

DIGITAL BUSINESS STRATEGY TEMPLATE

A practical guide to help
with the shift to Digital

March 2019 v1.0



Metamorphosis

Contents

Contents	1
Preface	2
How Metamorphis Digital can help with your shift to digital	2
Introduction	3
Digital Business Strategy Purpose	3
Challenges and Opportunities from four Key Megatrends	3
Changing Global Population & Demographics	3
Changing Nature of Work – the Impact of AI & Automation	3
Changing Nature of Consumers	4
Changing Climate	4
Understanding the Shift to Digital	5
Data	5
Value creation	5
Organisational decision making	6
Strategic Planning Horizon	6
Operating model	6
Customer service	6
Organisation & People	6
Products and services	7
Digital Business Principles	7
1. Develop a culture of decision making based on data and evidence	7
2. Value Data as one of our key assets	7
3. Prioritise discretionary investment in developing new digital products and services	7
4. Transition to a digital business model	7
5. Be clear about why we're shifting	7
6. Avoid replacing functional silos with digital ones	7
7. Invest to achieve scale and sustainability	7
8. Focus on stopping legacy activities at the same time	7
9. Build new skills and capabilities	8
Digital Business Practices	8
Business Case and Ongoing Investment	8
IT Services and Suppliers	8
Customer Data, Security & Privacy	8
Content Reusability	8
Branding	9
Ownership	9
Digital Business Planning	9
Annual Digital Plan	9
Trimester Reporting	9
Further Reading	10
Disclaimer	10
Contacts	11

Preface

Given that the imperative for organisations to shift to digital business models is one of *the* most talked about topics at present, we were surprised when we couldn't find an example of what a good Digital Business Strategy *should actually look like*.

So, we created a Digital Business Strategy for ourselves from scratch, covering the aspects we thought were important to include: Purpose, Principles, Processes, People, and Planning - which is the basis of this template for you to use in your own organisation.

Like any template, this document is intended as a starting point, so feel free to add, change, and delete to suit the needs of your own organisation.

Our strong advice is to keep it as simple, concise, and as non-technical as possible - remembering it's a Digital *Business* Strategy, not an IT Strategy.

How Metamorphis Digital can help with your shift to digital

- If you're a digital champion within your organisation, we hope this template is a useful starting point to help you move things along.
- If you're an Executive Sponsor of a digital business transformation initiative or Director of Strategy, we can help with:
 - developing Digital Business Strategies and Digital Business Plans that are fit for purpose in a digital world;
 - building the internal business case for investing in the shift to a digital business model for a Leadership Team or Board audience;
 - defining and supporting the organisational change process that goes alongside the shift to a digital business model;
 - increasing understanding of the significance of four key megatrends for your industry, and to map out practical strategies to respond to:
 - a growing and changing global population,
 - the impact of automation and artificial intelligence (AI) on the future of work,
 - changing consumer preferences, and
 - climate change
- If you're a CIO or CFIO that's had digital business transformation dropped on your head, we're an ally that help your Board and Executive Team to understand there's far more to the shift to digital than just technology.

Ngā mihi

Clive Jones
 Director
 Metamorphis Digital Advisory
 clive@metamorphis.digital

21 March 2019

Introduction

This document sets out Metamorphis Digital Advisory's Digital Business Strategy which should be read in conjunction with our Strategic Plan. This Digital Business Strategy is a framework for creating and optimising our digital business model. It addresses topics including:

- How we can digitally optimise our business model
- What shifts we are seeking to make in moving from an analogue organisation to a digital one
- How digital impacts on our existing business practices, processes, people, and resources
- What success looks like and how we should measure progress

This Digital Business Strategy is not a digital marketing plan or an IT strategy – it's about our business strategy and operating model, not our Information Technology.

Digital Business Strategy Purpose

Challenges and Opportunities from four Key Megatrends

In less than 20 years from now the world will be a very different place. A growing and ageing global population, the displacement of workers from jobs affected by AI and automation, the rise of Gen Z, and the effects of climate change will have profound impacts on our business and the world in which we operate:

Changing Global Population & Demographics

Driven by an accelerating decline in fertility as a result of urbanisation, the world's population will peak at 8-9 billion in 2040 and then decline. "We need to prepare, not for the consequences of a population boom, but a population bust"¹.

