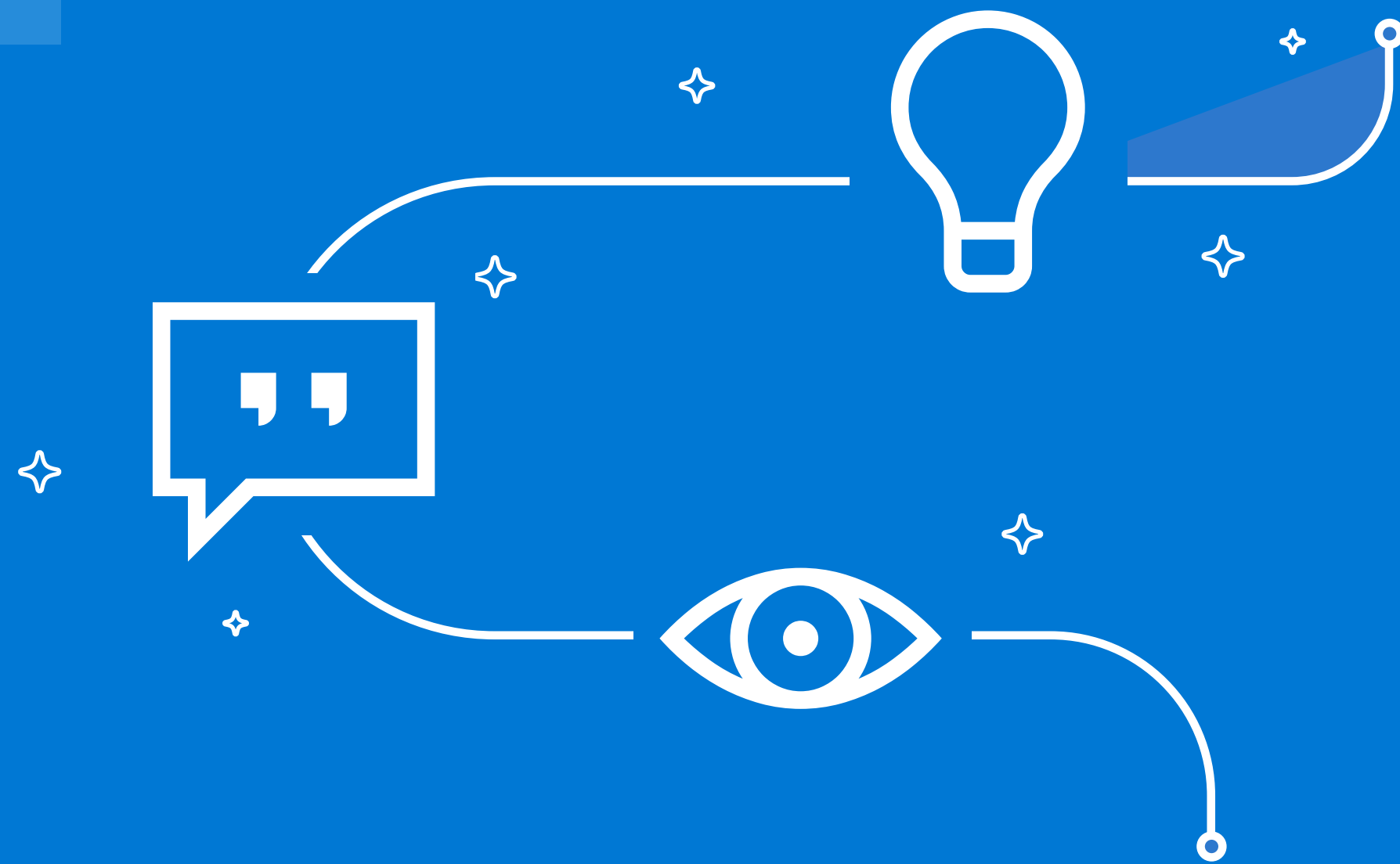
Empower

The **Empower** phase helps you build support for your vision throughout the organization using visual assets, solution demonstrations, and immersive experiences.

Achieve

The **Achieve** phase helps you move your organization from vision to action.

