Transforming Organizations through Waves of Digital Transformation
Agenda

- The Fourth Industrial Revolution and the Waves of Digital Transformation
- Lessons Learned from the **Digital Infrastructure** focus of the First Wave of the 4IR
- Imperatives for the Second Wave focused on **Organizational Transformation**
- Case Study
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
As a “New Normal,” Change Is Exponential, Non-linear and Continuous
10 years into the 4IR…

What lessons have we learned?

What lies ahead as we design our new digital organizations?
The Waves of Transformation

WAVE 1

• The Evolution of Digital Infrastructure via disruptive digital-natives and the essential industry response through new digital strategies.

WAVE 2

• ‘Push’ models give way to ‘Pull’ as capital, talent and knowledge start flowing rapidly across geographical and institutional boundaries.

WAVE 3

• Business ecologies are redefined as the digital age matures. ‘Push’ institutions fall by the wayside.
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.
Technology drove business strategies which struggled to move from digital-at-the-edge.

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
Long-instantiated vertical siloes conflicted with the horizontal structures needed in digital-first organizations.

- Top-down
- Centralized
- Zero-sum
- Siloed
- Bureaucratic

“Push”
From Scalable Efficiency

VS.

“Pull”
To Scalable Learning

- Collaborative
- Participative
- Bottom-up
- Positive-sum
- Flexible

The emphasis changes to learning over efficiency and talented people over processes and organizational “routines.”
New organizational capabilities were needed, with employee experiences designed to rehearse the future.

- Ability to work with data and analytics
- System-based critical thinking
- Ability to collaborate over digital platforms
- Ability to anticipate and sense the future without a clear path
- Latitude and ability to take risks
- Ability to adapt to knowledge systems
- Ability to collaborate over digital platforms
Early automation attracted attention, but human-machine work redesign did not
Leaders needed better methodologies for managing ongoing large-scale change as learning and adaptation is constant

- Digital transformation needed to be a CEO-driven business strategy and operating models focused on transforming organizationally, operationally, and behaviourally
- Leaders needed to model what “good” looks like in new business models
- Transparency and cross-functional collaboration is needed

Adaptation turned out to be less about management and more about mindset and momentum.
What we learned from Digital Wave 1

- Digital transformation was less about buying digital and more about becoming digital
- Long-instantiated siloes/push business models conflicted with the horizontal/pull models needed
- New organizational capabilities were needed, with experiences to accelerate adoption of new behaviors and mindsets
- Early automation attracted attention, but human-machine work redesign did not
- Leaders needed better methodologies for managing ongoing large-scale change as learning and adaptation is constant
Winning in the Second Wave

- Organizational Transformation
- New Work & Worker Experiences
- Learning on Multiple Timescales
The new Organization is a business-digital ecosystem based on new work platforms.

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.
Vertical, closed structures based on scarcity mindsets give way to open ecosystems based on mindsets of abundance.

**Vertical Mindset**
- Profit oriented
- Risk averse
- Value averse
- Competition
- Traditional operating model
- Limited resources & capabilities
- Focus on digital transformation
- Manage customer expectations
- Stable, linear growth

**Ecosystem Mindset**
- Adaptable & diverse talent pool
- Purpose & value oriented
- Risk oriented
- Coopetition
- Authentic, frictionless stakeholder experiences
- Digitally-enabled business model
- Agile, exponential growth
- Ecosystem predominance
The worker becomes central to the organizational ecosystem through new work and new work practices.

Workers must be able to continually adapt their working relationships and work practices to realize emergent business strategies that are enabled by disruptive digital technologies.

- Increased Collaboration
- Calculated Risk-taking
- Customer Centricity
Collective Intelligence

Humans assisting Machines

- Trainer
- Explainer
- Sustainer
- Imaginer

Machines assisting Humans

- Amplifier
- Interactor
- Reliever
- Extender

...and comfortable with their machine partnerships

Adaptation

- Shared Learning
- Benchmarks
- Best Practices

Superiority

- Leadership
- Judgment
- Insight
- Creativity
- Abstract thinking
- Intuition

Versatility

- Empathy
- Cultural awareness
- Collaboration, Encouragement
- Strategic vision

- Interpretation
- Validation
- Gauging meaningfulness
- Making sense of new information

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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.

Adaptation Imperatives

- Reorganize tasks and roles to maximize productivity of humans and machines working together
- Redesign processes to embrace innovative work on different timescales
- Promote more agility for 'working on the edges' of human-computer interaction
- Build new durable skills, motivation and mindset for human-computer collaboration
- Nurture a company-wide culture of meaningful human work and engagement
In the 2\textsuperscript{nd} wave, our stocks of knowledge (what we know) become obsolete more quickly and success depends increasingly on our ability to tap into expanding and diverse flows of knowledge to more rapidly refresh our depleting stocks of knowledge.
What’s needed in the Second Wave as we face the Third Wave

- The new organization is a business-digital ecosystem driven by human value and purpose.
- The worker is central to the organizational ecosystem through new work design and new work practices.
- Human workers are comfortable with their machine counterparts and a collaborative human-machine approach to problem solving evolves.
- The organization learns on multiple timescales as a competitive necessity.
- As a source of economic value, knowledge flows develop rapidly within ecosystems as the “edges” of digital become the “core.”
Organizational transformation paves the way for Institutional Innovation

During the Third Wave, as increasingly non-proprietary or open-source knowledge flows between business ecosystems gain momentum, institutions will face growing competitive pressure and shrinking returns.
Creation Spaces will allow us to move beyond the boundaries of existing performance.

Creation Spaces are an emerging set of physical and virtual environments that attract performance-driven teams who share tacit knowledge across ecosystems.
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To learn more about LDS, or to have Mimi present at your next leadership event, please contact John Fee jfee@lds.com

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