Future Ready:
Four Pathways to Digital Transformation

LTI@MIT CISR: Effectively Delivering on Digital Transformation

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Founded in 1974 and grounded in the MIT tradition of rigorous field-based research, MIT CISR helps executives meet the challenge of leading dynamic, global, and information-intensive organizations. Through research, teaching, and events, the center stimulates interaction among scholars, students, and practitioners.

**2017 MIT CISR Research Projects**

- What Types of Digital Business Transformations Require Organizational Surgery?
- AutoData 2.0: Answering Hard Questions About Your Customers Using Your Own Data and Comparables
- What Are the Different Types of Digital Ecosystem Drivers… and How to Get There
- Cognitive Computing: Developing the Human/Machine Partnership
- Designing Digital Organizations for Integration, Innovation, and Agility
- Exploring Blockchain
- Data Wrapping: How Companies Effectively Use Data to Create Competitive Products and Services
- Re-thinking Talent Management for Digital
- Orchestrating the Digital Workplace for Business Value
- Getting Digital Innovation Right

15 October 2017
What is digital business transformation?

- **Operational Efficiency**
  - Improving operating margin

- **Customer Experience**
  - Increasing NPS

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Transformed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integrated Experience</strong></td>
<td><strong>Future Ready</strong></td>
</tr>
<tr>
<td>• Customer gets an (simulated) integrated experience despite complex operations</td>
<td>• Both innovative and low cost</td>
</tr>
<tr>
<td>• Strong design and UX</td>
<td>• Great customer experience</td>
</tr>
<tr>
<td>• Rich mobile experience including purchasing products</td>
<td>• Modular and agile</td>
</tr>
<tr>
<td></td>
<td>• Data is a strategic asset</td>
</tr>
<tr>
<td></td>
<td>• Ecosystems ready</td>
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<tr>
<th>Traditional</th>
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<tr>
<td><strong>Silos and Spaghetti</strong></td>
<td><strong>Industrialized</strong></td>
</tr>
<tr>
<td>• Product driven</td>
<td>• Plug and play products/services</td>
</tr>
<tr>
<td>• Complex landscape of processes, systems and data</td>
<td>• Service enabled ‘crown jewels’</td>
</tr>
<tr>
<td>• Perform via heroics</td>
<td>• One best way to do each key task</td>
</tr>
<tr>
<td></td>
<td>• Single source of truth</td>
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</tbody>
</table>

Source: MIT CISR 2015 CIO Digital Disruption Survey (N=413 and 2016 interviews) and 2016 company interviews. Customer Experience=effectiveness on customer knowledge+omnichannel capability+customer experience projects+customer experience performance. Operational Efficiency=effectiveness on automation and employee productivity projects+% of core capabilities with APIs+cost of operations performance. Quadrants are splits at 2/3 along each axis.
The four pathways to Future Ready

Operational Efficiency
Improving operating margin

Future Ready

Customer Experience= effectiveness on customer knowledge + omnichannel capability + customer experience projects + customer experience performance.

Operational Efficiency = effectiveness on automation and employee productivity projects + % of core capabilities with APIs + cost of operations performance.

Sources: Quadrants are derived from data from MIT CISR 2015 CIO Digital Disruption Survey (N=413) and 2016 company interviews.
The four pathways to Future Ready

Customer Experience  
Increasing NPS

Operational Efficiency  
Improving operating margin

Integrated Experience  
Future Ready

1. Silos and Spaghetti  
2. Industrialized  
3. Transformed

% complete

14%  
20%  
33%  
38%  
48%

The lines are the transformation pathways. 5% of firms have not yet started and 2% are not transforming.

Source of quadrants: MIT CISR 2015 CIO Digital Disruption Survey (N=413) and over fifty conversations with executives in 2016 about their goals for digital business transformation.

Source of transformation pathways (lines): MIT CISR 2017 Digital Pathways Survey (N=400). Explosions represent significant organizational disruption such as changes in decision rights.
Discussion questions

Which pathway(s) are you on and what percent of your transformation is complete?

What is the key lesson you have learnt?

Please prepare a one-sentence summary to share.
The four pathways to Future Ready

The lines are the transformation pathways. Companies are MIT CISR researcher estimates. Source: MIT CISR 2015 & 2017 CIO Digital Disruption Survey (N=800) and 2016/7 company interviews. Customer Experience = effectiveness on customer knowledge+ omnichannel capability+customer experience projects+customer experience performance. Operational Efficiency = effectiveness on automation and employee productivity projects+% of core capabilities with APIs+cost of operations performance. Quadrants are splits at 2/3 along each axis.
All pathways pay off

Average margin 66% higher and growth 84% higher comparing firms above and below 50% complete on transformation

Source: MIT CISR 2017 Pathways to Digital Business Transformation survey (n=400). Circles represent average performance change relative to competitors above and below 50% complete on transformation. Full circle = margin (growth) = 12.7 (15.9) percentage points improvement.