At the same time population growth is slowing, the world's population is rapidly aging, with the proportion of people aged 60+ expected to increase from 12.3% in 2015 to 18.8% by 2040.

And as a result of 74% of the growth in population aged 18-23 being concentrated in just ten countries (Angola, Democratic Republic of the Congo, Egypt, Ethiopia, Kenya, Niger, Nigeria, Pakistan, Uganda and Tanzania) by 2060, Sub-Saharan Africa will have the greatest share of the world's population.

By 2040, the world's landscape is likely to feel vastly differently, particularly as a result of the geopolitical shifts that have occurred as a consequence of demographic changes but also due to technological transformation.

Changing Nature of Work – the Impact of AI & Automation

Automation will bring big shifts to the world of work, as AI and robotics change or replace some jobs, while others are created.

Up to 1.2 billion workers could be affected by automation and 400 million workers could be displaced by 2030.

Even if there is enough work to ensure full employment by 2030, major transitions lie ahead that could match or even exceed the scale of historical shifts out of agriculture and manufacturing.

Even with automation, the demand for work and workers could increase as economies grow, partly fuelled by productivity growth enabled by technological progress. Rising incomes and

¹ <https://www.theguardian.com/world/2019/jan/27/what-goes-up-population-crisis-wrong-fertility-rates-decline>

consumption especially in developing countries, increasing health care for aging societies, investment in infrastructure and energy, and other trends will create demand for work.

Changing Nature of Consumers

Forget everything you know about Millennials. Generation Z - comprised of people born roughly from 1995 to 2010 - will dominate education and then work from here on.

Gen Z use social media as their only research tool. 60% of Gen Z prefer YouTube as a learning tool. If it's online, they believe it's true.

Gen Z are more mature and in control than Gen Y and are hyperaware and concerned about man's impact on the planet and are strongly oriented towards social causes. They intend to change the world.

Gen Z are tech innate – able to juggle five screens at once. Unlike Millennials they prefer to work individually rather than collaboratively.

Changing Climate

Evidence suggests the world is probably already locked into about 1.5°C warming by 2040 unless greenhouse gas emissions are dramatically reduced in the next 12 years

The 2018 UN IPCC report paints a far more dire picture of the immediate consequences of climate change than previously thought and says that avoiding the damage requires transforming the world economy at a speed and scale that has “no documented historic precedent.”

Climate change impacts from 1.5°C warming by 2040 include inundated coastlines, intensifying droughts and poverty with damage estimated to cost \$54 trillion

The United States along with Bangladesh, China, Egypt, India, Indonesia, Japan, the Philippines and Vietnam are home to 50 million people who will be exposed to the effects of increased coastal flooding by 2040, if 1.5°C degrees of warming occur

At 2°C degrees of warming, the report predicts a “disproportionately rapid evacuation” of people from the tropics. “In some parts of the world, national borders will become irrelevant”

The four key megatrends represent significant challenges and risks to our current business, but the biggest risk is doing nothing (or not enough) and assuming that the world will stay pretty much the same.

Making the transition to a Digital Business model will help our organisation to position itself to take advantage of the significant *opportunities* presented by the four megatrends, and this Digital Business Strategy will help us map out how (and what) we need to do, over time, to adapt to ensure we remain successful.

Understanding the Shift to Digital

For our business to survive the challenges presented by the four megatrends outlined above, we need to be at the forefront of transitioning from an analogue to a digital business.

Digital businesses are fundamentally different to analogue ones, with the differences best summed up in the table below²:

Analogue Business	Dimension	Digital Business
Focused on the organisation itself and its transactions	Data	Focused on understanding customers
Created from the organisation's assets & people	Value creation	Created from the organisations data, assets & people
Driven primarily by values & beliefs	Organisational Decision Making	Driven by data & evidence and supported by clear purpose and values
Next 12 months, next 3-5 years	Strategic Planning Horizon	Next six months, 20 years from now
Uncoordinated, functional silos	Operating Model	Platform / eco-system
Physical, manual	Customer Service	Online, Automated
Hierarchical, specialised roles	Organisation & People	Agile, "T" shaped roles
Physical / tangible	Products / Services	Digital

Figure 1 - Differences between Analogue and Digital Businesses

Data

Analogue organisations have lots and lots of data. This data, however, tends to be organisation and transaction centric. That is, they record data about the business transactions they have undertaken or want to undertake and about the organisations that they have done or want to do business with.

