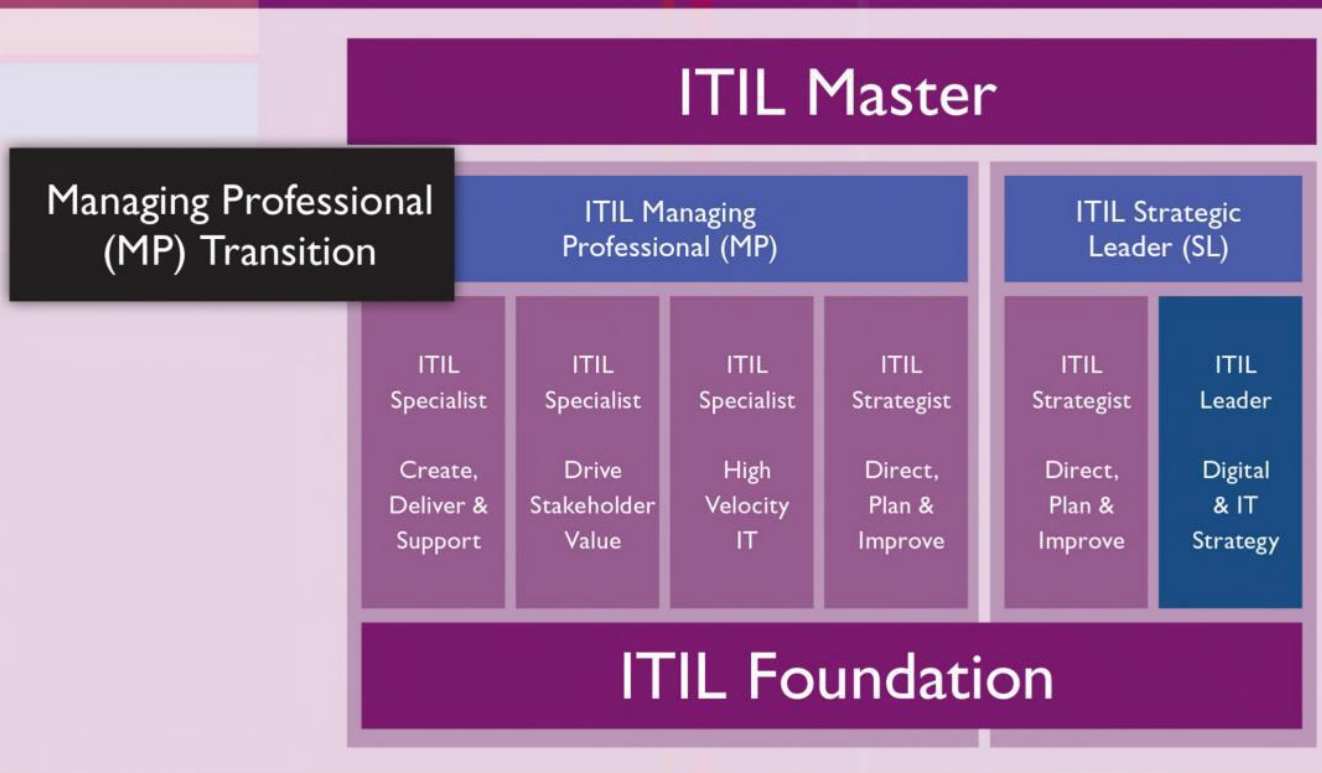
COURSEWARE

ITIL® 4 Leader Digital and IT Strategy (DITS) Courseware



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ITIL®
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Colophon

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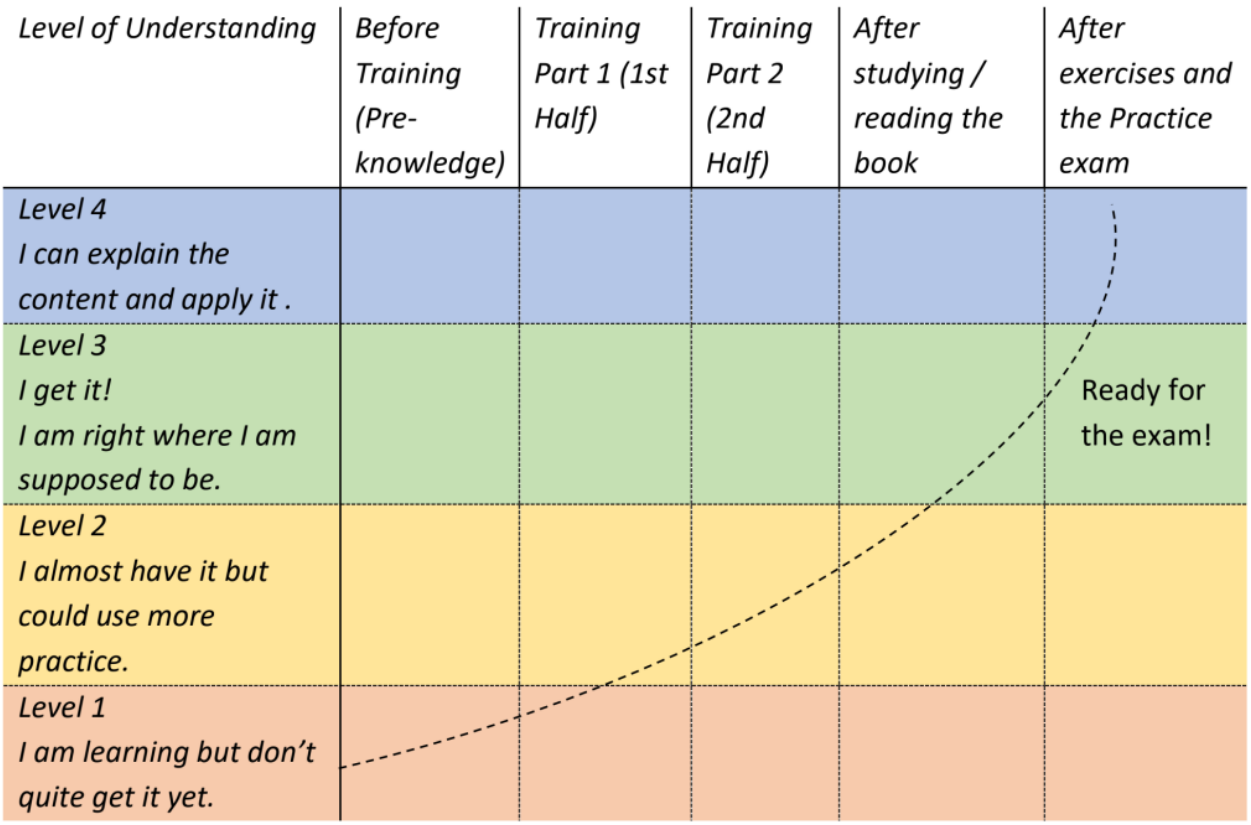
Self-Reflection of understanding Diagram

'*What you do not measure, you cannot control*.'' – Tom Peters

Fill in this diagram to self-evaluate your understanding of the material. This is an evaluation of how well you know the material and how well you understand it. In order to pass the exam successfully you should be aiming to reach the higher end of Level 3. If you really want to become a pro, then you should be aiming for Level 4. Your overall level of understanding will naturally follow the learning curve. So, it's important to keep track of where you are at each point of the training and address any areas of difficulty.

Based on where you are within the Self-Reflection of Understanding diagram you can evaluate the progress of your own training.



(Self-Reflection of Understanding Diagram)

Write down the problem areas that you are still having difficulty with so that you can consolidate them yourself, or with your trainer. After you have had a look at these, then you should evaluate to see if you now have a better understanding of where you actually are on the learning curve.

Troubleshooting

Problem areas:	*Topic:*
Part 1	
Part 2	
You have gone through the book and studied.	
You have answered the questions and done the practice exam.	

