MegaSoft
IT Consulting & Training

Digital and IT Strategy "DITS"

Module 02:
Key Concepts

This Course consists of the following modules:

- Module 1. Introduction

- Module 2. Key concepts

- Module 3. What is the vision

- Module 4. Where are we now

- Module 5. How do we get there

- Module 6. Take action

- Module 7. How do we know how we are progressing

- Module 8. How to keep the momentum going

- Module 9. Digital leadership

- Module 10. Managing innovation and emerging technologies

- Module 11. Managing strategic risk

- Module 12. Structuring for digital business

WHAT WILL BE COVERED IN THIS MODULE

Key Concepts and Definitions about:

- Digital, Information, Operational and Communications Technology

- Digital Organizations and Digital Business

- The Strategy of Digital Transformation

- Products and Services

- Tiers of Strategy

- Business Models

- Operating Models

- Strategy and the Service Value System

DIGITAL, INFORMATION OPERATIONAL AND COMMUNICATIONS TECHNOLOGY

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Key Concepts
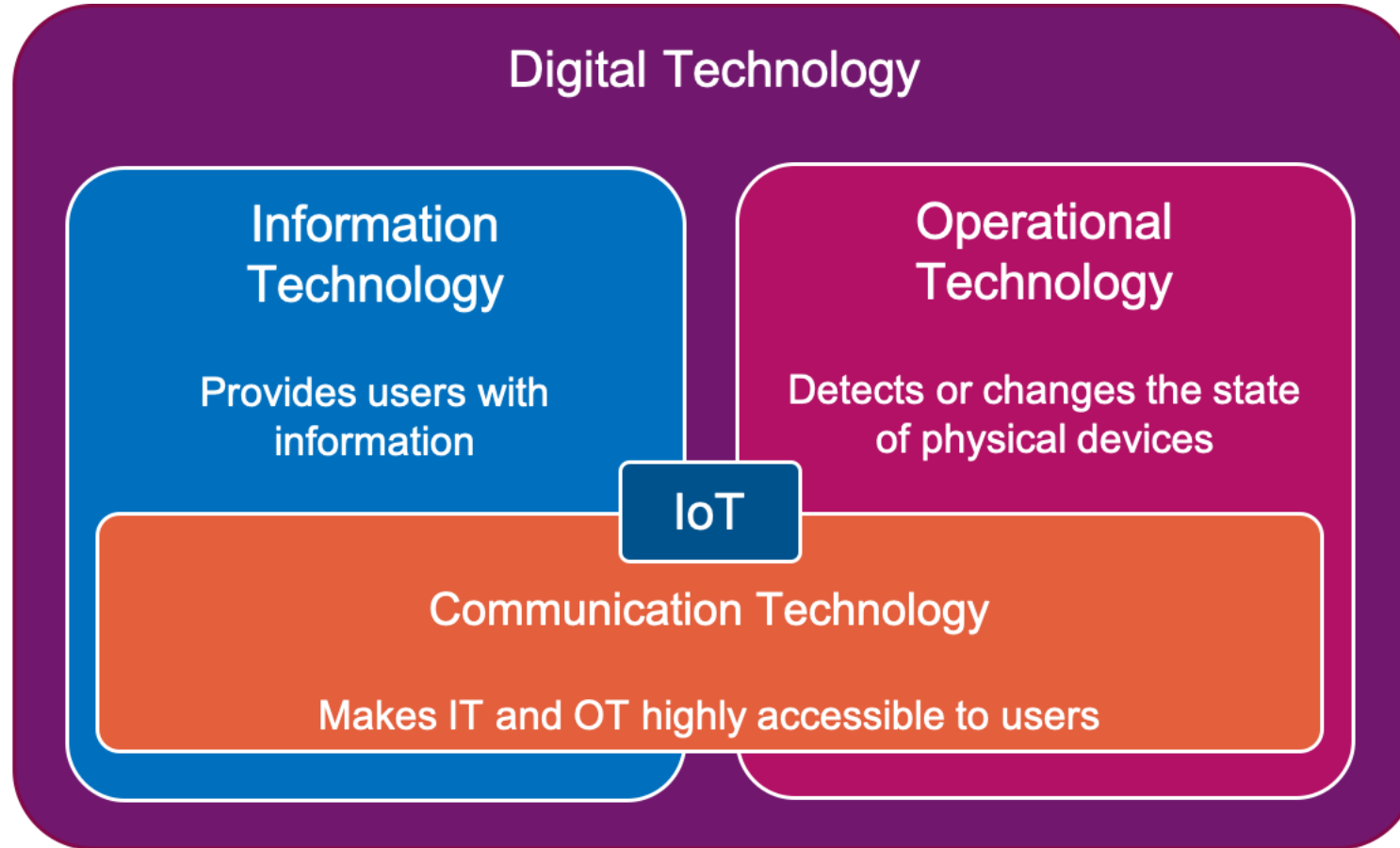
Definitions

DEFINITIONS

| **Information Technology**	The application of digital technology to store, retrieve, transmit, and manipulate data. IT exists as information systems that are made up of hardware, system software, data, and applications that are used for the purpose of data processing
Operational Technology	the application of digital technology for detecting or causing changes in physical devices through monitoring and/or control
Communication Technology	Any technology that encodes, transmits and decodes signals, voice or data
Internet of Things	A system of interrelated computing, mechanical, and digital devices interconnected via the Internet, enabling them to send and receive data without human interaction

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DIGITAL ORGANIZATIONS AND DIGITAL BUSINESS

- Digital Organization:

  - An organization that is enabled by digital technology to:

    - do business significantly differently

    - do a significantly different business

- Digital Business:

  - The activities which enable an organization to fulfil its purpose, and which are based on the use of digital technology

DIGITAL CAPABILITIES
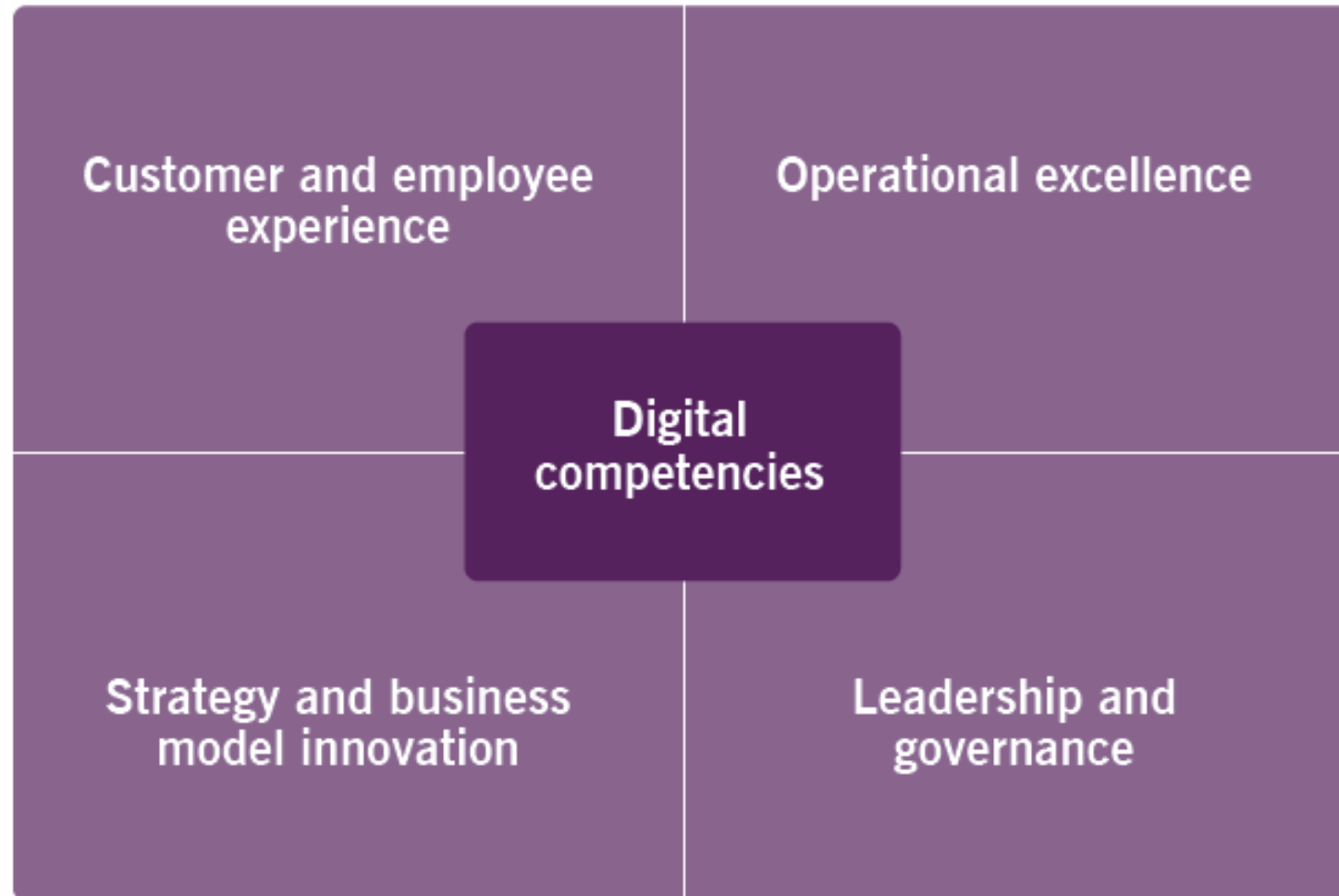
# DIGITIZATION AND DIGITAL TRANSFORMATION

Digitization

The process of transforming something (e.g. text, sound, or images) from analogue to digital form by expressing the information in binary digits