Digital organisations capture as much information about customers or potential customers as they can, from everywhere, about everything and everyone. For example, they track the location and intentions of their customers and they record every keystroke and every decision that their customers make.

Value creation

Analogue organisations typically create value through leveraging the time and creativity of their staff and their physical assets.

² Adapted from: McCall, Owen (2018). *Digital versus analogue and why I am no fan of 'transformation'*. <https://www.cio.co.nz/article/645451/digital-versus-analogue/>

Digital organisations primarily create value through using data to meet customer needs alongside their staff and physical assets. For example, Google leverages data to sell advertising and AirBnB leverages data to create an accommodation marketplace and Amazon leverages data to bring buyers and sellers together.

Organisational decision making

Analogue organisations make the majority of their decisions based on their values and beliefs, which often are not back by evidence. They struggle to identify the actual purpose of a lot of their existing activities, often mistaking benefits for purpose. They use historic data primarily to support and justify their decisions where it supports their beliefs but tend to ignore it if it disagrees.

Decision making in Digital organisations is led by customer-focused data and evidence, which is often generated in near real-time and supported by clear organisational purpose and values.

Strategic Planning Horizon

Analogue organisations operate as if the external environment is stable and primarily focus on the next 12 months (annual business plan). If they focus beyond the next financial year it will typically be in a three to five-year time horizon, which traps them into thinking the future will look much the same as it does today.

Analogue organisations focus on operating their current core business and use discipline, repeatability, small continuous improvements, careful risk assessment and conventional financial analysis to optimise this. They often believe these continuous improvement initiatives are about 'business transformation' when they are in fact about optimising the current business model.

Digital organisations focus on understanding what the business environment will look like in 20 years' time and then identifying what small number of critical short-term actions they should focus on to achieve the required *direction of travel*. Digital organisations understand the need to focus on operating and optimising their current core business alongside creating their future business – essentially, they look to disrupt themselves before others seek to disrupt their industry and business.

Operating model

The dominant business model of an analogue organisation is uncoordinated functional silos. This model is primarily product or service-led where products are designed and built, marketed and sold, delivered, used, and supported.

The business model of choice in digital companies, is the platform or eco-system. In this model, companies either provide a digital platform that bring dispersed buyers and sellers together and leverage the network effects that are created in doing so or choose to be part of a digital eco-system.

Customer service

In analogue organisations, customer service is predominantly provided through physical customer service points. This may be supplemented with a call centre or an online presence, but the bulk of customer service occurs in the real world.

In digital businesses, customer service is almost exclusively online, self-service and supported by automation and Artificial Intelligence (AI) or Machine Learning.

Organisation & People

Traditional analogue organisations are organised around fixed hierarchies and functional silos. They employ and reward specialists who can expertly execute on their defined tasks and they obsess about organisational efficiency.

Digital organisations tend to employ 'T-shaped' employees. These employees are specialists, who have a broader range of skills in related and sometimes unrelated areas. Rather than organising strictly through fixed hierarchies, digital organisations seek to operate integrated operational-improvement programs organised around *customer journeys*.

Products and services

Analogue organisations develop and deliver physical or superficially digitised products and services to satisfy a customer need. Digital organisations, on the other hand, seek to deliver digitised products and services to solve a customers' fundamental 'job to be done'.