Part 1:

Envision your future business

In the Inspire phase, you'll engage in a number of exercises with colleagues to develop a collective vision for your future organization.

Activities:

- Envisioning workshop

- Core capabilities mapping

- Customer journey mapping

- Business model selection

- Operations model selection

Outcomes:

- A prioritized list of capabilities that can help drive digital transformation in your organization

- New product and service ideas

- Strategic alignment on your organizational goals for digital transformation

- Deeper insight into your customers' experience

- A business model best suited to your digital transformation objectives

- An operating model designed to help execute on digital transformation

Inspire

Design

Empower

Achieve

An Envisioning workshop gathers your team to align on a vision for your business and to develop a guide for your digital transformation journey.

Prepare for your Envisioning workshop:

1

Choose a facilitator

You can pick someone from your team or use a design thinking-certified third-party facilitator. Your facilitator's job is to help the group align and move forward through the phases of the workshop. If you're interested in working with a Microsoft facilitator, you can apply here.

2

Invite colleagues from different business units

Your organization functions best when the people inside are unified. In your Envisioning workshop, invite department heads from Finance, HR, IT, and Operations as well as Customer Service, Marketing, Product, and Sales. You'll have a richer discussion and more diverse set of perspectives.

3

Establish a clear agenda

Establish a clear agenda that outlines expectations and defines the scope of the workshop, including what you will and won't achieve.

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Core capability mapping exercise

Start your Envisioning workshop with a core capability mapping exercise. Note that the worksheets in this playbook can be filled out onscreen; or, you can print out the playbook to fill in the worksheets by hand.

01 List 5-7 key business units in your organization. For example, your business units might include:

Customer service	Product development
Finance	Sales
Human resources	Sourcing
Marketing	Supply chain
Operations	Information Technology

02 For each unit, identify existing capabilities. Then brainstorm potential capabilities. Look for new ways to serve customers that draw from your organization's unique strengths.

Example:

Key business:	Supply Chain
Dynamic sourcing	Relevance: Difficulty:
Order fulfillment	Relevance: Difficulty:
Supplier relationship management	Relevance: Difficulty:

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03 Categorize the capabilities according to their impact and strategic relevance to your business as "transformative," "high," or "moderate."

[T] Transformative   [H] High   [M] Moderate

- ✔ For example, within your Supply Chain unit, you might have a "moderate" process for screening new vendors, but a "transformative" dynamic sourcing capability that can predict and adapt to weather anomalies and other events that impact production

- ✔ Another example: Within your Customer Service Center, you might have a "moderate" call-management capability but a "high" artificial-intelligence chatbot on your website

04 Now assess each capability for its level of difficulty to implement.

Level of difficulty: ● Low   ● Medium   ● High

- ✔ For example, if your business depends on the quality of its people, you might like the idea of building recruiting centers near top 10 colleges to fill your pipeline

- ✔ At the same time, it might be easier to evolve and improve your "moderate" vendor-screening process because it's strategically relevant as a way to source talent and less costly and difficult to implement than building 10 new recruitment centers

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Key business:

Relevance:

Difficulty:

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05 Finally, if relevant to your industry, determine the regulatory impact of each capability. Would making a change require greater investment in regulatory compliance?

Now that you have a full picture of your organization's capabilities, prioritize them and create a short list. For each capability on your short list:

- ✓ Describe the intended business outcome

- ✓ Project the potential business value

Align on the final 2-3 capabilities as a team. This will help you develop a tightly focused program with a clear understanding of how your digital transformation program will benefit the organization and its customers.