Digital Transformation

the use of digital technology to enable a significant improvement in the realization of the organization's objectives that could not feasibly have been achieved by non-digital means

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THE STRATEGY OF DIGITAL TRANSFORMATION

- Identify innovative uses of current and emerging technology

- Rapid and continual transformation of strategy and operation across multiple parts of the organization

- Aimed at maintaining and growing the organization's position

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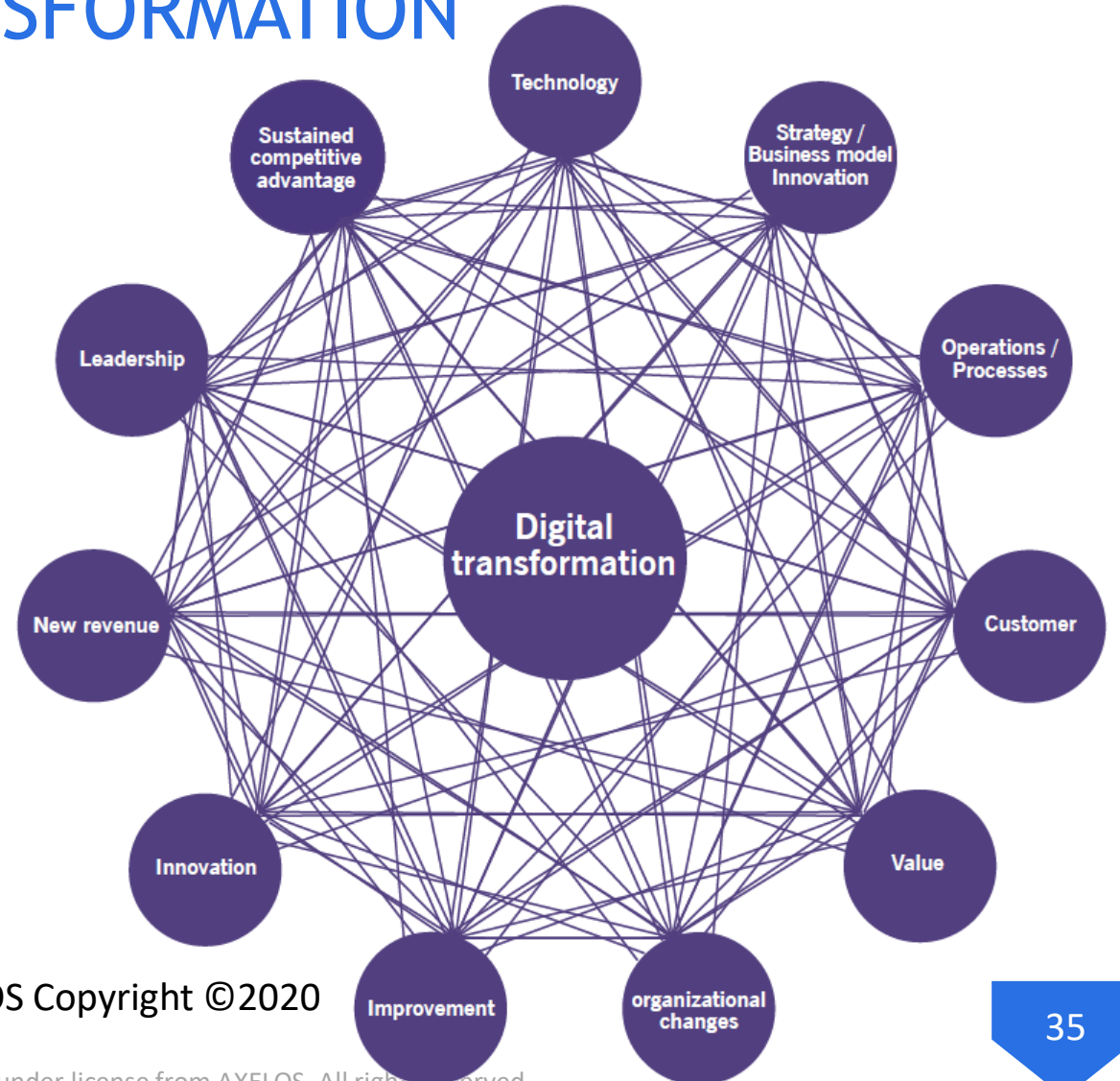
PRODUCTS AND SERVICES

- Product:
  - The configuration of an organization's resources, designed to offer value for a consumer
  - A resource could be a person, or other entity, that is required for the execution of an activity or the achievement of an objective
- Service:
  - A means of enabling value co-creation by facilitating outcomes that customers want to achieve, without the customer having to manage specific costs and risks
- Service Offering:
  - one or more services based on one or more products
  - may include goods, access to resources and service actions

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SERVICES, PRODUCTS AND COMPETITIVE ADVANTAGE
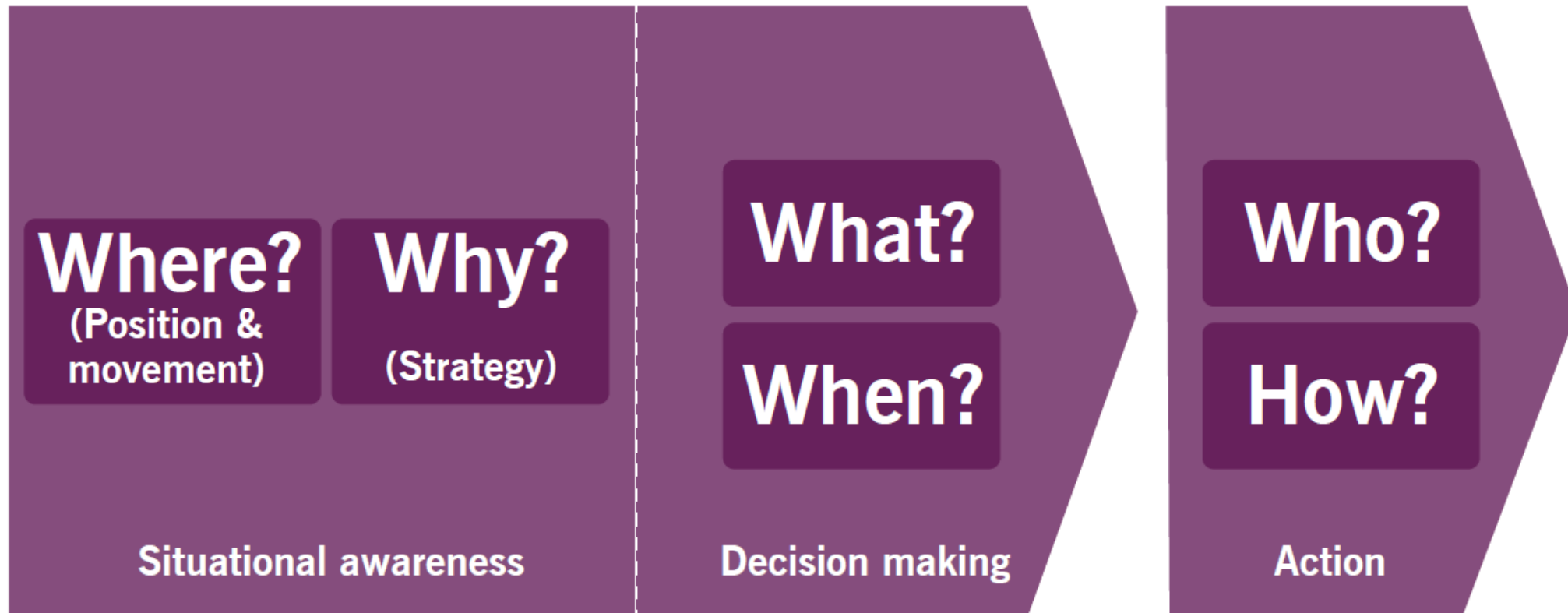
- Wardley Mapping and the