Digital Business Principles

Over the next four years as part of our Digital Business Strategy, we will:

1. **Develop a culture of decision making based on data and evidence.** We will further develop our customer facing data and analytics capability, so we can better understand customer needs and trends in near real-time and by constantly challenging our existing beliefs and why we do things;
2. **Value Data as one of our key assets.** We will ensure customer data and insights becomes one of our key assets and we will leverage this alongside our brand, our people, processes, and technology to create customer value.
3. **Prioritise discretionary investment in developing new digital products and services.** Our new digital products and services will be based on our data-led customer insights. To fund this investment, we will deprioritise investing in improvements to any existing activity or process that does not have a clear purpose and evidence to demonstrate effectiveness.
4. **Transition to a digital business model.** To successfully adapt to the future challenges presented by the four key megatrends we will transition (over time) to a digital business model.
This will involve becoming a platform for aggregating disbursed global demand and New Zealand supply and through this to connect high-quality, high-value customers and high-quality New Zealand suppliers together; **OR**
If we don't think we can dominate in our industry / sector we will seek to become part of an existing successful digital eco-system based on someone else's digital platform.
5. **Be clear about why we're shifting.** We will use our platforms for three discrete purposes:
 - a. to generate high-quality, high-value sales leads from new and existing customers at a lower cost than we can achieve at present.
 - b. To replace existing analogue products or services which generate sales with digital products and services with much better margins than we are achieving at present.
 - c. Provide a better experience for customers including understanding the underlying customer 'job to be done' and streamlining the customer journey.
6. **Avoid replacing functional silos with digital ones.** As we build up our digital products and services, we will be careful not to create digital silos that over time erode the customer experience and add cost and complexity to our operations.
7. **Invest to achieve scale and sustainability.** Our investment in digital services and products will be guided by four principles of scalable, shareable, sustainable, and significant. We will prioritise the biggest opportunities for investment.
8. **Focus on stopping legacy activities at the same time.** To fund our investment in new digital products and services will require us to be deliberate about stopping existing activities, processes, and services that do not have a clear purpose and where there is no evidence to demonstrate their effectiveness.

Making a successful shift to a digital business model requires a whole of organisation response encompassing people, technology, and processes. We acknowledge that avoiding making the

required changes to our core business / legacy activities runs the risk of making things worse in the long run.

9. **Build new skills and capabilities.** We will build some of the key skills required to support the shift to digital inside our own organisation, including digital leadership and digital project management for longer term benefit.

Digital Business Practices

To underpin our transition to a digital business model we will adopt a number of agreed practices:

Business Case and Ongoing Investment

10. All proposed investment in new digital services and products will require a business case which includes the total cost of ownership over a four-year period as well as the upfront purchase or development costs;
11. Once a new digital service, product, or platform is developed or purchased it will require ongoing investment to ensure it remains relevant and fit for purpose. Every business unit will be required to contribute an amount equivalent to 20% of the initial purchase or development cost of their digital products / services into a centralised upgrade and maintenance budget on an annual basis from their existing baseline budget;
12. Every new and every existing digital service, product, or platform must have a clearly documented purpose and clearly articulated metrics that help us know whether or not it is achieving that purpose;
13. Where we have developed a digital product or service for a specific purpose (e.g. customer service) we will not develop new content or functionality that cannot be supported entirely within that platform if it is for the same underlying purpose;

IT Services and Suppliers

14. We will use technology and platform services from suppliers where they are deemed fit-for-purpose by both Business Owners and IT (including cost effective). We're not agreeing to a one-size-fits-all approach, but we are aiming to create a seamless customer experience and to minimise cost and complexity;
15. We will seek to run all our digital products or services via the cloud using suitable pre-approved or selected external suppliers. We will not physically host or provide IT infrastructure support for any of our digital platforms;
16. All new digital products or services that require a Content Management System (CMS) will use the same pre-approved CMS unless there are compelling business reasons to do otherwise;
17. Every new digital product or service developed or purchased is required to have Google Analytics (GA) functional from launch to help us monitor and improve customer usage and relevance;

Customer Data, Security & Privacy

18. Privacy and security of personal data is of paramount importance. We will comply with data privacy laws and information management best practices. Every digital platform we operate will have a comprehensive external security review undertaken annually and the recommendations will be implemented within 3 months where practicable;
19. For every digital product or service that has credentialed login, we will review the currency of registered users on a six-monthly basis and remove users who are deemed to be not current or no longer entitled to access;

Content Reusability

20. New content that is developed for any existing digital platform must be designed with content reusability in mind, signed off by the brand team, and made available to other business owners

/ content managers to ensure we maximise the value of our investment in content for multiple audiences;

Branding

21. Every digital product or service we develop will maintain a common look and feel within the brand family and use approved branding and visual identity.