Timetable

	Day 1
	Introductions
	DITS Key terms & concepts
	What is the vision?
	Where are we now?
	Introduction to case & assignment 1
	Day 2
	Where do we want to be? & How do we get there?
	Take action!
	Did we get there?
	Assignment 2
	Assignment 3
	Day 3
	How do we keep momentum going?
	Assignment 4
	The 4 key capabilities
	Exam preparation
	ITIL Practices
	Glossary

Welcome to
ITIL® 4
Digital and IT Strategy

ITIL
ACCREDITED TRAINING ORGANIZATION
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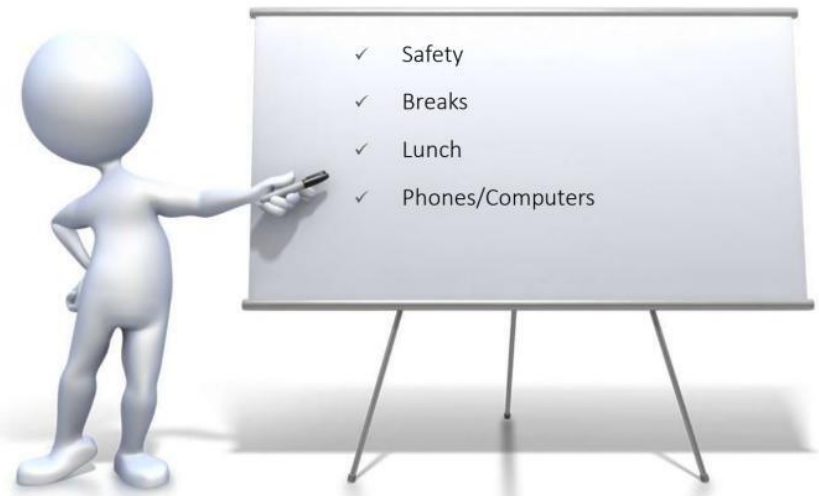
Our coming days



Our coming days

3

Presentation

4

ABOUT THIS COURSEWORK

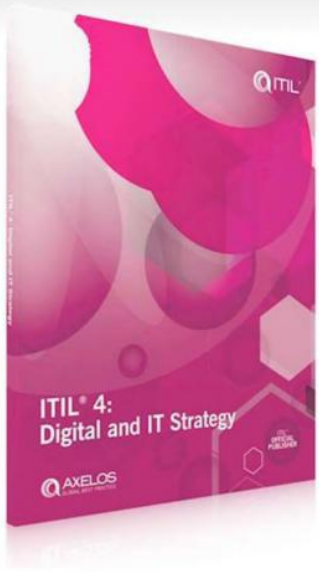
slides are extras, they are outside of Syllabus

We will test your exam skills by ending each chapter with several multiple-choice questions.

This is a relatively complex course. Therefore, to support the didactive storyline we have additional slides that that are outside the syllabus, these slides are not required exam content.

They are visualized with the icon above; the trainer may decide to use or neglect them during the training.

ITIL® 4: DIGITAL AND IT STRATEGY (DITS)



Digital and IT Strategy (DITS)

ITIL® 4: Digital and IT Strategy (DITS) focuses on the alignment of digital business strategy with IT strategy, adding a new perspective to the ITIL suite and elevating the discussion around ITIL concepts to a strategic level among business leaders and aspiring leaders. It also covers how disruption from new technologies is impacting organizations in every industry and how business leaders are responding.

The ITIL 4 publications are supported by the ITIL management practice guides, which contain pragmatic, hands-on guidance that can be applied in the context of all ITIL 4 publications. Practices that are particularly relevant to Digital and IT Strategy include architecture management, measurement and reporting, portfolio management, risk management, service financial management, strategy management, and workforce and talent management.

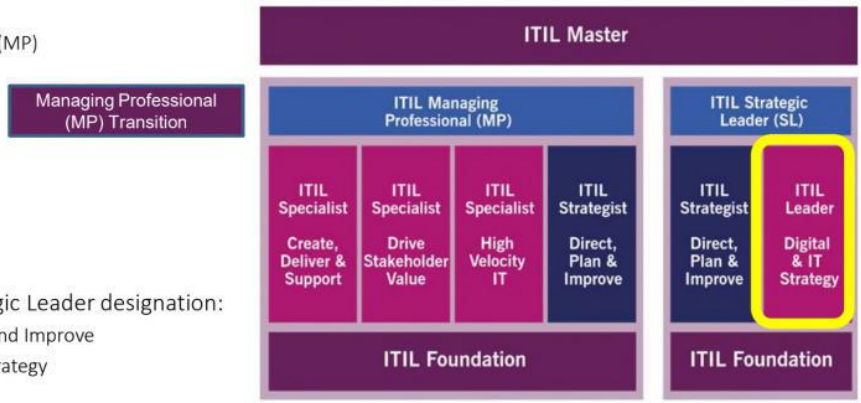
This guide provides detailed guidance on leading service organizations through digital transformation programmes. These programmes may include analysing internal and external ecosystems, developing business and operating models, managing organizational change, and cultivating a more agile and resilient organization.

This training **assumes that the reader is familiar with ITIL Foundation**, where the fundamental service management concepts of ITIL 4 are introduced and has a minimum working experience.

The ITIL 4 certification scheme

The ITIL 4 certification scheme that has two main training streams and four levels:

- ITIL Foundation
- ITIL 4 Managing Professional (MP)
- ITIL 4 Strategic Leader (SL)
- ITIL Master

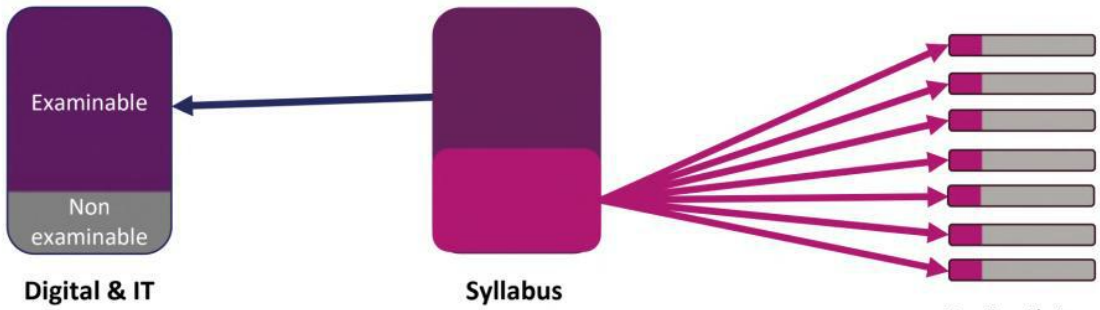


2 modules of the ITIL 4 Strategic Leader designation:

- ITIL 4 Strategist Direct, Plan and Improve
- ITIL 4 Leader Digital and IT Strategy

In order to be eligible to become an ITIL Master, end-learners must have both the ITIL MP and ITIL SL designations.

Content from several sources



Key learning requirements

DIGITAL AND IT STRATEGY

- ✓ Demonstrate the use of the ITIL guiding principles in Digital and IT Strategy decisions and activities
- ✓ Understand how to leverage digital strategy to react to digital disruption
- ✓ Understand the relationship between the concepts of Digital and IT Strategy, the service value system and the service value chain, and explain how to utilize them to create value
- ✓ Understand how an organization uses Digital and IT Strategy to remain viable in environments disrupted by digital technology
- ✓ Understand strategic approaches made possible by digital and information technology to achieve customer/market relevance and operational excellence
- ✓ Understand the risks and opportunities of Digital and IT Strategy
- ✓ Understand the steps and techniques involved in defining and advocating for a Digital and IT Strategy
- ✓ Understand how to implement a Digital and IT Strategy

Two-part assessment for DITS

Part 1: In-course practical assignments

- 4 in-course, practical group assignments based on a case study with three fictional companies and a risk report:
  - MCL – language learning centres
  - TNH (The New Hospitality) company
  - InteLearn – software startup
- 5 assessment criteria, each worth maximum of 8 points
- Pass mark 75% (30/40)
- Bloom's level 4 ("Analysis")
- Open-book
- The trainer evaluates the outputs of the assignment on:
  - scope: completeness of the results
  - quality: relevance to the case study and application of ITIL
- Individual or group skills and behaviour are NOT evaluated
- Marks are shared by all participating group members

Part 2: Multiple-choice question exam

- 60 minutes
- 30 questions
- Pass mark 70% (21/30)
- Bloom's level 2 ("Comprehension") and 3 ("Application")
- Online proctored exam
- Closed-book

Note:
If a candidate misses a group assignment, an individual written assignment should be fulfilled.

Fulfilment of all in-course assignments with a passing score is required to take the multiple-choice question exam!

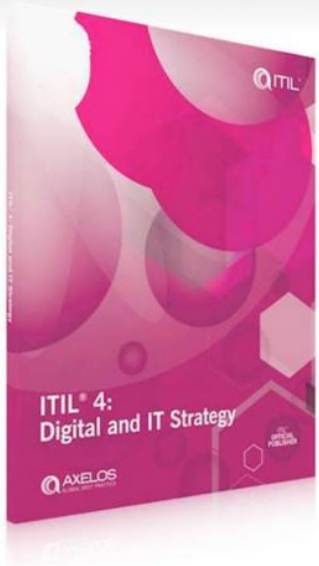
Course schedule

Day 1:
- Introduction to Digital and IT Strategy
- DITS Key terms & concepts
- The strategy journey
  - What is the vision?
  - Where are we know?
- Introduction to case study & assignment 1

Day 2:
- The strategy journey
  - Where do we want to be? & How do we get there?
  - Take action
  - Did we get there?
- Assignment 2
- Assignment 3

Day 3:
- The strategy journey
  - How do we keep momentum going?
- Assignment 4
- The 4 key capabilities
  - Digital leadership
  - Managing innovation and emerging technologies
  - Managing strategic risk
  - Structuring for digital business
- Exam preparation

INTRODUCTION TO DIGITAL AND IT STRATEGY



What is Digital and IT Strategy (DITS)?