  Strategy cycle
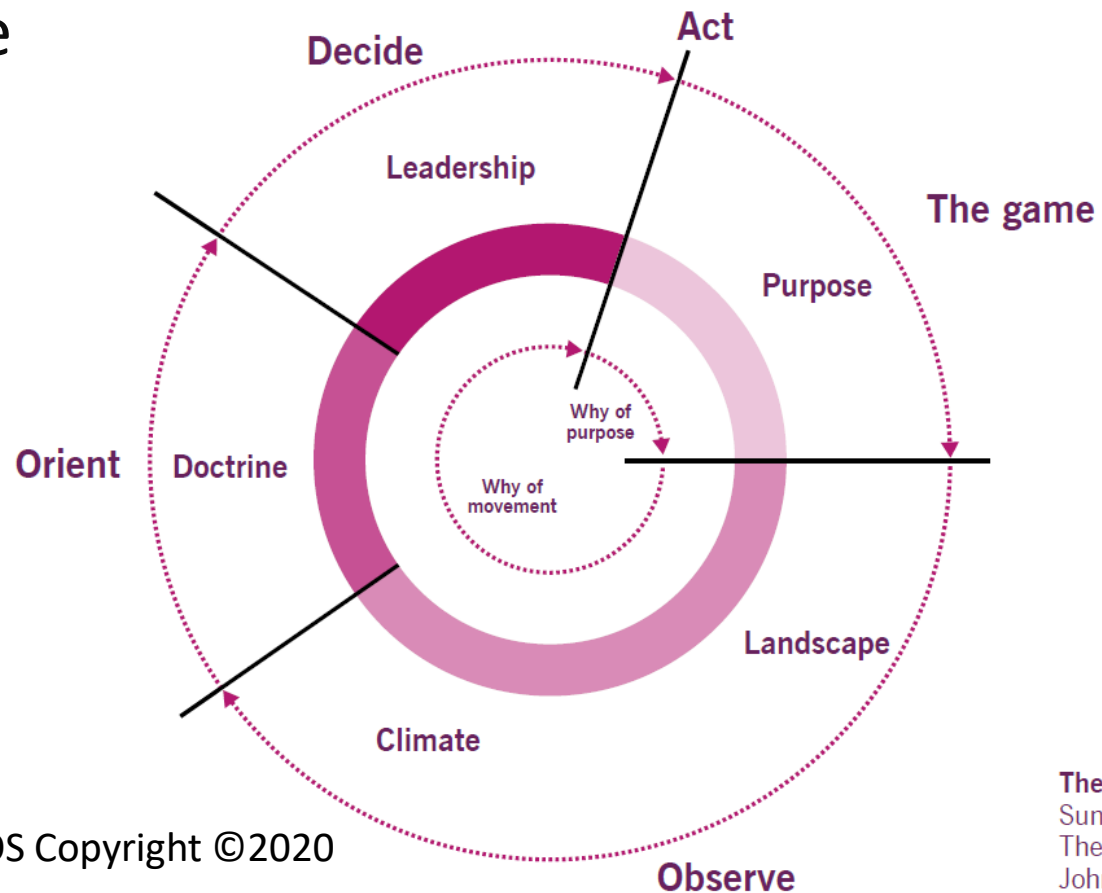
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The Strategy Cycle
Sun Tzu's Five Factors
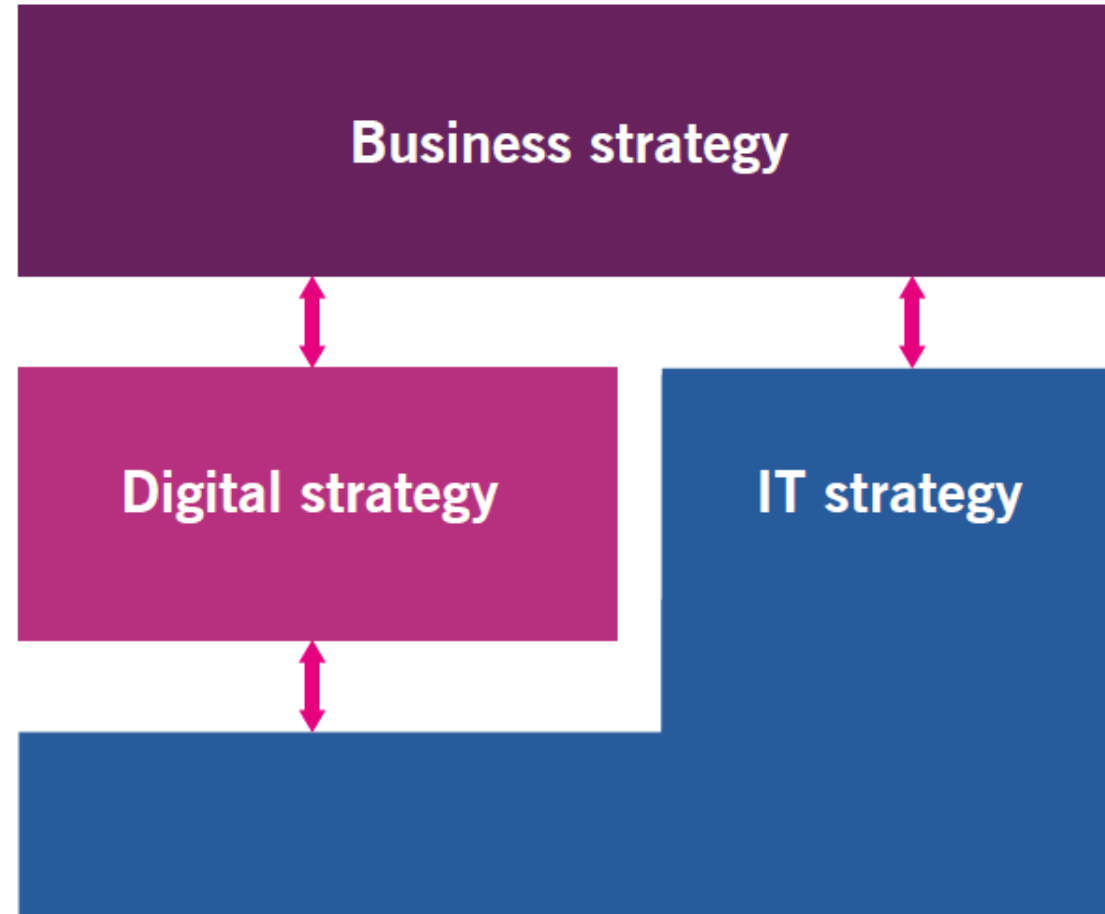The two Whys of strategy
John Boyd's OODA loop

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SERVICES, PRODUCTS AND COMPETITIVE ADVANTAGE

- Wardley Mapping, situational awareness and action

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TIERS OF STRATEGY – TRADITIONAL APPROACH

BUSINESS STRATEGY

- How an organization defines and achieves its purpose and encompasses:
  - How the organization's vision is defined and communicated
  - How organizational goals are defined
  - The organization's business model
  - A means of aligning the parts of the organization's ecosystem to achieve its goals
  - Guiding principles
  - Agreement of which courses of action the organization will take
  - Agreement on how to allocate resources to these courses of action
  - A definition of what the organization will NOT do

DIGITAL STRATEGY

Digital Strategy	A business strategy that is based all or in part on using digital technology to achieve its goals and purpose

- A strategy that meets one or more of these goals:

  - Exploit an opportunity created by customers are using a new digital technology

  - Use digital technology to improve customer experience with products and services

  - Re-launch existing products and services with new features and delivery methods made possible by digital technology

  - Use digital technology to improve operational performance or efficiency

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DIGITAL STRATEGY IS ABOUT UNDERSTANDING

- How technology has changed, and how it has changed the world in which an organization operates

- Whether the organization needs to respond to these changes or continue along its current course

- How to identify opportunities in the digital world

- The risks involved with each opportunity

- How to plot a course that exploits opportunities, and mitigates or avoids risk

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IT STRATEGY

- IT Strategy is about understanding:
  - How the IT department in an organization supports the business goals of the organization
  - Which technology will be used to achieve the goals of effective and efficient business operations
  - How to make the technology envisioned in the digital strategy work
  - How to move from outdated technology to technology that is better able to support the objectives of the organization
  - The nature and role of technology suppliers