Top Capabilities

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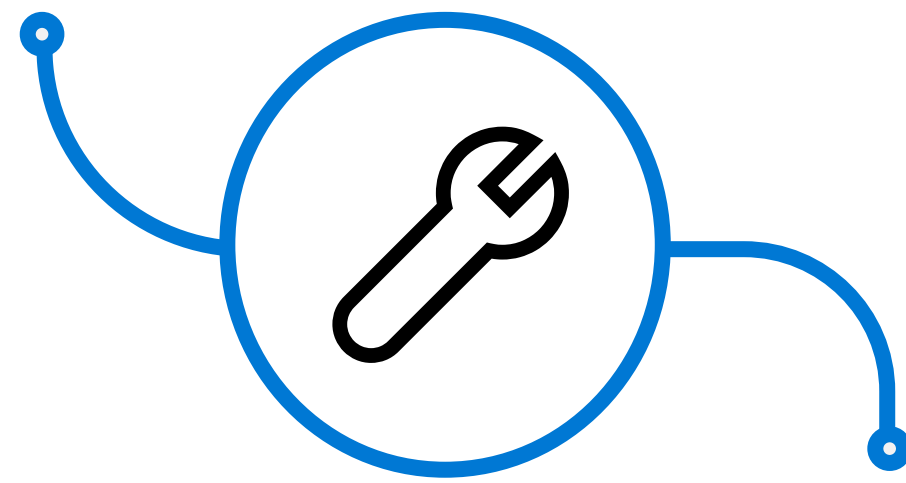
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Part 2:

Define business and operating models

In the second half of your Envisioning workshop, align on business and operating models. A business model defines what value will be created. An operating model reflects how the value will be created and delivered.

Your business model

Business models have shifted dramatically over the past 20 years. Driven by customer expectations, businesses have shifted from prioritizing transactional relationships to valuing ongoing quality engagement. For example, look at your own consumption of entertainment. We used to rent or even buy videos one at a time; now, we subscribe to a streaming service that we can cancel at any time. This shift means that relationships are fluid and organizations must ensure customers are satisfied and making the best use of the products and services they consume.

Customers are also playing a more active role in the evolution of organizations. Customer feedback has greater power to shape the development of new products and services, with organizations collecting customer feedback through observation and signal analysis. A digitally transformed company leverages these insights to proactively provide better products and service without depending on customers to act. If done right, these observations can lead to quicker innovation and a more impactful value proposition.

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01 Consider these customer dynamics as you evaluate your business model. If you prioritize relationships over transactions, how might your business model change?

- ✓ What type of business model do you have now?

- ✓ Given what you've envisioned for your business so far, is this the best model for the future?

- ✓ What business model would most benefit your customers?

02 Customers should be the ultimate focus of this exercise, as people are at the heart of your business.

- ✓ Do you know how to best meet your customers' needs?

- ✓ Can you anticipate what value they'll want next?

→ To better understand your customers, use a customer journey mapping exercise.

Example | Online retailer: customer ordering

	Doing	Expecting	Thinking/Having Questions About	Interacting With
Step 1	Adding item to shopping cart	Website to function quickly; item appears in cart; updated # of cart items; correct prices reflected	Did it get added to my cart? Am I getting the best price? How long will it take to get to me? How easy is it to return? Do I have to pay shipping for returns?	Online interface
Step 2	Checking out	A clear list of items ordered; correct price on each; ability to remove an item or change # of items ordered; ability to continue shopping	Are all of my items here? Should I buy all of these? Are there any coupons I could apply? How long will it take for these to arrive?	Shopping cart page of website
Step 3	Choosing shipping option	Fair price for shipping or no shipping fee; coupon to waive shipping fee; fast arrival; clear options on shipping times and fees	Should I choose the faster, more expensive option? When do I need these? Can I get this faster or cheaper from another retailer? Is it worth it? Should I buy it at the store? Do I really want to pay $7.95 in shipping for a $17.95 item?	Shipping interface online
Step 4	Choosing payment option	Clear payment options; credit card or PayPal; secure payment transaction	Is this secure? Where is my credit card? Can I use PayPal? Should I create an account so they remember my payment info?	Payment interface, which may go "offsite" for PayPal transaction
Step 5	Finishing transaction	Confirmation page and confirmation email; a summary of the transaction	Did it go through? Will they keep me posted on the delivery?	Website interface; email

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Customer journey mapping exercise

	Doing	Expecting	Thinking/Having Questions About	Interacting With
Step 1				
Step 2				
Step 3				
Step 4				
Step 5				

Complete the table

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1

Select a customer experience or typical interaction that your customers have with your organization.

2

Break down the interaction into 4 to 6 steps.

3

For each step, examine what the customer is doing, expecting, thinking/having questions about, and interacting with.