Digital and IT Strategy is:

- An examination of the role of strategy in a digitally enabled organization
- An overview of the capabilities needed to compete in a digital world
- About how to evaluate new technology and its potential for competitive differentiation
- A way of thinking about innovation so that organizations can prepare successive waves of disruptive technology

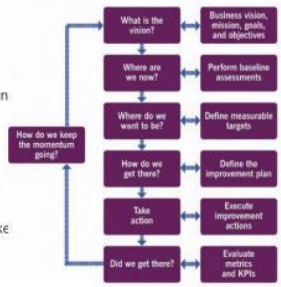
Digital and IT Strategy is NOT:

- A "how to" guide to doing strategy
- A list of dos and don'ts
- An overview of specific emerging technologies and how to use them
- A forecast of the next wave of ideas and technologies that will disrupt the industry

The strategy journey

There is a great degree of alignment between the Digital and IT strategy journey in alignment and the continual improvement model. The sections are mapped to chapters 3-8 in the DITS publication:

What is the vision?	Details the types of digital disruptions and factors that impact organizations, examples of digital maturity an positioning models, and guidance on how to craft a compelling digital vision.
Where are we now?	Gives an overview of how to assess an organization's digital readiness, and assess internal and external environments and their impact.
Where do we want to be? How do we get there?	Presents specifics about strategy cycles and horizons, structuring a business case for change, selecting the appropriate business model, planning a strategy that meets the organization's objectives relative to its customers and internal and external environment, and how to frame discussions and obtain buy-in from ke stakeholders.
Take action!	Details how to implement a digital and IT strategy, including digital transformation at all levels of an organization, and how to structure, lead, and communicate as part of several different types of strategic change initiatives.
Did we get there?	Provides an overview of how to measure the progress and effectiveness of a strategy, including an overview of OKRs, CSFs, and KPIs, and guidance on how to change an existing strategy accordingly.
How do we keep the momentum going?	Gives recommendations on parallel operating models, surviving and thriving in a volatile, uncertain, complex, and ambiguous (VUCA) environment, and continual improvement of the organization's digital transformation efforts.



Related ITIL practices

There are many ITIL practices that support the realisation of Digital and IT Strategy. The key practices covered as part of this training are (examinable practices in **bold**):

- **Architecture management**
- Project management
- Continual improvement
- Relationship management
- Knowledge management
- **Risk management**
- **Measurement and reporting**
- **Service financial management**
- Organizational change management
- **Strategy management**
- **Portfolio management**
- **Workforce and talent management**

Digital technology has changed the world

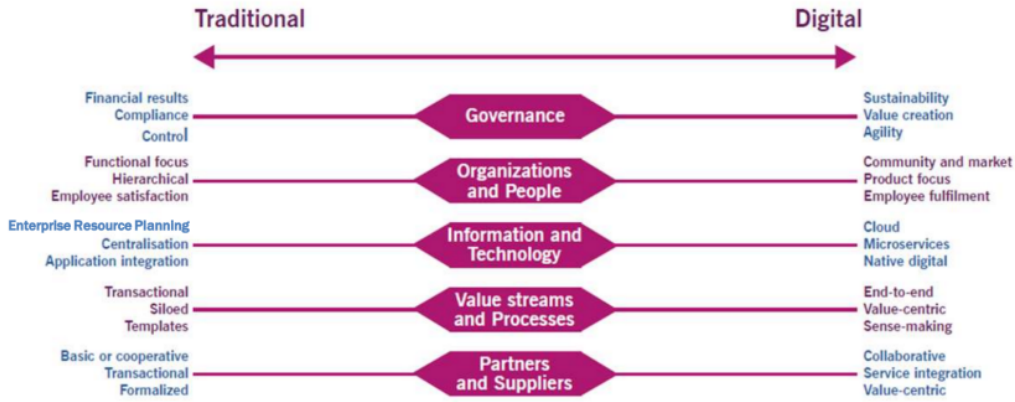
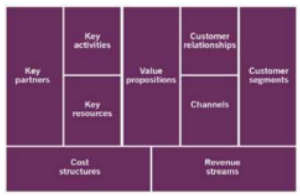


Figure 1.2 Governance and management shift from traditional to digital organizations

Business models are changing

The opportunities and changes created by digital technology force organizations to rethink their entire business models.



New business models replace slower, older, and more expensive ways of working, by changing the go-to-market approach; how the organization engages with customers; and the products, services, and delivery platforms. These models result in a demand for further innovation.

Older business models are becoming less relevant because they depend on established relationships, unchanging processes, consistent availability of resources, and loyal customers and employees. These qualities can be constraining when competing against agile and innovative organizations.

Until recently, the relationship between an organization and its customers was that the customer revolved around the products and services. However, today the most successful organizations are those that revolve around and align with the changing needs of the consumer (Denning, 2013).

Definition: **Business model** A formal description of how an organization should be configured to create value for customers based on its strategy

The role of technology leader is changing

As technology becomes more complex, it also becomes easier to access and use. Consequently, the role of the technology leader, as someone who unlocks the value of technology through specialized technical expertise, is changing. Although there will always be a role for technical experts, it is increasingly regarded as a back-office role. The new technology leader is a business executive who understands technology, rather than a technology expert who understands the business.

This poses challenges for both business leaders and technology experts. **To become leaders, technology experts need to do more than just understand business principles. They need to become experts in the business they are a part of.**

For example, they need to know how to manage technical debt while operating and understanding the technology, and committing to the expense of making it manageable and secure. Business leaders must also understand the limits of technology, and have a basic understanding of best practice frameworks and ways of working.

A need to adapt to accelerated innovation

Innovation replaces or changes the current situation or creates a new capability or product, but it is expensive to introduce and often not very reliable. Innovation is introduced because it provides competitive advantage

As the use of the innovative product scales up, the organization uses standard processes and education to produce consistent, predictable results. Soon the innovation becomes a well-understood component of standard business operation

The more successful the innovation, and the more well understood it is, the more other organizations will use it or replicate it. No longer unique, it becomes a commodity that is essential to stay in business, but no longer a source of competitive advantage

Commoditized technology is inexpensive to produce and maintain, and the skills required to manage it are inexpensive and abundant. Organizations emerge that use economies of scale to supply and manage the commodity more cheaply and better than it can be done in-house.

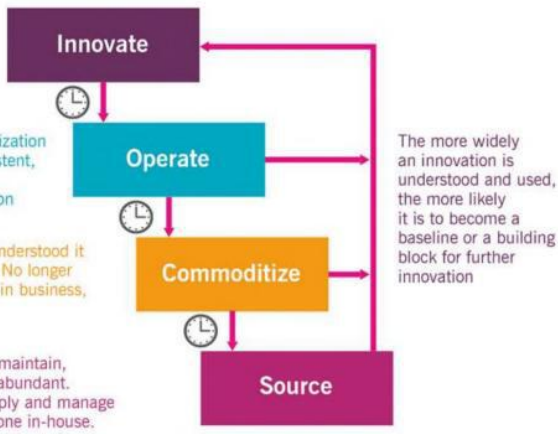


Figure 1.4 What happens when innovation accelerates

Accelerated innovation and business change

Firstly, emerging technology has introduced opportunities that have disrupted industries. The ability to achieve and maintain a position requires an organization to think differently about its business and operating models.

Secondly, the speed of innovation has accelerated significantly. Technology is cheaper, faster, and easier to implement. Innovation adds greater functionality, making it faster and easier to enter new markets. Organizations need to change quickly to harness the power of rapidly evolving digital technology.