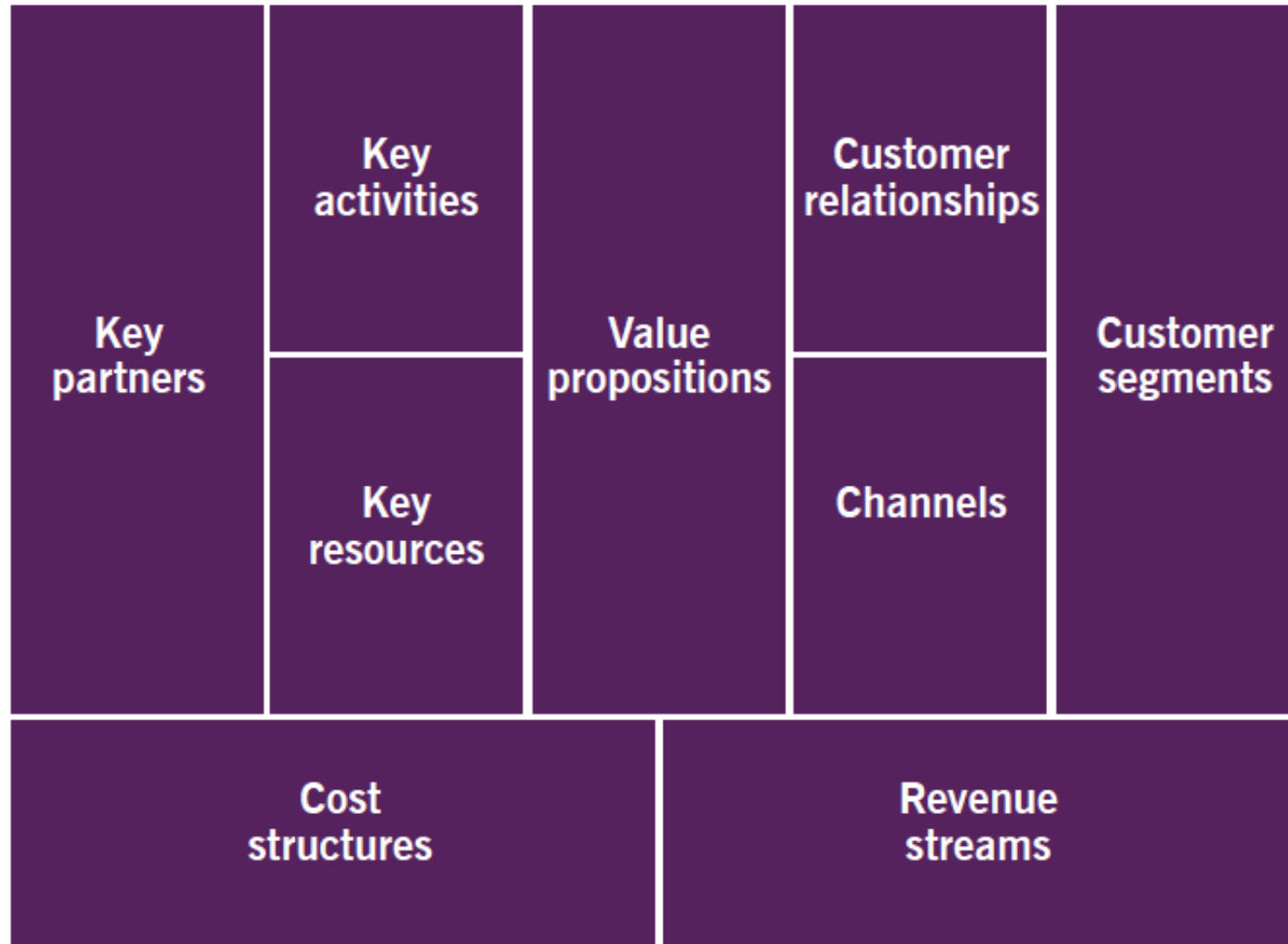# REVISED PERSPECTIVE OF BUSINESS AND DIGITAL STRATEGY
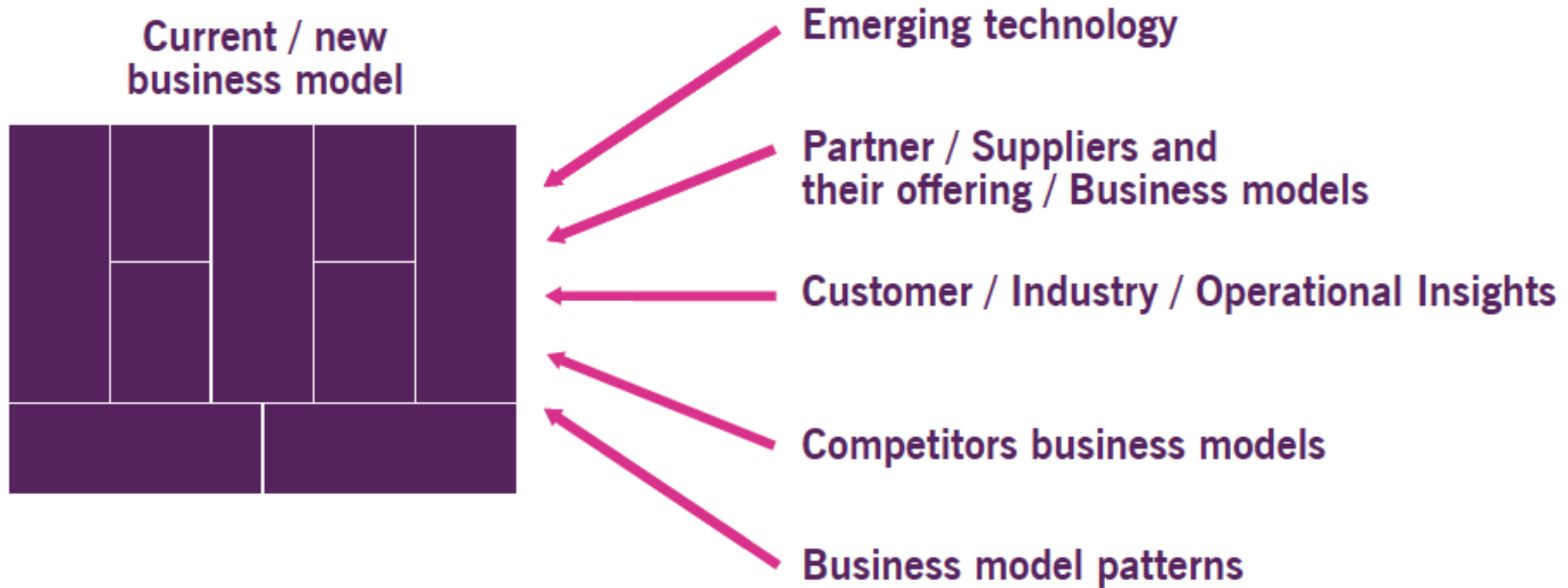

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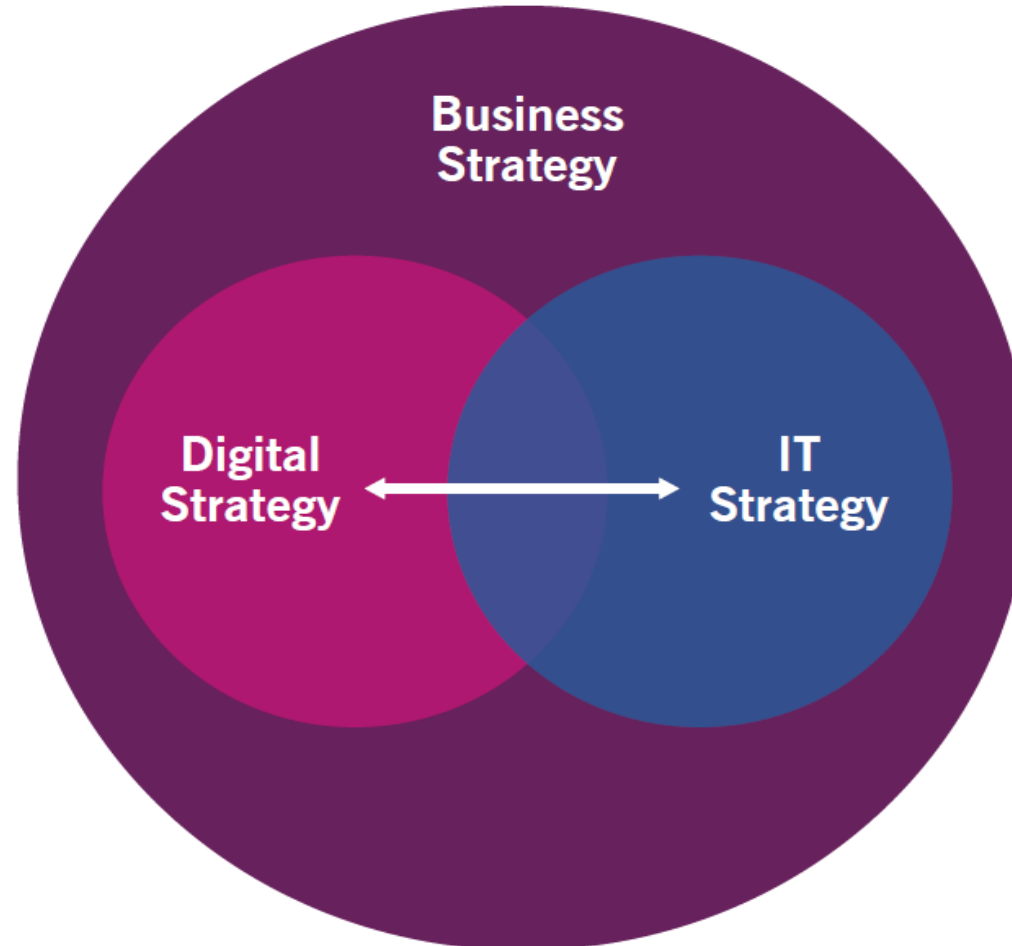
BUSINESS MODELS

- Describes the optimal configuration of the organization to achieve its purpose relative to its environment