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After you've completed the exercise, discuss insights with the team on how you can optimize your business model.

If you're stuck deciding between a couple of business models, consider the following questions:

- ✓ How would this business model change customers' experiences?

- ✓ Would it allow you to move into new markets?

- ✓ How would your organization's value proposition and revenue grow?

- ✓ How would costs and risks shrink?

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Your operating model

Once you've defined what value you will deliver, consider how to best deliver it.
Work through the following exercises to define your operating model.

Participatory roles

First, create a mind map of all the players in your ecosystem.

1	2	3	4
What are the major groups of stakeholders?	How do these groups relate to one another?	What are the major transactions between groups?	Which interactions generate the greatest value?

Complete each box

Inspire

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Governance framework

Next, to define risk and regulatory impact, ask:

1

Who makes the decisions?

2

What are the criteria for level of investment the business is willing to make in a potential new product or service?

3

What decision-making power do various stakeholder groups have?

4

What is your organization's risk threshold?

Complete each box

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Inspire outcomes

At the conclusion of your workshop, you and your team will have determined which opportunities could bring the biggest benefit to your business. You will also come away with:

- New product and service ideas

- New approaches to daily challenges

- A prioritized area of focus

- A macro-transformation strategy

- Alignment on initial business and operating models

DESIGN

Build a compelling case for change

In the Design phase, your team builds assessments that help drive a compelling case for investment in your organization's digital transformation. A business value assessment helps financially quantify the business value of the team's proposed solutions, including return on investment (ROI), revenue growth, cost savings, and employee efficiencies. A technology assessment brings stakeholders together to review current technology in light of solution objectives. The output is a customized, technical roadmap.

Activities:

- Business value assessment
- Technical assessment

Outcomes:

- Business value proposition
- Business value assessment
- Projected ROI
- Technical assessment
- Strategy technology roadmap

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Business value assessment

**To conduct a business value assessment, gather baseline data.
Your organization may already have some of this data, for example:**

- ✓ **Accounting:** company financial performance such as profit, revenue, YoY growth

- ✓ **Customer Service:** customer satisfaction ratings

- ✓ **Human Resources:** employee retention, cost of turnover

- ✓ **Marketing:** lead generation and conversion data

- ✓ **Sales:** top-line growth by region or product/service line

Use this knowledge to prepare for questions about business outcomes and to set realistic expectations. Collect any additional data you need but don't have, such as employee skill levels or supervisor satisfaction.
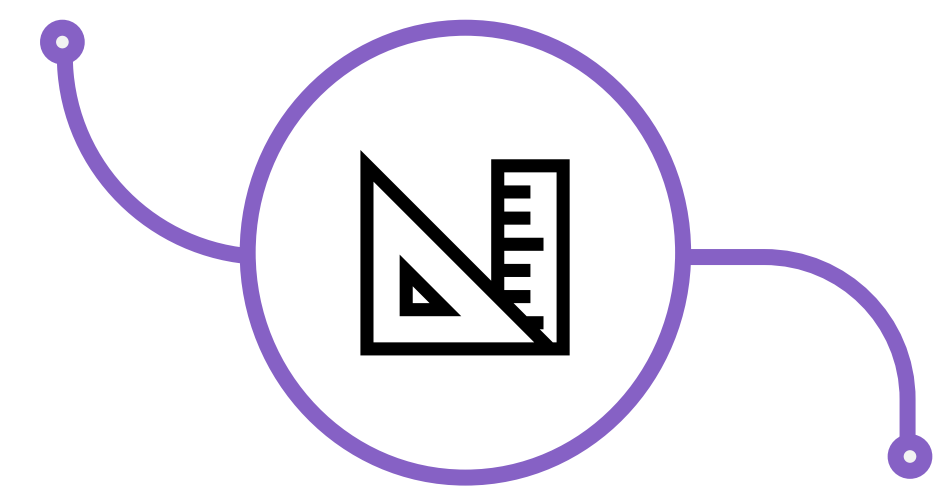
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Technical assessment

The technical assessment helps map technology investments and solutions to business goals.