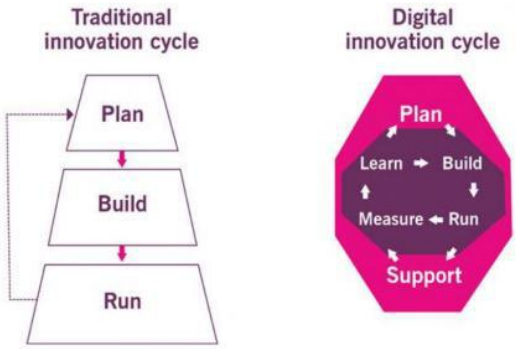


Figure 1.3 Traditional vs continual innovation cycle

In the early years of computerized automation and digitization, organizations managed technology using a relatively simple plan-build-run model, as illustrated by the left-hand diagram in 1.3. Innovation changed organizations, but the rate of change was in months and years. **Today organizations need to change quickly to harness the power of rapidly evolving digital technology, increased pace of innovation, and the ever-changing demand of a mobile consumer base.**

Summary

We have just talked about:

- ✓ What Digital and IT Strategy (DITS) is and what it is not.
- ✓ The way a strategy journey can be based on the ITIL continual improvement model and some of the related key practices
- ✓ The way digital technology has changed the world and created a need for business model innovation, changes in operating models and how it puts new and more complex requirements on technology leaders
- ✓ Ways to better support innovation in a digital environment and ways to adapt to accelerated innovation

Course schedule

Day 1:

- ✓ Introduction to Digital and IT Strategy
- DITS Key terms & concepts
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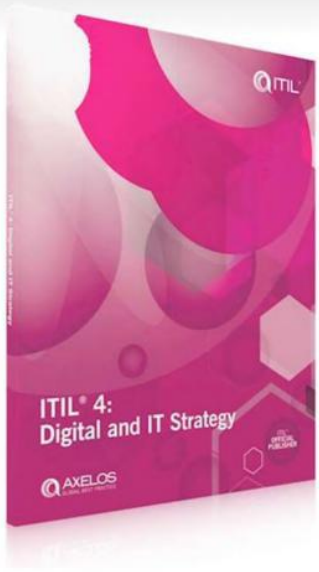
DITS KEY TERMS & CONCEPTS



Key terms

Digital technology is any technology that digitizes something or processes digital data. The term refers to the merging of information technology (IT), operational technology (OT), and communication technology to achieve levels of functionality and automation that are not possible with any of these alone.

Definition: **Information technology (IT)**	The application of digital technology to store, retrieve, transmit, and manipulate data, often in the context of a business or other kind of organization

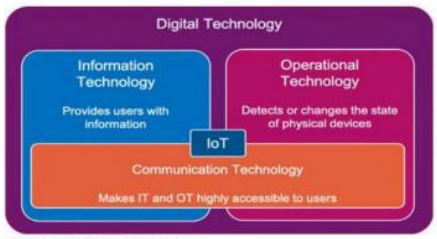


Figure 2.1 Digital technology

Definition: **Operational technology (OT)**	The application of digital technology for detecting or causing changes in physical devices through monitoring and/or control
Definition: **Internet of Things (IoT)**	A system of interrelated computing devices and mechanical and digital machines that are interconnected via the internet, enabling them to send and receive data without human interaction
Definition: **Communication technology**	Which is sometimes seen as a component of either IT or OT, enables IT and OT to be highly mobile and accessible to organizations, consumers, and other stakeholders

Digital organization & digital business

What differentiates a **digital organization** is the extent to which it **uses digital technology as a basis to differentiate itself**. Digital organizations rely on digital technology as a fundamental component of their business and operating models. Their products and services often have a digital component, or may be entirely digital.

Most organizations will rely on a combination of digital, IT, OT, analogue, and manual systems and activities. An organization needs to decide which parts of the business to digitize and to what extent, so that it can achieve and maintain a competitive advantage.

The term '**digital business**' is here referred to as **the activities that, using digital technology, enables an organization to fulfil its purpose**.

Definition: **Digital business**	Activities that use digital technology, enabling an organization to fulfil its purpose
Definition: **Digital organization**	An organization that is enabled by digital technology to do business significantly differently, or to do a significantly different business

Digitization vs digital transformation

'**Digital transformation**' has different potential meanings, depending on the individual and the context.

Executives should view digital transformation as an organization's ability to identify innovative uses of both emerging and current technologies. The organization should then respond by transforming its strategy and operations to maintain and grow its market position. Many approaches limit digital transformation to technologies, such as data, automation, and virtualization. However, transformations impact all areas of an organization. This is illustrated in Figure 2.2.

Figure 2.2 Modified list of key digital transformation themes

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

Definition: **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

Products and services

The products and services that an organization offers are central to its strategy, as this is how it realizes its purpose and co-creates value. The relationship between products and services is the basis for business decisions and which operating model it chooses to use.

Services are presented to consumers in the form of **service offerings**, which describe one or more services based on one or more products. Service offerings might include **goods**, **access to resources**, and **service actions**.

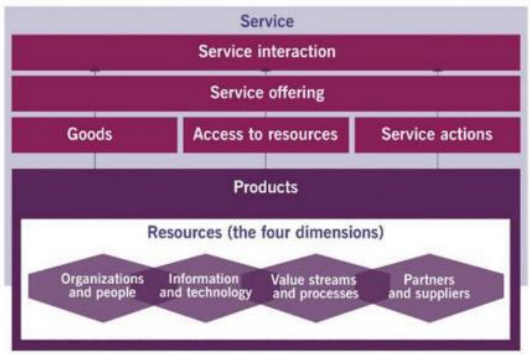


Figure 1.10 How services, service interactions, service offerings, products, and resources are related

Definition: **Resource**	A person or other entity that is required for executing an activity or achieving an objective

Definition: **Product**	A configuration of an organization's resources, designed to offer value for a consumer

Definition: **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

Making strategic decisions

In an ever-changing environment strategists must find ways to make better strategic decisions faster.

An example of a method that is used for this is known as "Wardley mapping". This is a visual method for making strategic decisions. It includes the strategic cycle, which builds on other well known concepts.

Regardless of method used, the ability to make fast and good strategic decisions is a key capability for any organization embarking on a digital transformation journey, and something that requires a lot of practice.

Definition: **Strategy**	The course of action by which an organization achieves its objectives
Definition: **Tactics**	The specific methods by which a strategy is enacted

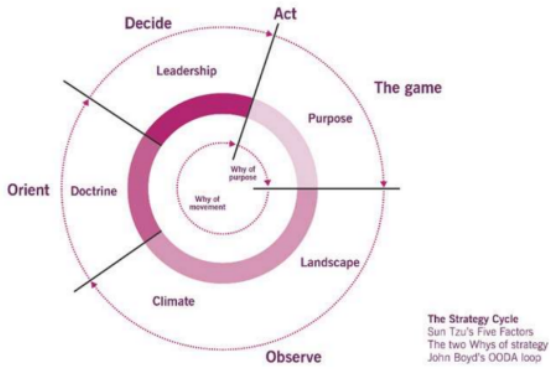


Figure 2.3 Wardley's strategy cycle

Situational awareness vs action

The strategy cycle helps an organization to better understand its **situational awareness**. The 'where' and 'why' inform action, which then defines the 'how', 'what', and 'when', to prevent impulsive actions as shown in 2.4.

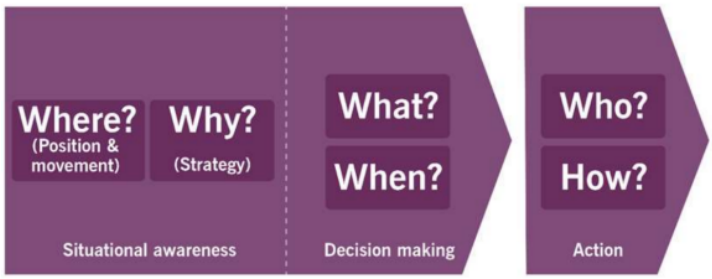


Figure 2.4 Situational awareness vs action

A common error organizations make when implementing a strategy is to leave the old components alone and focus on those that are to be introduced. The assumption behind this is that business as usual should be left alone when the new components are introduced. As a result, there are multiple implemented IT architectures, each from a previous strategy and rarely updated. Signs that this has happened include:

- duplication of functionality between IT systems
- multiple technology architectures, each emerging from its own strategic initiatives
- outdated technology and management practices
- lack of cost transparency.

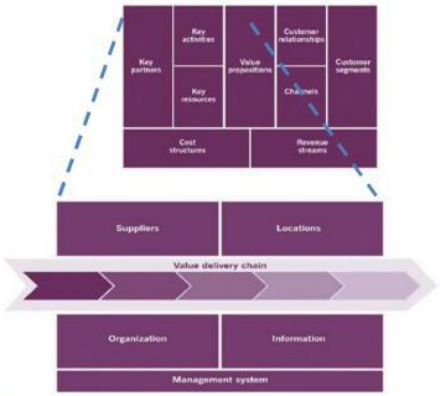
Link organizational aspects to strategy

It is important to link current organizational aspects to the strategy. A way of doing this is through the use of the concepts of business and operating models.

This training do not cover in detail how to create **business** or **operating models**, but both are tools commonly used to describe:

- how an organization should be configured to provide value to customers
- 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

How products and services are managed is therefore an important part of an organization's strategy, especially how it transforms its business model into an operating model.