- Three major themes:

  - Value propositions: How value is created through services and products

  - How value propositions are taken to market

  - How the organization will fulfil its commitments and meet expectations

- Two criteria for effective business models:

  - They must tell a strong story about the value propositions

 - They must have a viable financial model

BUSINESS MODEL CANVAS

BUSINESS MODELS AND INNOVATION

Current / new business model

Emerging technology

Partner / Suppliers and their offering / Business models

Customer / Industry / Operational Insights

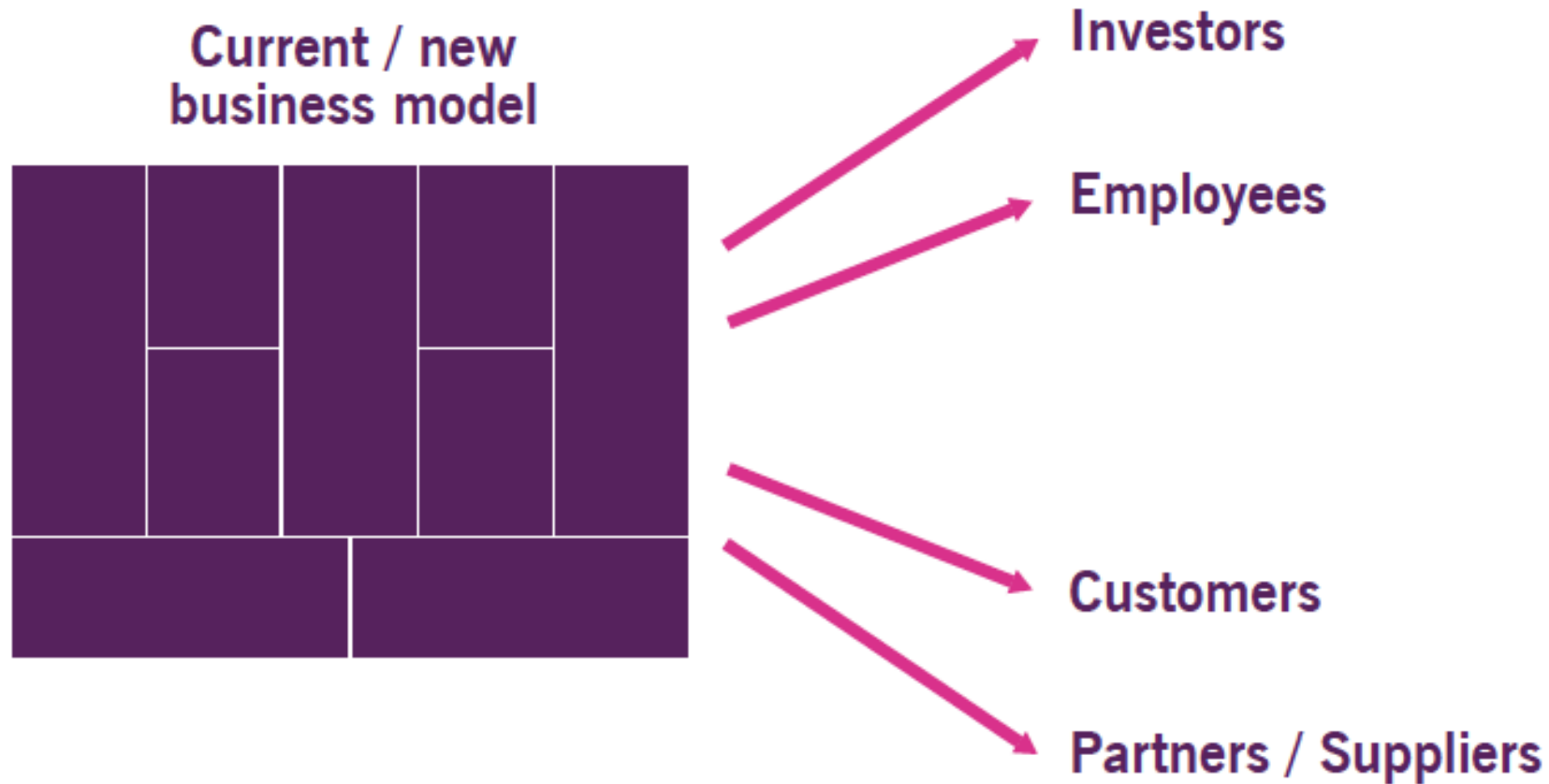Competitors business models

Business model patterns

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BUSINESS MODELS AS A VALIDATION AND BENCHMARKING TOOL
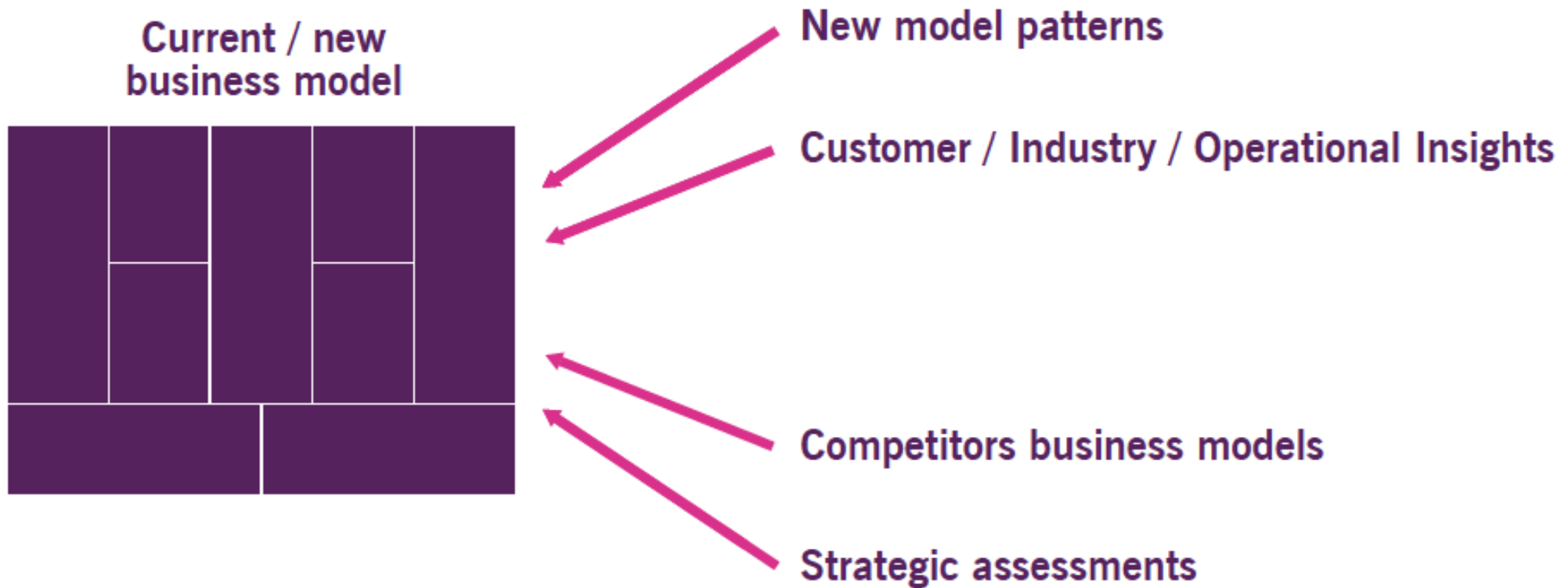
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BUSINESS MODELS AS A COMMUNICATION AND ALIGNMENT TOOL