To develop your technical assessment:

1

Conduct a fit-gap analysis. A fit-gap analysis compares business requirements to your technology systems' capabilities and identifies the gaps you need to fill to fully support the organization from a tech perspective.

2

Develop a rough order of magnitude, which will help you estimate how much time, effort, and resources it will take to complete your digital transformation project.

3

Create a change management strategy. You'll need to conduct change management to help staff adjust to organizational changes that result from digital transformation. A good change management strategy can help you to mobilize commitment and motivate people to support the changes happening in your organization.

4

Develop a project timeline, including the scope of your project, milestones, and key dependencies.

Options-Based Opportunity Worksheet

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Option A Title

Option A Description and Value Proposition

Example: Most Aggressive Option will directly and decisively combat competitive pressures where first mover advantage is vital.

Cost: $$$$ | Resources:

Option A Timeline and Expected Delivery

Option A Business Case Justification

-
-
-

Option A implications for not choosing this option

-
-
-

Option B Title

Option B Description

Example: "Middle of the Road" Option

Cost: $$$$ | Resources:

Option B Timeline and Expected Delivery

Option B Business Case Justification

-
-
-

Option B implications for not choosing this option

-
-
-

Option C Title

Option C Description

Most Conservative Option

Cost: $$$$ | Resources:

Option C Timeline and Expected Delivery

Option C Business Case Justification

-
-
-

Option C implications for not choosing this option

-
-
-

Complete the table
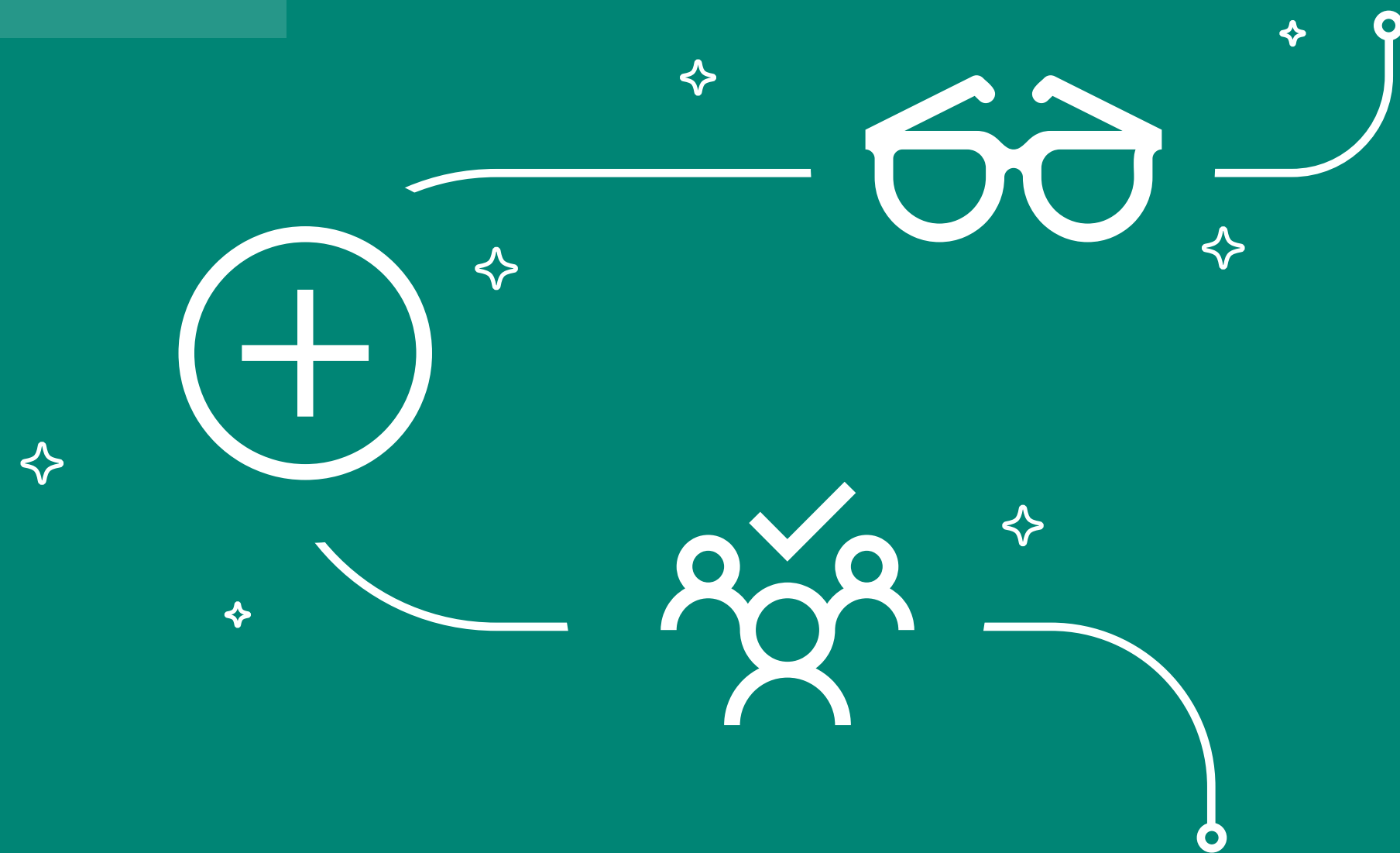
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Design outcomes