Ownership

22. Every new and every existing digital product or service must have a designated owner within an identified business unit. The business unit is accountable for ensuring the digital product or service achieves its defined purpose and outcomes and funding its ongoing operating costs;
23. Every digital platform will survey its user and customers on an ongoing basis using a standard survey to measure user satisfaction and to identify potential improvements;

Digital Business Planning

Annual Digital Plan

24. On an annual basis we will produce a **Digital Business Plan** that covers all existing and planned digital products and service. The plan will identify:
 - Business Unit and designated Business Owner for each digital platform
 - Purpose of each digital platform
 - Overall architecture and connections / integration between individual platforms
 - Service goals and performance metrics for each platform and overall (e.g. average monthly users, time on site, bounce rate etc.)
 - Overall and specific development plans that encompasses every platform
 - Timing of user satisfaction surveys, security and performance reviews etc.
 - Current platform technologies, external services providers and suppliers
 - Planned / required changes to underlying platform technologies, suppliers or providers
 - Forecast cost of operations including our staff costs
 - Quantum of investment available (from individual BU contributions) and proposed allocation across each individual platform for ongoing development / maintenance
 - Actual results achieved against previous years plan and goals

The Annual Digital Plan will be received, reviewed and approved by our Board's Digital Steering Sub-Committee.

Trimester Reporting

25. On a four-monthly basis (normally in conjunction with 120 Day plan periods) each Business Unit will be responsible for reporting to the Board Digital Steering Sub-Committee the actual performance of their platform with regard to:
 - Planned and actual service metrics / performance goals (average monthly users, time on site, bounce rate etc.)
 - Results of any user satisfaction surveys, security and performance reviews
 - Progress against agreed development or maintenance plans
 - Performance of external service suppliers

Further Reading

Gupta, S. (2018). *Driving Digital Strategy: A Guide to Reimagining your Business*. Boston: Harvard Business Review Press.

Wunker, S., Wattman, J., Farber, D. (2016). *Jobs to be done: a roadmap for customer-centered innovation*. New York: AMACOM.

Christensen, C., Hall, T., Dillon, K. Duncan, D. (2016). *Competing Against Luck: The Story of Innovation and Customer Choice*. New York: HarperCollins.

Anthony, S., Gilbert, C., Johnson, M. (2017). *Dual Transformation: How to Reposition Today's Business While Creating the Future*. Boston: Harvard Business Review Press.

Disclaimer

The information contained in this document is made available under the Creative Commons Attribution 4.0 International License. The opinions expressed are in good faith and while every care has been taken in preparing this document, Metamorphis Digital Advisory makes no representations and gives no warranties of whatever nature in respect of this document, including but not limited to the accuracy or completeness of any information, facts and/or opinions contained therein. Metamorphis Digital Advisory, its subsidiaries, the directors, employees and agents cannot be held liable for the use of and reliance of the opinions, estimates, forecasts and findings in the document.



Metamorphis Digital Advisory, 2019

© 2019 Metamorphis Digital Advisory. Digital Business Strategy Template: A Practical Guide to help with the shift to Digital is made available under the

Creative Commons Attribution 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by/4.0/>.

Contacts

Metamorphis is a digital advisory company specialising in helping organisations make the shift to Digital in order to thrive in this new and turbulent business landscape.

We help our customers develop Digital Business Strategies and Digital Business Plans that are fit for purpose in a digital world and do the heavy lifting required to get detailed businesses cases for investing in digital across the line with Boards and investors.



Clive Jones

Director

Metamorphis Digital Advisory

M: +64 21 462 524

E: clive@metamorphis.digital



Jeremy Campbell

Senior Strategic Analyst

Metamorphis Digital Advisory

M: +64 21 502 653

E: jeremy@metamorphis.digital