Definition: **Business model**	A formal description of how an organization should be configured to provide value to customers based on its strategy

Tiers of strategy

Many approaches to digital strategy are based on a tiered model. An example of this is shown in Figure 2.5.

The organization's strategy is called the '**business strategy**' or 'enterprise strategy'. The **digital strategy** is a subset of the business strategy, and applies to those parts of the business that will be impacted by digital technology. The **IT strategy** is separate, but supports both the digital enablement projects and the established parts of the organization.

In practice, though, the model for digital and IT strategy is far more complex.

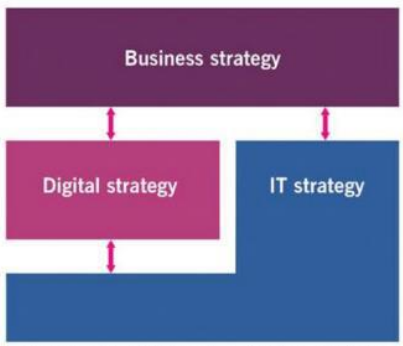


Figure 2.5 Traditional perspective of business, digital, and IT strategy

Figure 2.6 Revised perspective (example) of business, digital, and IT strategy

A more appropriate example is based on a clearer definition of business, digital, and IT strategy and is shown in Figure 2.6.

Business strategy

Business strategy is how an organization defines and achieves its purpose. Every organization has a business strategy. Some organizations maintain a formal set of processes and documents. Others rely on less formal communication, decision-making criteria, and patterns of behaviour by the governing body and executives.

Regardless of the rigour of a strategy management practice, a business strategy will encompass:

- a way of defining, refining, and communicating the vision of the organization
- a way of defining its objectives
- its business model
- a means of aligning the different parts of the organization's ecosystem to achieve its goals
- guiding principles that determine how decisions are made and what actions are taken
- agreement on which courses of action the organization will take and how to allocate resources to them
- a definition of what the organization will not do.

The organization's culture determines how it observes and enforces its business strategy. However, the organization's success depends on a relevant, cohesive, and clearly communicated strategy. Without a coherent strategy, it will be behind its competitors.

Definition: **Business strategy**

How an organization defines and achieves its purpose

Digital strategy

Describing a tiered strategy imply that the business strategy is separate from the technology used to achieve it. Alternatively, they suggest that using digital technology is limited to optimizing the organization's performance. Therefore the digital strategy being a subset of the business strategy. This does not reflect the broad range of opportunities or impact that digital technology offers. Nor does it reflect the fundamental shift in culture, practices, and objectives that an organization must experience to be successful in a digital world.

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.**

A digital strategy should; **exploit market opportunities** due to use of new digital technology, **use digital technology to improve customer experience, relaunch existing products and services with new features,** and **improve the efficiency of the organization**. Digital strategy is merely the business strategy based on emerging technologies.

Definition: **Digital strategy**

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

IT strategy

Different organizations will have different formal governance structures and allocate responsibilities differently. Regardless of these differences, there is a strong interrelation and major overlaps between business strategy, digital strategy and IT strategy as shown in Figure 2.6.

IT strategy is about understanding:

- how an organization's IT department supports its business goals
- which technology will be used to perform business operations
- how to utilize the technology envisioned in the digital strategy
- how to move to technology that supports the organization's objectives
- the nature and role of technology suppliers.

Figure 2.6 Revised perspective (example) of business, digital, and IT strategy

The role of business models

The terms 'strategy', 'business model', and 'tactics' are often used interchangeably, yet they each have different meanings. **A business model describes how an organization should be configured to provide value to customers based on the strategy**. It shows how every component should collaborate to provide value, rather than focusing only on how each product or service individually provides value. A business model must reflect the system and consequences of strategy.

A business model is a framework that consists of **three major themes**:

- **How an organization works to realize value through its services, products, and offerings.** This includes suppliers, resources and assets, key activities, and cost structures associated with value creation.
- **How an organization creates value.** This includes via customer relationships, channels, customers segments, and revenue streams.
- **How an organization fulfils its promises and expectations.**

An effective business model must adapt these three themes so that it meets the following criteria:

- provides a strong narrative regarding the organization's value realization
- uses a viable financial model (e.g. calculating the costs needed to realize the model).

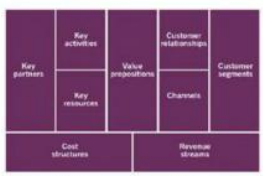


Figure 2.7 Business model canvas

Business models and strategy

This section will use a vehicle analogy to demonstrate how strategy, business models, and tactics collaborate to realize value (Casadesus-Masanell and Ricart, 2011). Vehicles are available in a variety of shapes, sizes, and features, to provide value by satisfying each driver's specific requirements. Each design results in differing capabilities for each type of vehicle. For example, if a driver needs a vehicle for use on mountainous or unpaved roads, they will need a vehicle with powerful off-road capabilities. If the terrain is the competitive landscape, the design of the car will be the strategy. Table 2.1 illustrates this.

The strategy aspect involves evaluating the internal and external environments to determine the landscape. It also involves predicting the contingencies that might be encountered, such as changes in the political landscape.

Strategy	Business model	Operating model
Strategic assessment: understanding the terrain, determining any special features the driver requires to navigate that terrain Strategic choice: selecting or designing the appropriate car	Strategic assets: the car and its features to be used for the terrain, who will maintain it etc.	Driving techniques for specific conditions and situations (e.g. driving on slippery roads, making fast turns)

Table 2.1 Strategy, business model, and tactics

The appropriate business model can be determined after gaining an understanding of the landscape and the organization's capabilities. The organization can sustain its competitive advantage by either defending its unique position in the market or exploiting its key characteristic. It can achieve this by developing a variety of business model configurations to address a range of strategic contingencies.

Business model canvas

Business and operating models can be detailed and complex documents. Alternatively, the models can be explained in a canvas format, as shown in Figure 2.7 (Osterwalder and Pigneur, 2010). The **business model canvas** can be supplemented with documentation, but it is important to remember that it is its simple visual format that makes it easy to understand. Strategic choices are summarized across each key element of the organization, which represents how the organization creates and delivers value to its customers.

The business model is an effective planning tool, as it can be used to visualize ideas. A range of business models and organizational configurations can be combined without delving into complex details. As a planning tool, the business model helps strategists to analyse, test, and validate ideas against individual business elements. It also demonstrates the possible results of those ideas, across the entire business model.

Figure 2.7 Business model canvas

'Business models can easily be copied by competitors, due to their conceptual and adaptable nature. It is common practice for organizations to compare competitors' business models, to determine how best to compete against them. Good business models, therefore, rarely provide long-term competitive advantages. The achievement of a long-term advantage involves offering and delivering unique value propositions that are difficult to emulate. This is achieved by using a strong strategic plan, which defines how an organization will apply the business model in specific regions, customer segments, or specific use of key suppliers, etc.

Creation, delivery and capture of value

The business model template illustrated in Figure 2.8 provides a canvas for answering key questions about **who an organization will serve (customer scope)**, **what it will offer to them (value proposition)**, and **how it will be delivered (value creation/operating model)**. It should also explain **how the business model will prevent replication from competitors (value capture)**, or, in other words, what makes it unique and difficult to emulate (Boudreau, 2018).

The more commoditized the services that an organization provides are, the easier it is to replicate the business model. This is because organizations that provide similar services tend to replicate capabilities, activities, methods, and organizational structure.

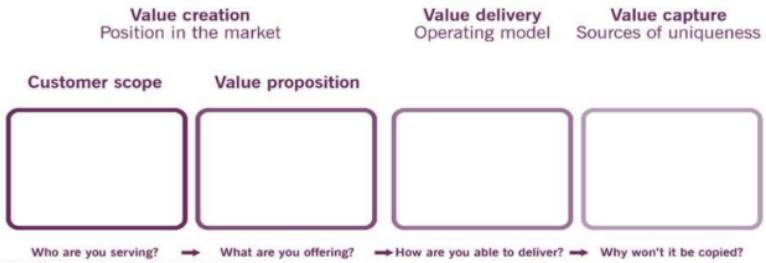


Figure 2.8 Adapted company design template

However, **culture can be a major factor in the success of a business model, by making the business model less of a commodity**. Competitors generally fail when they try to replicate a business model without first adapting it to their own culture, or changing their culture; and these are not easy changes.

Operating models

If business models are used to describe how a business captures value, then **operating models are used to describe how the organization will be run**. Using the vehicle analogy, if the business model refers to a car designed for a specific terrain, the operating model describes the required components, how they are installed, and how it operates to provide value to the driver.

An operating model represents a series of practices and choices; the interaction between them determines if and how the business delivers its defined value proposition and holds its market position.