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BUSINESS MODELS – BUSINESS DESIGN TEMPLATE

Value creation
Position in the market

Value delivery
Operating model

Value capture
Sources of uniqueness

Customer scope

Value proposition

Who are you serving? ➡ What are you offering? ➡ How are you able to deliver? ➡ Why won't it be copied?
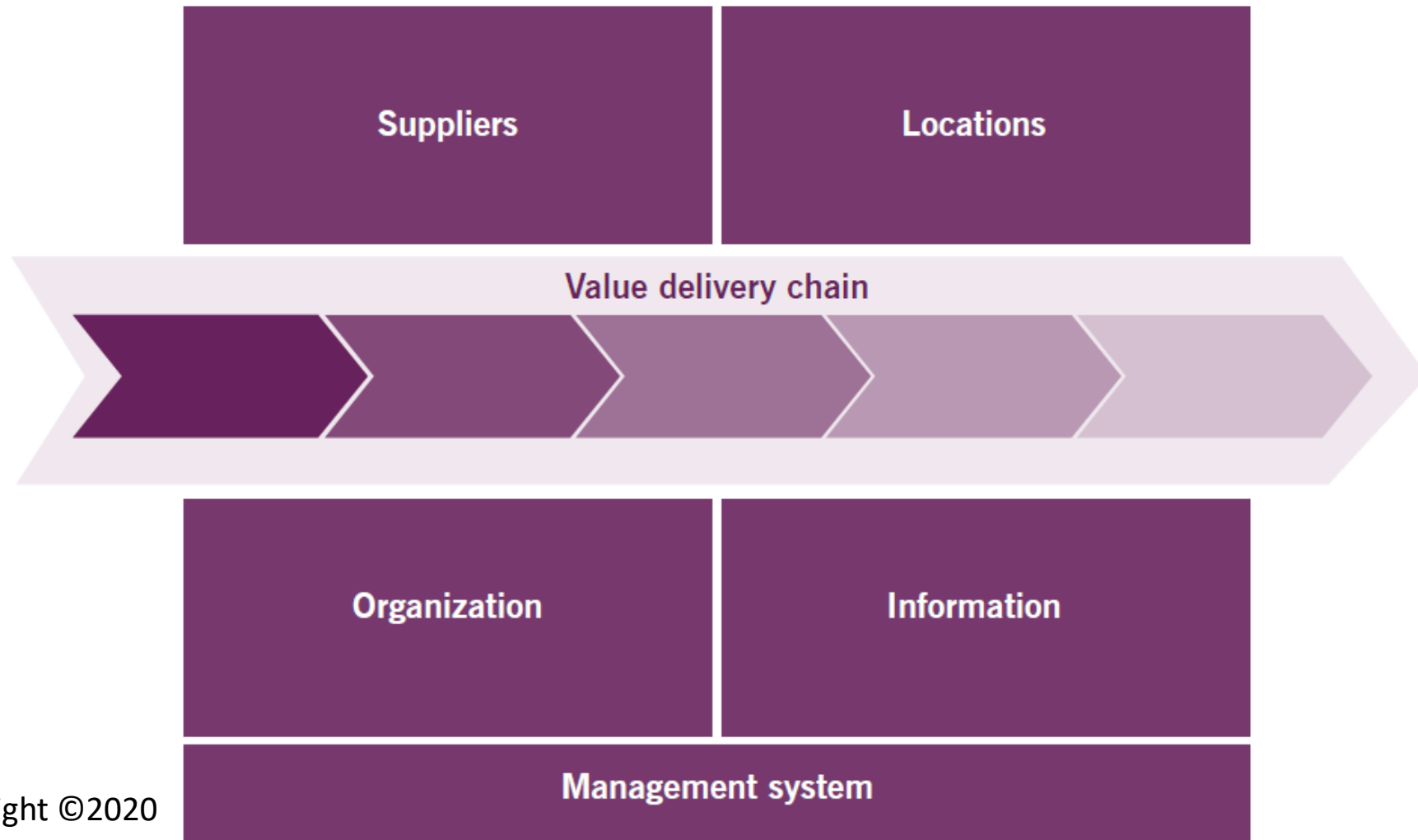
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OPERATING MODELS

Operating Model	A conceptual and/or visual representation of how an organization co-creates value with its customers and other stakeholders, as well as how the organization runs itself

- Two themes:
  - The key work that takes place
  - The context in which value streams are performed, including:
    - Partners and suppliers
    - Where work will be done
    - The organization structure, skillsets, decision structures
    - Practices
    - Technology
    - How targets are set and performance measured to ensure value streams work optimally
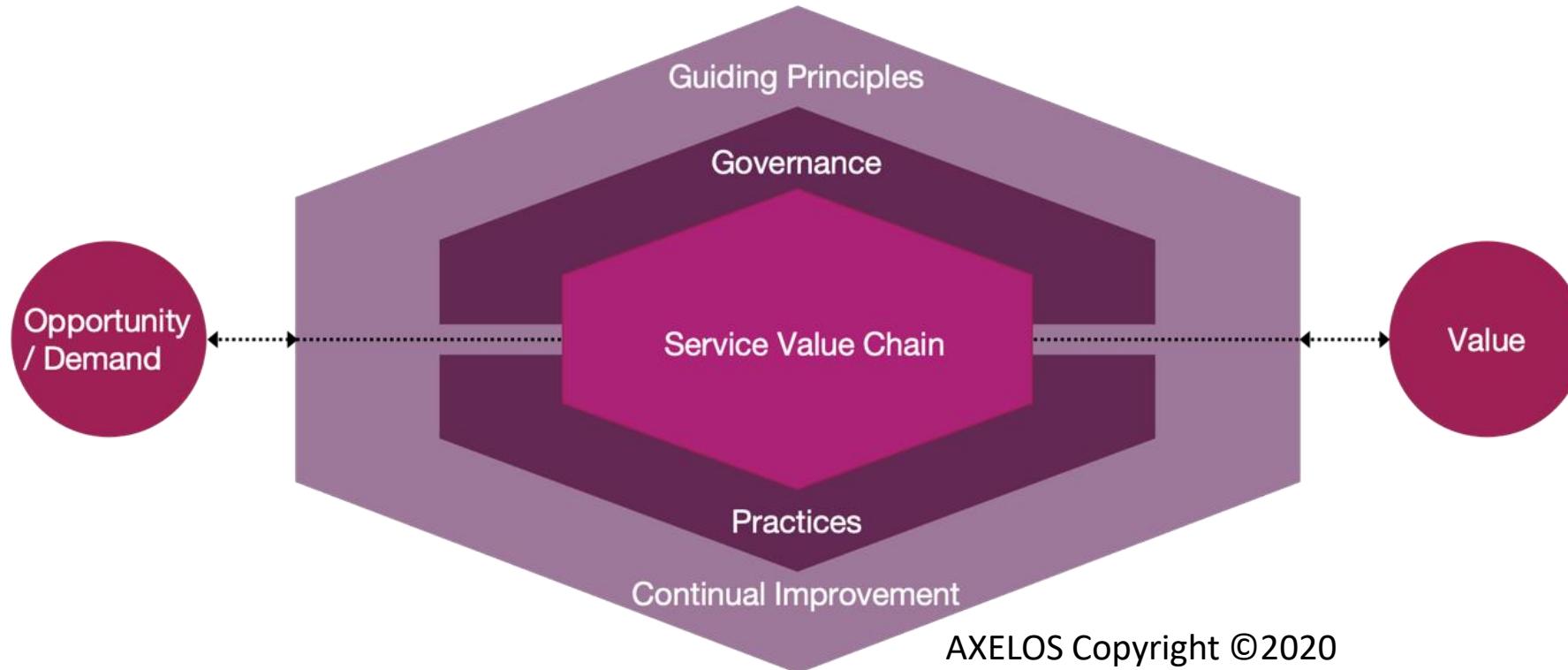
OPERATING MODEL CANVAS

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THE ITIL OPERATING MODEL
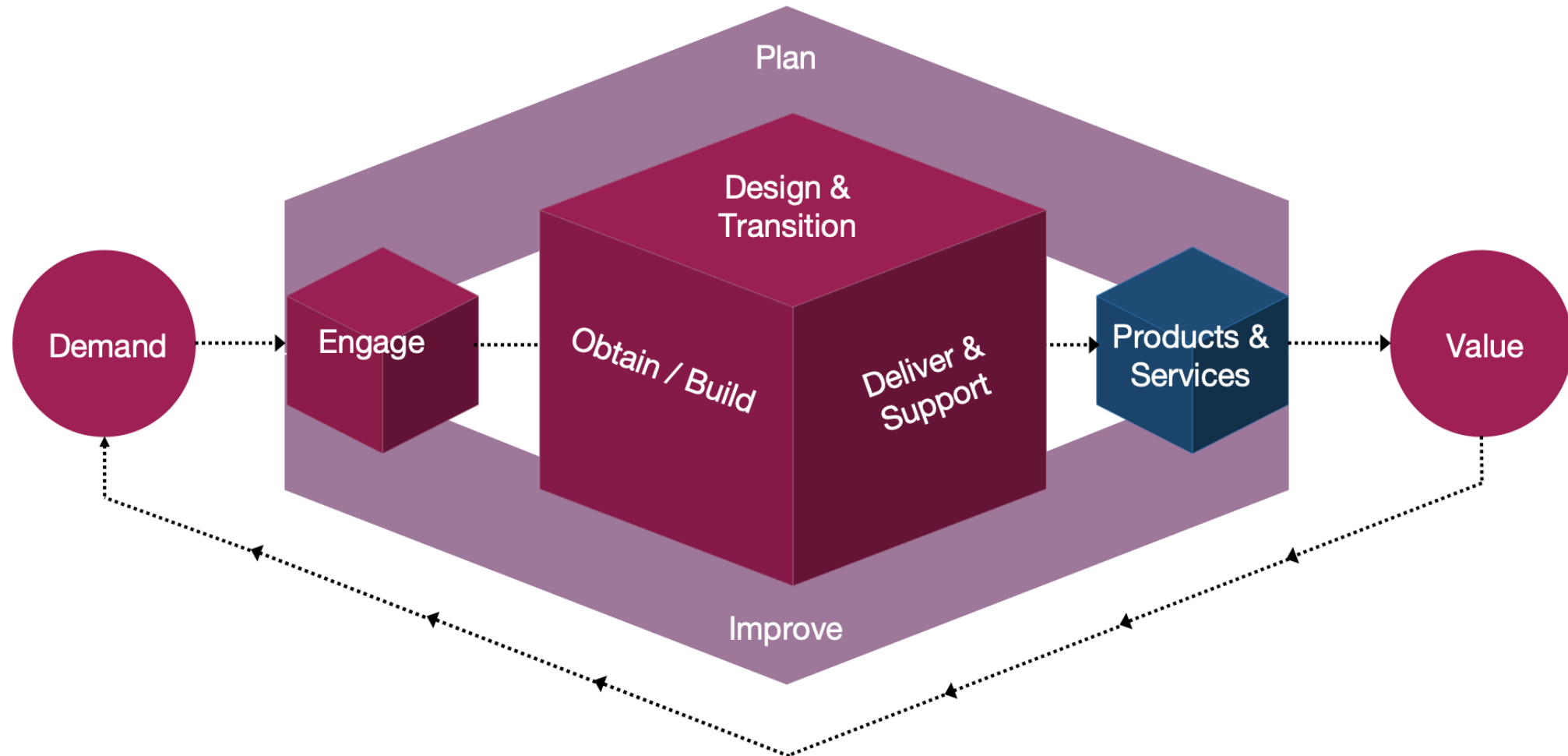
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STRATEGY AND THE SERVICE VALUE SYSTEM