- Business value assessment with baseline data and business outcome projections

- Technical assessment with technology roadmap

EMPOWER

Share your vision

Decision makers who didn't participate in earlier phases of your digital transformation process may not fully understand what you're trying to accomplish and why. In the Empower phase of your organization's digital transformation, your team will generate a solution demonstration to share your vision, build excitement, and persuade key decision makers and influencers.

Activities:

✓ Internal stakeholder mapping

✓ Solution demo development

✓ Solution demo socialization

Outcomes:

✓ Solution demonstration

✓ Feedback and input from important stakeholders

Solution prototypes can include visual artifacts, videos, or immersive experiences. Use demonstrations along with business value and technical assessments to deliver a powerful case for moving forward in your digital transformation journey.

Inspire

Design

Empower

Achieve

Solution prototyping

To develop a solution prototype:

1

Map out stakeholders who will experience the prototype

2

Identify their concerns

3

Use the information to inform the format of the prototype

4

Build the prototype and reserve time to socialize it with target audiences

5

Include data gathered in the assessment process to frame a data-driven story of digital transformation for your organization

6

Gather and incorporate feedback throughout the process

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Design

Empower

Achieve

Empower outcomes

- Solution prototype

- Feedback from stakeholders

ACHIEVE

Execute on your vision

There is no single, "right" way to approach digital transformation. Some organizations start with a pilot project in a small part of the organization. Others roll out a larger proof of concept and quickly test and iterate for a broader and more immediate business impact. Regardless of the size of your project, agility and iteration are key to the desired business impact of your digital transformation strategy.

The Achieve phase moves your team from vision to action through a business transformation plan.

Activities:

✓ Transformation planning

✓ Blueprinting digital transformation journey

Outcomes:

✓ Strategic plan and roadmap for digital transformation journey

✓ Ready-to-execute pilot project

Inspire

Design

Empower

Achieve

Transformation plan

Create your transformation plan:

1   Collect all the work the team has completed in the I.D.E.A. framework.

2   Create an executive overview.

3   Summarize the vision and assessments.

4   Map out concrete steps to project completion.

5   Make sure to allocate enough budget for effective change management.

Execute on your transformation plan:

- ✓ Set daily, weekly, and monthly goals to strengthen accountability.
- ✓ Set expectations for reviews.
- ✓ Share early wins and share them often.
- ✓ Encourage low- and high-fidelity prototyping.

Inspire

Design

Empower

Achieve

Achieve outcomes

- Blueprint for your organization's business transformation with supporting strategy and assessments

- Clear steps for acting on your plan

Get started

The I.D.E.A. framework has guided many businesses through their digital transformation, and we hope it will empower your organization as well. Throughout the process, if you need additional guidance, expertise, or support, you can access more of Microsoft's—and our partners'—knowledge and experience.

Need someone to step you through the process?

Our experts can be with you every step of the way. Book time with a FUJIFILM CodeBlue expert now: www.code-blue.com.au/Microsoft

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