Strategy	Business model	Operating model
The design of the car that ensures it is suitable for a particular terrain and meets the driver's needs, therefore providing value to the driver	The features that provide value to the driver in a particular terrain, e.g. engine size or type, tyre types. Multiple business models can be used in a strategy	The car's components, and how it is assembled to ensure that it performs as expected (e.g. engine timing, tyre pressure, power steering sensitivity, maintenance plan)

Table 2.2 Strategy, business model, and operating model comparisons

An operating model ensures that all of these choices and practices (such as which staff need to be hired, what technology needs to be deployed, and which partners need to be used) work together in a unified way.

Definition: **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

Key themes of operating models

An operating model is a tool used to facilitate the design and configuration of an organization's operations, to enable the creation of the value outlined in the business model. There are **two key themes in an operating model**:

- **The key work that takes place.** At the centre of an operating model are the organization's value streams, which illustrate the main work an organization needs to do to deliver its value propositions to its identified consumers.
- **The context in which the value streams will be performed**, including:
  - how partners and suppliers will be involved in the value streams and the creation of value
  - where the work done in the value streams will be located, and what assets are needed in those locations to perform the work
  - the organization structure, skill sets, decision structures, and process and practice ownership required to do the work in the value streams
  - the applications, or other technology, and information services needed to perform the work throughout the value streams
  - how the targets will be decided and performance measured, to ensure that the value streams are functioning optimally.

The organization's value propositions drive the operating model, as the value streams enable the creation of the value as defined in the business model, even though the value proposition is not a part of the operating model. Consequently, the value propositions are the objectives of the operating model.

Operating model canvas

The canvas is used to plan and improve operating models (Campbell et al., 2017).

Many 'digital operating models' are really only frameworks that show how different types of emerging technology are related to one another, or guides that show how an organization can use emerging technologies to replace or augment existing capabilities. These are technology models, frameworks, or architectures, not operating models.

Figure 2.9 Operating model canvas

An operating model for a digital organization will look very similar to that of any other organization. For example, it will:

- specify how value is created
- identify value streams and state how they will be managed
- outline the roles of people, processes, and technology in those value streams
- define which partners the organization works with, what their roles are, and what contracts are in place
- highlight the importance of culture, and outline ways to promote the type of culture required to achieve the organization's purpose
- identify consumers and their roles in the value streams, including which products and services they consume and what factors influence that consumption
- include a portfolio of projects, services, and products, along with information about the investment required to maintain it.

Digital operating models

An operating model for a digital organization is unique in that:

- **many of the technologies specified are emerging technologies**, although they often perform the same function as older technologies or manual activities in other operating models
- **it is likely to emphasize innovation and experimentation**
- **its processes will be geared towards the pace of change in the organization's environment: they will be more agile in nature** (e.g. they will focus more on speed to market, minimum viable products, and the incremental development of products and services).

Figure 2.9 Operating model canvas

In ITIL, the concept of the operating model is represented by the service value chain, which is a detailed operating model, suitable for digital organizations.

Strategy and the service value system

An organization's existence depends on its ability to translate demand into services and products that are relevant and valuable to its consumers.

Its strategy is based on its analyses of, and responses to, opportunities and demands in its environment. The subsequent plans, actions, and structures are described in the service value system and service value chain, which express the organization's strategy.

The service value system provides a description of how an organization's components and activities collaborate to enable value creation. Specifically, the service value system articulates both what an organization's strategy is and how it will be realized.

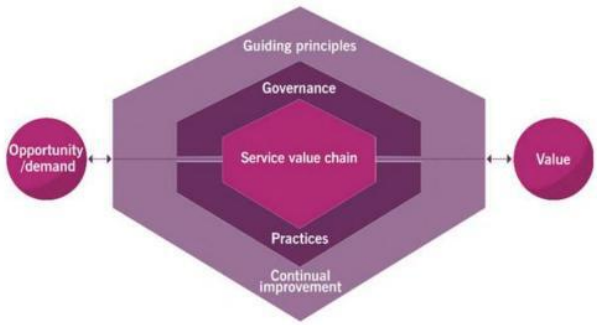


Figure 2.10 The service value system

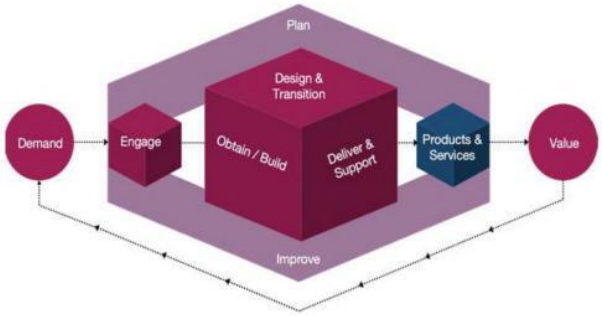
In the following slides we will look at the components of the service value system from a strategic perspective.

Strategy and the service value chain

The service value chain is the operating model in ITIL and covers all the processes, people, technologies and partners used to implement the strategy and co-create value. It represents:

- Existing operations of the organization
- Implementation of changes that reflect the strategy of the organization
- The current state of the organization's portfolio

The service value chain contains **six archetypical activities** that any service provider will undertake at some point.



Strategy formulation should include a comparison of an organization's internal environment, such as current objectives and operations, **with changes in its external environment.**

Strategy as the way to respond to opportunities and shifts in demand

Strategy defines the way an organization responds to **opportunities** and **shifts in demand**, its '**strategic position**'.

Definition: **Opportunity**	An opportunity is 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.

Opportunities can be the result of changes in the environment, stagnation in the existing industry, or simply areas that have been ignored by competitors.

Definition: **Demand**	Input to the service value system based on opportunities and needs of internal and external stakeholder

Environmental changes have major implications for demand, as they tend to impact the demand for existing services. This is a reactive strategy, sometimes called a 'protective strategy', where the organization alters its operation to meet the change in demand. The ways of responding to each type of change in demand varies depending on the reason:

- Variable demand from the same market, for the same products and services
- Demand from new markets for existing services and products, or for new products in existing markets, representing both an opportunity and a variation in demand
- A sustained reduction in demand

Value and unique value propositions

Tactical and operational elements of the organization tend to focus on the value of individual services and products to a set of consumers, but **strategy is concerned with the overall ability of the organization to co-create value in a particular environment**. Strategy defines the value propositions that individual services and products must achieve.

Environmental analysis, strategic planning, and business modelling help the organization gain a strategic position, which includes a proposal for how it will compete with rivals. Specifically, it will describe the opportunities, markets, and value propositions it will pursue.

The organization must be able to explain how it co-creates value in each of its markets. This explanation will include a high-level overview of the value elements that are specified in every product or service line, namely:

- supported outcomes
- increased efficiencies
- reduced risk.

An example of this explanation is an organization's unique value proposition (UVP). Such a statement is usually not the organization's complete strategic vision.

Definition: **Value**

The perceived benefits, usefulness, and importance of something

Definition: **Unique Value Proposition (UVP)**

A short statement that explains the unique value the organization provides

Governance

Organizational governance is the system by which an organization is directed and controlled. In the context of strategy, the major activities of governance are:

- **Evaluate** - The governing body evaluates the strategy, portfolios, and relationships with other parties. This evaluation is a continual process of review and revision as the context of the organization and its stakeholders changes.
- **Direct** - The governing body assigns responsibility for, and directs, the preparation and implementation of organizational strategy and policies. Strategies set the direction and prioritization for organizational activity, future investment etc. Policies establish the requirements for behaviour across the organization and, where relevant, suppliers, partners, and other stakeholders.
- **Monitor** - The governing body monitors the organization's performance, practices, products, and services. The purpose of this is to ensure that it performs in accordance with policies and direction.

The strategy and operation of the organization are subject to governance. This does not mean that the governing body has direct oversight of all aspects of the organization. Instead, it means that all aspects of the business are designed and operated, within the scope of the agreed strategy, policies, practices, etc. The performance of each of these aspects is reported on, so that the governing body can assess the effectiveness of the strategy and the organization's long-term viability.

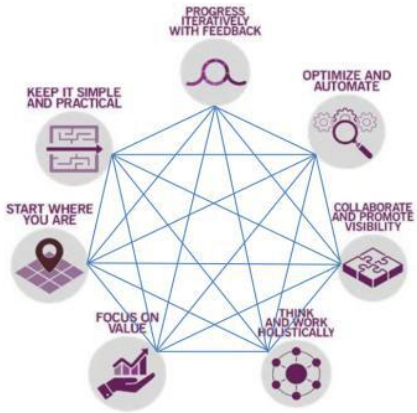
The ITIL guiding principles and strategy

These guiding principles are essential for any organization pursuing a digital strategy. However, these are not the only principles an organization will use when creating and implementing its strategy. The strategy should include any principles that decision-makers need to use when implementing a strategic initiative, or when defining a lower level of strategy.