Service Value System

The ITIL service value system (SVS) describes how all the components and activities of the organization work together as a system to enable value creation

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OPPORTUNITY AND DEMAND

- The way an organization responds to opportunities and shifts in demand are its strategic position

Opportunity	a situation that allows an organization to expand its existing operation, either by introducing new products and services or by moving into a new market
Demand	Input to the service value system based on opportunities and needs of internal and external stakeholders

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DEMAND

- Environmental changes impact demand in three ways:

  - Variations in demand from the same market for the same products and services

  - Demand from new markets for existing products and services

  - Demand from new or existing markets for new products and services

- Strategy defines how an organization responds to changes in demand

VALUE

Value	The perceived benefits, usefulness and importance of something

Unique Value Proposition	a short statement that explains the unique value an organization provides

- Tactical and operational elements focus on the value of individual services, products and value streams

- Strategy focuses on the overall ability to co-create value in a particular environment

GOVERNANCE

- A system by which an organization is directed and controlled

- Three major activities:

  - Evaluate:

    - Strategy, portfolio and relationships

  - Direct:

    - Preparation and implementation of strategy and policies

  - Monitor:

    - Performance of the organization, practices, products and services

THE ITIL GUIDING PRINCIPLES

A **guiding principle** is a recommendation that guides an organization in <u>all</u> circumstances.

- The guiding principles can help organizations adopt and adapt ITIL to their context

- They help to integrate multiple methods into an approach to service management

- They are universally applicable to nearly any initiative

- They encourage and support continual improvement at all levels
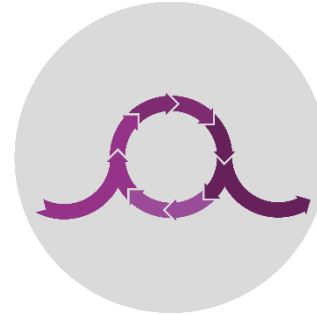
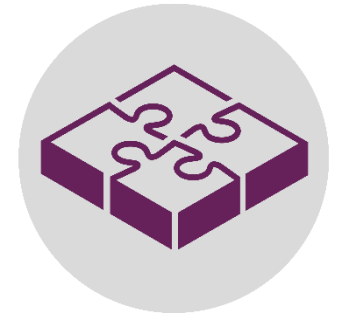# THE ITIL GUIDING PRINCIPLES
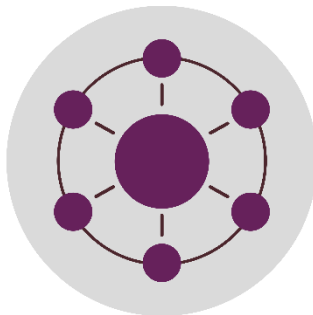
FOCUS ON VALUE

START WHERE YOU ARE

PROGRESS ITERATIVELY WITH FEEDBACK

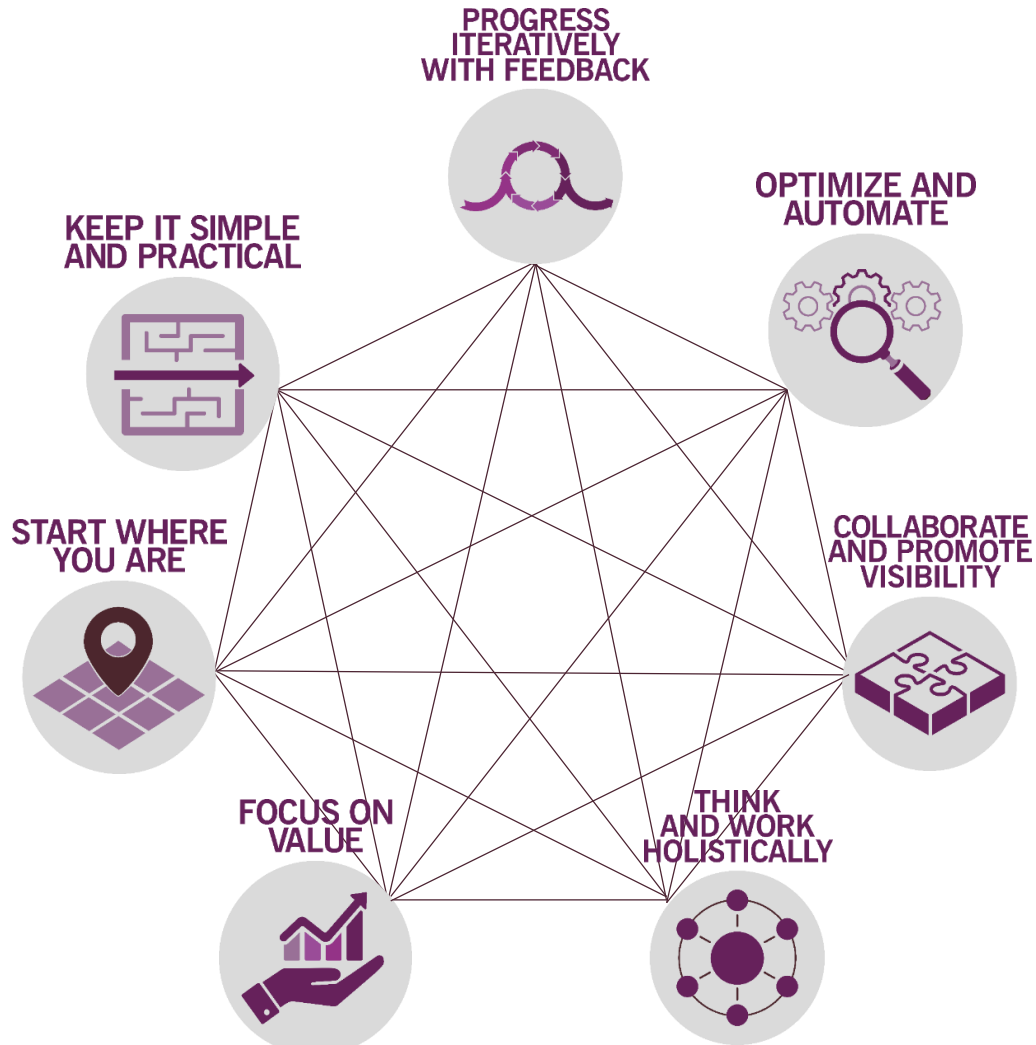**COLLABORATE AND PROMOTE VISIBILITY**

THINK AND WORK HOLISTICALLY

KEEP IT SIMPLE AND PRACTICAL

OPTIMIZE AND AUTOMATE

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THE ITIL GUIDING PRINCIPLES

PROGRESS ITERATIVELY WITH FEEDBACK

KEEP IT SIMPLE AND PRACTICAL

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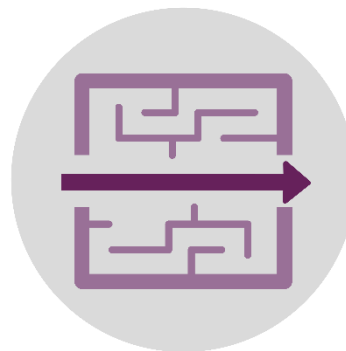
- The ITIL guiding principles are not independent
  - You need to think about all of them, each time you need to
    - Make a decision
    - Prioritise work
    - Review improvement opportunities
    - Resolve a conflict
    - …
  - Sometimes you will decide that only one or two principles apply
    - But you need to consider all of them

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CONTINUAL IMPROVEMENT

- Applied to a strategy in two ways:

