Building Organizational Capabilities to Win in the 2020s
AGENDA

• The Fourth Industrial Revolution
• Lessons Learned from the First Wave
• 2nd Wave – Amplifiers of Digital Disruption
• The Digital Transformation Illusion
• Case Studies: Insurance and Energy Transformation
The Fourth Industrial Revolution defines our moment by the new ways people create value.

First Industrial Revolution:
Steam and mechanical production

Second Industrial Revolution:
Mass production, assembly lines, electricity

Third Industrial Revolution:
PCs, Internet, IT systems, Computing

Fourth Industrial Revolution:
Cybertechnology connecting our biological, physical, and environmental systems

1870-1910

1969

2008-?
As a “New Normal,” Change Is Exponential, Non-linear and Continuous

Adaptation is less about Management, and more about Mindset and Momentum
10 years into the 4IR…

What lessons have we learned?

What lies ahead as we design our new digital organizations?
Lessons Learned from the First Wave
‘Digital Transformation’ was a confusing label to describe the impact that extraordinary technologies would have on our lives, work and relationships to one another.
We underestimated the velocity and magnitude of change required

First-wave digital transformation strategies were too much about technology and not enough about fundamental business change.

First wave digital strategies suffered from:

- Difficulty in moving from experimentation to enterprise scale
- Lack of cohesive strategy
- Investments weighed to the short-term
- Ineffective or inflexible Roadmaps
- Excessive centralization (lack of sufficient business ownership)
- Excessive decentralization (duplication of investments; irrational ecosystem)
- Competing priority of launching digital needed today vs building the capabilities to support later waves
We needed to focus on the Operating Model, with line of sight from business strategy.

"By 2020, 75% of businesses will be digital or have digital business transformation initiatives underway. However, only 30% of those efforts will be successful.

Source - Gartner"
Workforce readiness is a concern; while people are fatigued by the change...

- System-based Critical Thinking
- Ability to work with data and analytics
- Ability to adapt to knowledge systems
- Ability to anticipate and sense the future without a clear path
- Latitude and ability to take risks
- Ability to collaborate over digital platforms
Early automation attracted attention, but human-machine work allocation did not

4IR Emergence of Real World AI/ML Algorithms

- Human only activity
  - Empathy
  - Creativity
  - Judgment
  - Imagination

- Humans as trainers
- Inference Engine

- Machine only activity
  - Transaction
  - Iteration
  - Prediction
  - Adaptation

- Machines as guides

- Learned Best Solution
What we learned from Digital Wave 1

- Digital Transformation is more than buying digital and installing agile methodologies.
- Long instantiated vertical structures & siloes conflict with the horizontal structures needed in digital-first organizations.
- Engagement and culture change without the context of new work and new ways of working have limited sustainable value.
- Human + Machine work allocation and design need to be integral to critically-needed organizational design.
- Leaders need better methodologies for managing ongoing large-scale change as learning and adaptation is constant.
Winning in the Second Wave

- Organizational Transformation
- Ecosystem & Platforms
- Worker Experience
- Learning on multiple Timescales
- Methodology
Organizational Transformation must take precedence

We need a deep integration of digital initiatives with the purpose, day-to-day work and underlying ethic of the entire ecosystem. In doing so, organizational adoption then becomes the facilitator of digital transformation, rather than the converse.
New organizational capabilities are required in digital operating models

Organizational Capabilities needed

Now:
- Contextualized data-informed DECISION MAKING
- New KNOWLEDGE SYSTEMS & learning paradigms
- DIGITAL-FIRST LEADERSHIP
- EXPERIMENTATION & incubation
- Rigorous, contextual inquiry into COMPLEXITY
- Customer-centric EXPERIENCE management

Over time:
- Systems-level MINDSET AND THINKING
- SENSING and SHAPING emerging markets
- Continuous decentralized INNOVATION
- ITERATIVE formal and informal work practices
- Rapid RESOURCE reconfiguration for AGILITY
- Management systems ADAPTATION
The Growing Importance of Business Ecosystems

Boundaries between industries are blurred. The creation and capture of value is increasingly horizontal within and between ecosystems.

Ecosystems are dynamic, democratic, and require companies to be externally focused and able to co-evolve with partners.
Platforms activate complex business ecosystems

and leverage the combinatorial power of progressive digital technologies to facilitate frictionless interactions among participants and create new value and learnings for all.

“Only operating models that support partnerships and platforms will survive in the future”
New work must be designed and iterated

New Work Design

New work practices must be instantiated as culture

New Work Practices

- Cross-functional teaming
- Pursue diversity of ideas
- Participation with shared learnings
- Customer-centric, by design
- Seek evidence; bring data

Informal ways of working enable reliable, impromptu action and insights when needed most

Work needs to be redesigned to let human and machine intelligence integrate seamlessly
The new Organization is a hybrid "Human + Machine" model

Human assisting Machines
- Imaginer
- Explainer
- Sustainer
- Trainer

Collective Intelligence

Machines assisting Humans
- Extender
- Reliever
- Interactor
- Amplifier
With humans and machines “in play”, organizations adapt on multiple timescales.

Those who do not have the optimal organizational and technological support in place during the second wave will quickly be usurped by more agile competitors.
Methodologies are needed that allow us to rehearse the future, make better use of evidence and analytics, and prepare for a range of possibilities given uncertainty and complexity.
The Digital Transformation Illusion
The Digital Transformation Journey

Acquiring
Acquiring digital technologies to automate existing capabilities. Dabbling with digital – or even being aggressive with digital tools – but without changing the business strategy.

Extending
Leveraging digital technologies to extend capabilities and solve business pain points, but still largely within the same business and operating models. Incremental, not exponential change.

Becoming
Focusing on fundamental organizational transformation aligned with advanced changes to the business model. Digital efforts are more synchronized and less siloed. Focus on new ways of working and cultural alignment suggest a holistic approach.

Being
The organization is reinventing itself following a CEO-driven business strategy and operating model that is focused on transforming organizationally, operationally and behaviorally. New value is created through technology-enabled productivity, innovation and human ingenuity.

Don’t get stuck here
Many organizations swirl in an endless loop of “doing” digital things – an illusion of being digital.