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.

The ITIL guiding principles summarized

Guiding principle	Description
Focus on value	All of the organization's actions must translate, either directly or indirectly, into value for the stakeholders. The focus on value encompasses many perspectives, including the experiences of customers and users.
Start where you are	Do not start from scratch and build something new without considering what is already available. There is likely to be a great deal in the current services, processes, programmes, projects, and people that can be used to create the desired outcome. Investigate and observe the current situation to ensure that it is fully understood.
Progress iteratively with feedback	Do not attempt to do everything at once. Even large-scale initiatives must be accomplished iteratively. It is easier to maintain a sharper focus on each effort, by organizing work into smaller, manageable sections that can be executed and completed in a timely manner. Using feedback before, throughout, and after each iteration will ensure that actions are focused and appropriate, even if circumstances change.
Collaborate and promote visibility	Collaborating across boundaries produces results that have greater buy-in and relevance to objectives, and more likelihood of long-term success. Achieving objectives requires information, understanding, and trust. Work and consequences should be visible, hidden agendas avoided, and information shared as much as possible.
Think and work holistically	No service, or element used to provide a service, works in isolation. The outcomes achieved by the service provider and service consumer will suffer unless the organization works on the service in its entirety. Results are delivered to customers through the management and integration of information, technology, organization, people, practices, partners, and agreements, which should all be coordinated to provide a defined value.
Keep it simple and practical	If a process, service, action, or metric fails to provide value or produce a useful outcome, eliminate it. In a process or procedure, use the minimum number of steps necessary to accomplish the objective(s). Always use outcome-based thinking to produce practical solutions that deliver results.
Optimize and automate	Resources of all types should be used to their best effect. Eliminate anything that is wasteful, and use technology to its full capabilities. Human intervention should only occur where it contributes value.

Table 2.3 Description of seven guiding principles

Continual improvement

Continual improvement occurs at all levels of an organization. It can be applied to the organization, or to an individual product, service, technology, or organizational unit.

The strategy management process reflects the steps of the ITIL continual improvement model, which is described in detail in the strategy management practice guide. However, it is important to note that the purpose of making continual improvements is not always the same as that of defining and implementing strategy. The primary objective of strategy is to ensure that the organization continues to be viable in a changing environment, which may require improvement of existing capabilities, but more often aims at expanding or reducing its operation.

Applied to a strategy in two ways:

- **The strategy management practice, its activities, and its outputs are subject to continual improvement**
- **The improvement of the organization itself might be the basis for its strategy**

As the strategy evolves, it is important to update and reconfigure the practices, as this activity is an aspect of continual improvement.

Practices

An organization's strategy specifies how the organization will meet its objectives, by utilizing value streams at all levels of the organization.

➢ **Practices utilize the processes, resources, partners, and technologies and how they will contribute to the strategy**.

Three of these practices, **strategy management**, **portfolio management** and **architecture management**, are **used to map organization's capabilities and assets to its desired outcomes**.

Strategy involves continually updating and aligning the practices, which are created and configured to achieve specific objectives. As the strategy evolves, it is important to update and reconfigure the practices, which is a function of continual improvement. This includes continuously updating the organization's architecture, to show how each component contributes to the strategy, and to the performance required for an effective strategy.

Definition: **Practice**	A set of organizational resources designed for performing work or accomplishing an objective

Summary

We have just talked about:

- ✓ Key concepts and terms related to digital and IT strategies
- ✓ How to use different supporting models and structures to identify, define and describe strategies
- ✓ The importance of linking the strategy to organizational aspects
- ✓ The tiers of strategy and why these should be integrated
  - business strategy
  - digital strategy
  - IT strategy
- ✓ The roles of business and operating models in digital and IT strategy
- ✓ The relation between all components of the SVS and DITS:
  - the service value chain
  - the ITIL guiding principles
  - continual improvement
  - governance
  - the ITIL practices

Q: A service provider differentiates itself from competitors by providing products and services that include digital components. What is this an example of?

A. Digital technology

B. Digital organization

C. Digitization

D. Digital transformation

Q: Which describes a concept where the introduction of robots to automate work has significantly improved an organization's ability to achieve its goals?

A. Digital technology

B. Digital organization

C. Digitization

D. Digital transformation

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Q: Which term describes how an organization defines and communicates how it will achieve its vision through the use of digital technology

A. Digital organization

B. Digital transformation

C. Digital strategy

D. Digital business

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Q: A service provider has documented their purpose and how they will achieve it. Which term is used to described this?

A. Digital organization

B. Business strategy

C. Product and service portfolio

D. Digital transformation

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Q: An IT service provider has defined value streams to create products and services. A senior manager wants to extend this work to create an operating model, and is writing a business case to support this.
Which is the MOST important benefit that the senior manager should include in the business case?

A. An operating model will ensure that suppliers meet their contracts, so that the service provider can create products and services

B. An operating model will help with understanding what organization structure and people are needed to create products and services

C. An operating model will help with understanding the sets of activities needed to create each product and service

D. An operating model will ensure that the service provider can describe the features of the products and services that provide value to customers

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Q: An organization that develops video conferencing tools for software developers has identified that doctors and patients are interested in their products and services. The organization believes that it can create a version of its core products and services that meet the needs of this sector. Which concept BEST describes this situation?

A. Opportunity

B. Continual improvement

C. Value

D. Practices

Q: An organization has produced a business strategy document. A section of this document describes how the organization will monitor and evaluate its performance over time. Which concept of the service value system does this section of the document include?

A. Governance

B. Strategy management

C. Value

D. Practices

Course schedule

Day 1:

- ✓ Introduction to Digital and IT Strategy
- ✓ DITS Key terms & concepts
- The strategy journey
  - What is the vision?
  - Where are we know?
- Introduction to case study & assignment 1

Day 2:

- The strategy journey
  - Where do we want to be? & How do we get there?
  - Take action
  - Did we get there?
- Assignment 2
- Assignment 3

Day 3:

- The strategy journey
  - How do we keep momentum going?
- Assignment 4
- The 4 key capabilities
  - Digital leadership
  - Managing innovation and emerging technologies
  - Managing strategic risk
  - Structuring for digital business
- Exam preparation

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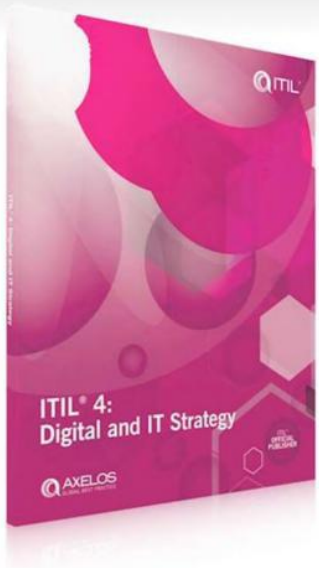
THE STRATEGY JOURNEY

- WHAT IS THE VISION?



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What is the vision?

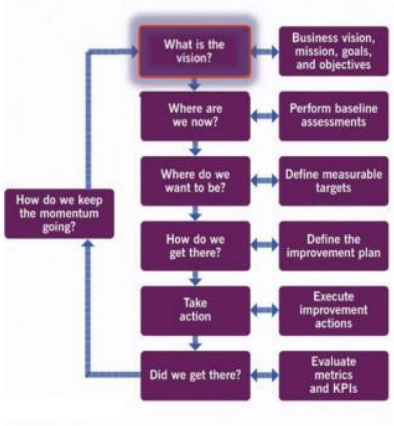
Vision is a defined aspiration of what an organization would like to become in the future.

It may include the future-state picture of the problems that the organization will solve for consumers. It also describes how consumers will interact with the organization's products and services, and what its people, their skills, and the overall structure will look like.

Digital transformation often requires new ways of thinking and working for everyone. It can also require an organization to change processes and systems that used to work well and institute new processes, practices, systems, and skills.

A clear digital vision can overcome fears and drive positive action.

Definition: **Vision**	A defined aspiration of what an organization would like to become in the future



What is a vision?

Many organizations have differentiated between their **vision** and their **purpose** (the reason why the organization exists).

It encapsulates the objectives that it aims to achieve, usually within a stated time. It can be confusing when an organization embeds its purpose (what it already does), in its vision statement.

The organization's business strategy *encompasses* its purpose and vision, and also outlines the specific initiatives **required to achieve** these results

- **The organization's digital and IT strategy must reflect and support its purpose, vision, and business strategy**

The digital strategy defines the future state of the problems that the organization will solve for its customers

- **A digital vision should promote the transformation, and foster understanding at all levels. This approach will persuade teams to assist in realizing the new reality.**

Confirming the scope of the vision

A team can only define the vision and strategy of the areas that it is responsible for and has authority over.