  - Improving the activities and outputs of strategy management

  - Continual improvement can be the basis for strategy
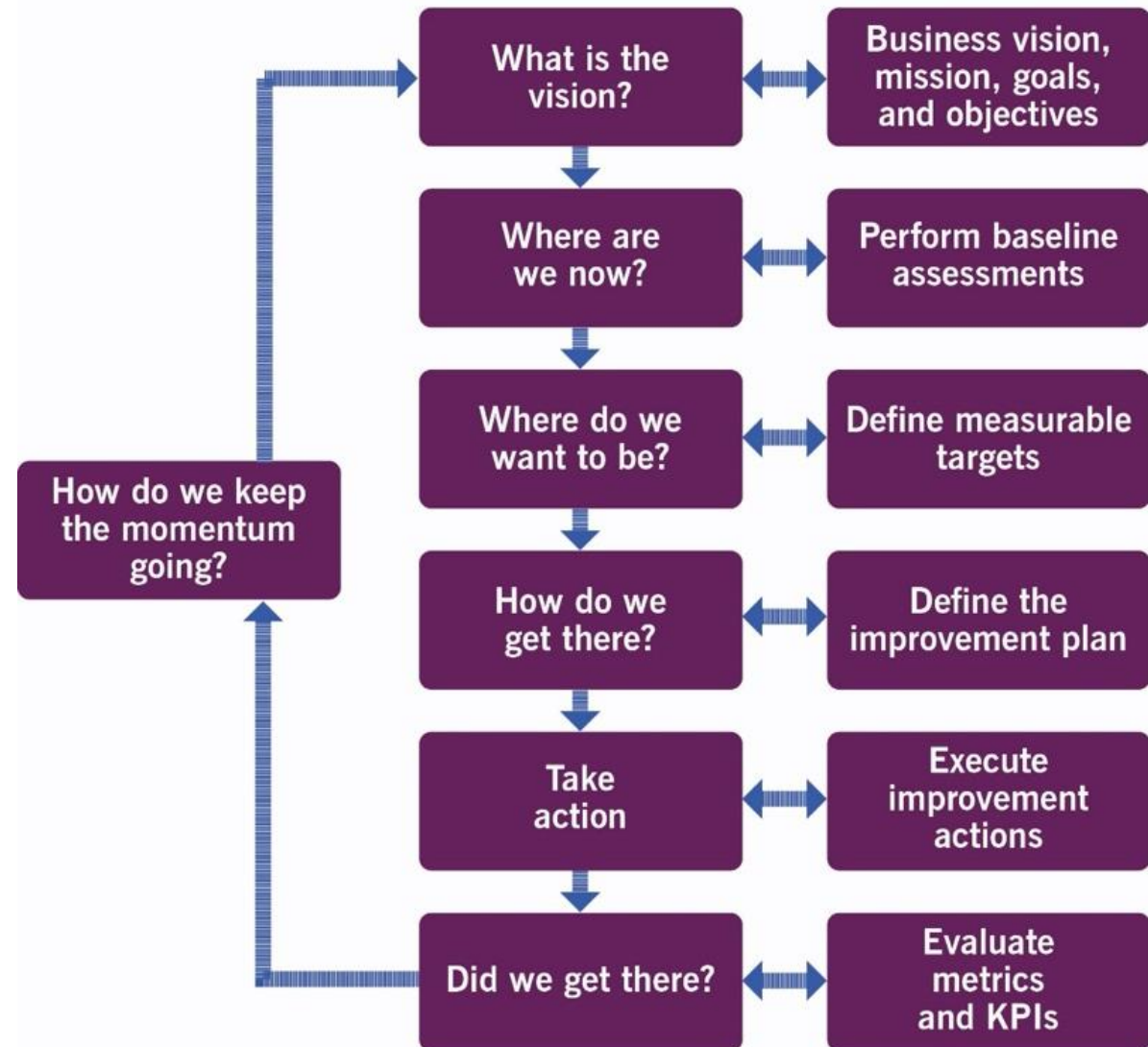
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PRACTICES

Practice — A set of organizational resources designed for performing work or accomplishing an objective

- Strategy specifies how the organization will meet its objectives

- Practices provide the processes, resources and technologies and to define, build, implement and operate value streams

- Strategy management and architecture management map organizational capabilities and assets to the desired outcomes of the organization

- Practices must evolve along with the strategy

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THE SERVICE VALUE CHAIN

Service Value Chain

An operating model which outlines the key activities to respond to demand and facilitate value realization through the creation and management of products and services
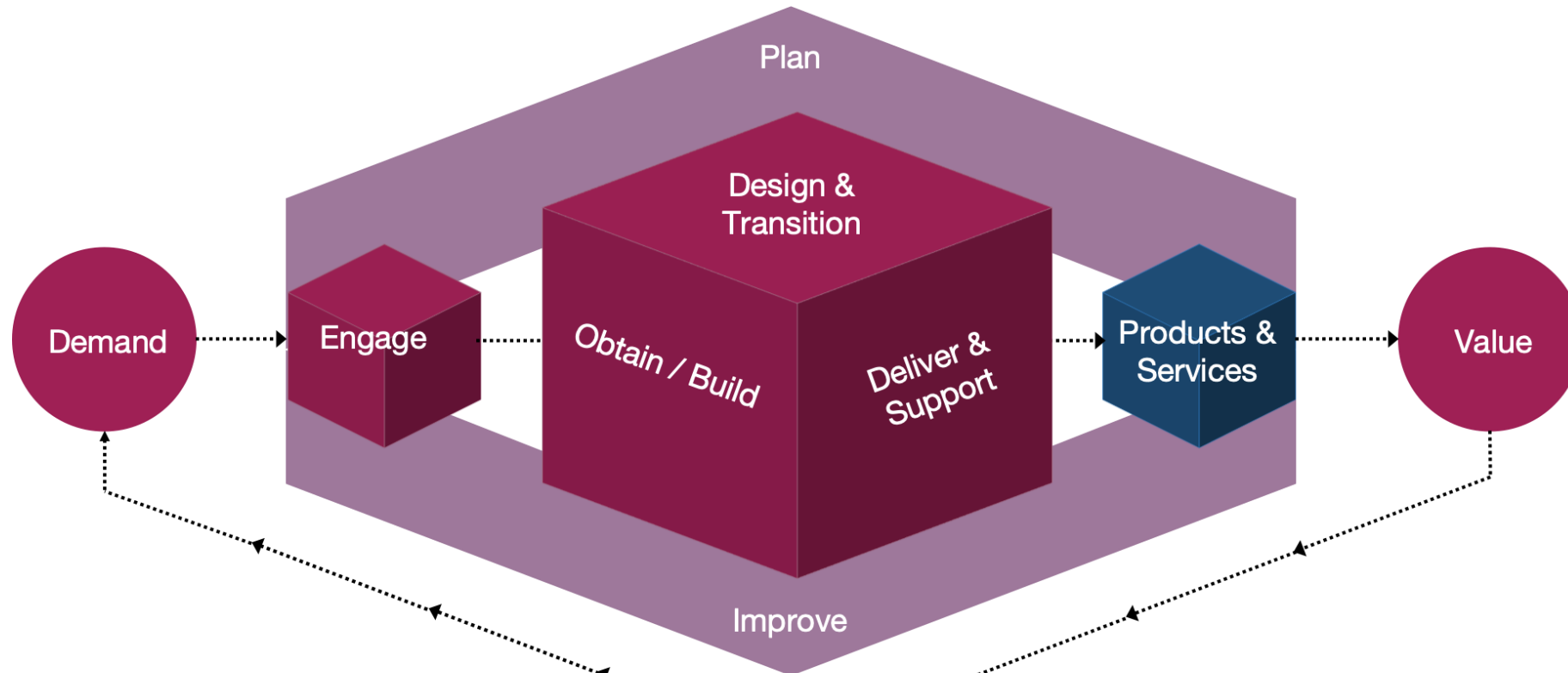
STRATEGY AND THE SERVICE VALUE CHAIN

- The SVC encompasses all the processes, people, technologies and partners used to implement the strategy and co-create value

- Represents:

  - Existing operations of the organization

  - Implementation of changes that reflect the strategy of the organization

  - The current state of the organization's portfolio

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VALUE STREAMS

Value Stream	The series of steps that an organization undertakes to create and deliver products and services to its customers

- Value streams include a description of activities, capabilities and resources that flow through the service value chain to meet demand and co-create value

- Improving existing value streams or creating new value streams could be the basis for strategy

PLAN AND IMPROVE

- Translate strategic plans into achievable project and operational plans

- Changes to value chains are assessed against strategic plans and guiding principles to ensure improvement initiatives do not cause the organization to deviate from its strategy

MAINTAINING CUSTOMER / MARKET RELEVANCE

- Operational components are often the first to detect changes to demand and value that require a strategic change

- Volatile environments require quick detection and communication to leaders responsible for strategy

- Feedback loops and metrics in value streams must link to strategic monitoring and response

ACHIEVING OPERATIONAL EXCELLENCE

- The ability to balance:

  - Service Levels

  - Cost levels

  - Expectations of stakeholders

- Changes in demand must be matched by changes in strategy and performance

Thank you

Module Completed