A common error for groups who define strategy is to include areas over which they have no authority, areas without funding or without resources.

It is important that the organization's governance has been effectively applied, which means:

- the inclusion of an area in a strategy has been authorized by the governing body, or by a person or role representing the governing body
- the person or role responsible for the budget of that area has made funding available
- resources have been made available by their manager, without compromising the organization's existing operation and commitments.

➢ One role of the strategy management practice is to ensure that any **vision or strategy is properly scoped and led by those with the appropriate level of authority**.

Defining the vision

Sometimes, the vision is defined before an environmental or digital readiness assessment has been performed, usually to narrow the scope of the assessment. However, the vision must be reviewed and refined in consideration of the assessment findings.

Defining a vision is a teamwork, with the participation of all stakeholders who have authority over any aspect of the strategy. It can also be contentious due to differences of opinions, but it is an important part of the process to identify and address hidden conflicts.

➢ Many aspects of a vision shall not be revealed externally as it contains confidential information about the organization.

When defined, the vision is documented in the strategy. It might also be used in internal communications, as part of an awareness programme and in other strategic initiatives. The vision should be communicated often and in a variety of ways. The awareness programme should ensure that everyone understands their role within the larger vision, and how their actions contribute to the result.

Guidelines for defining a vision

Guidelines for defining a vision include:

- Separate the purpose from the vision, unless the strategy specifically aims to change the purpose of the organization.
- Be succinct and specific.
- Be unambiguous and direct. Every stakeholder should know what it means, and what their part in achieving it should be.
- Be aspirational and inspiring. The vision is what the organization will strive to become.
- People will rally around the vision; therefore it should convey actions and concepts that embody the organization's core beliefs.
- There should not be any aspect of the statement that is inconsistent with the behaviour and values of the organization's people
- The vision should be unique and specific to the organization.
- The vision should focus on the organization, not technology. Technology is not an end in and of itself. Instead, the vision should focus on how to enhance the consumers' experience, streamline operations, or transform business models.
- Base the vision on a deep understanding of the organization's consumers and how technologies enable it to solve problems.
- The vision should outline intent and outcome, and provide flexibility for others to innovate, discover, and develop the vision.
- The vision should be time-bound, to create a sense of urgency.

Digital disruption

Disruption factors may be of different natures:

- **political**
- **economic**
- **social**
- **technological**
- **legal**
- **environmental.**

Here focus is on **digital disruption**. This occurs **when digital technology causes a fundamental shift in how any aspect of the organization's internal or external environment functions.**

Figure 3.1 Levels of digital disruption

Digital disruption occurs at three main levels; **Ecosystem, Industry/Market** and **Organization**.

Definition: **Disruption**	A fundamental shift in an organization's operation caused by a new or changed internal or external factor

Difference between market & industry

- Disruption can include increased market/customer relevance and/or greater operational excellence at each one of these levels.

To understand how disruption and strategy can affect organizations, markets, industries and even ecosystem, these terms need to be defined. Table 3.1 below clarifies the difference between market and industry.

Examples of industries: banking, insurance, and healthcare. Markets are often broader than an industry, an example of a market is first-time buyers needing a mortgage.

	Market	Industry
Definition	Where buyers and sellers meet to trade products and services of value; the market is driven by demand and supply forces	A group of organizations engaged in the same type of business activity or the production of similar products or services
Focus	Service consumers	Service providers
Competition	Among numerous sellers and buyers	Among organizations operating in the same industry

Table 3.1 Market and industry overview

Ecosystem disruption

Ecosystem disruption occurs when digital technology introduces a change that **impacts organizations across multiple industries/markets**.

It also changes the way multiple ecosystem factors work.

Organizations that wish to disrupt the ecosystem must be prepared to use disruptive digital technology across the business, in multiple market segments and industries at the same time.

Example: the ability to use mobile and cloud-based technologies to connect individuals in virtual communities has resulted in the growth of the gig economy. Organizations such as Uber, Airbnb, Etsy, and TaskRabbit provide a platform where people who need a service connect with people who can provide it.

Industry disruption

Industry disruption occurs when digital technology introduces a change that impacts **a specific industry or a group of related industries .**

Example: e-books and self-publishing have disrupted printing, publishing, and retail.

Organizations choosing to disrupt an industry will do so in one of two ways:

- Using the technology to compete more effectively and increase the market share, by either bankrupting or acquiring competitors.
- Using the technology to spin off a new organization, which sells the new technology as products or services to its competitors.

Industry disruption is usually the result of pursuing operational excellence.

Market disruption

Market disruption occurs when digital technology introduces a change that **impacts a particular market or market segment.**

Example: a cosmetics retailer could use technology to change how consumers research and buy cosmetics.

Market disruption can, as industry disruption, be an objective in itself. It could also be the result of improving products and services, distribution and delivery methods, or customer engagement models.

Market disruption can sometimes be based on replicating success in one market in another.

Organizational disruption

The strategic journey
- What is the vision?

The majority of organizations are not disruptive by nature.

Industry and/or market disruptions **require organizations to recover or preserve their position** in mature and well-established markets.

- Such an organization will need to use the technology that has already disrupted its environment to remain competitive. It will need to embrace the external disruptions, and disrupt itself.

Example: a petrochemical company started using test data from its laboratories to create statistical performance and emission forecasts. These forecasts were so accurate that this practice replaced physical testing for certain types of test, reducing costs and attracting customers from competitors who had outsourced their laboratories. This created a new industry testing standard and forced competitors to conform.

Being a disruptor or responding to disruption

The strategic journey
- What is the vision?

Ecosystem, industry, and market disruptions are often conceived and planned by visionary individuals and organizations.

Organizations do not always intend to be disruptive, some become disruptive as a response to disruptions in their environment.

Examples of how disruptions may occur:

- A small change in the ecosystem may have far-reaching consequences, as it impacts some aspect of all organizations
- An organization makes a change that has far-reaching consequences for the whole ecosystem.

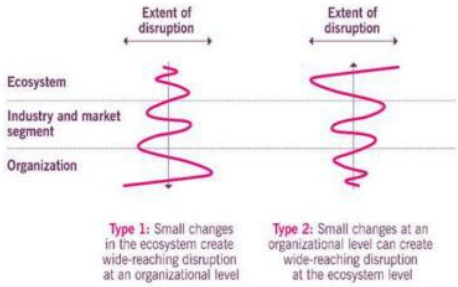


Figure 3.2 Types of disruption

Deciding on a balanced strategic focus

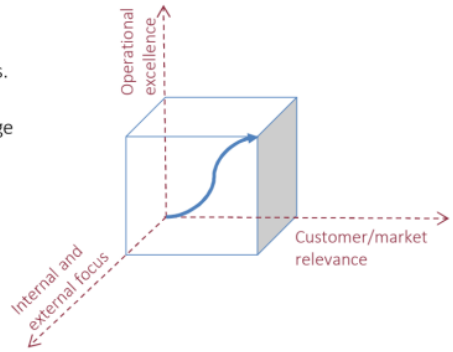
Strategic approaches available for organizations wishing to achieve a disruption at some level has a range of strategic approaches available:

- Customer / market relevance
- Operational excellence
- Internal and external focus

➢ It is the balance between different strategic approaches that creates success.

Example: The singular focus on operational excellence has resulted in the challenge that Toyota is facing with increased competition from Tesla

Example: Kodak disregarded the opportunity presented by digital photography because its capabilities supported film and print

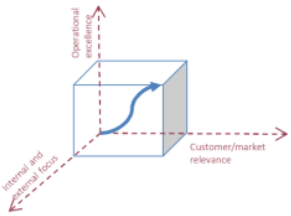


Customer/market relevance

Organizations focusing on customer or market relevance as a basis for disruption will try to change the basic customer experience, customer journey, and behaviour of customers, influencing their demand for new products or how they engage with the organization.

This is often done by driving innovation into the market, by either creating new markets or transforming the existing market.

Organizations taking this approach will primarily focus on staying relevant to customer needs or market dynamics as they change.



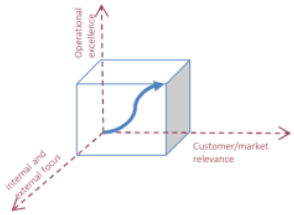
Definition: **Customer relevance**	An organization's ability to continually meet and exceed customer expectations, and changes to the customer and their context. Consumer needs change over time, and the organization remains relevant by understanding what value looks like from the consumer perspective
Definition: **Market relevance**	An organization's ability to continue to operate within a market that is characterized by a particular use of digital technology, and how that technology and its use changes

Operational excellence

Organizations focusing on **operational excellence** as a basis for disruption will use technology in innovative ways to **obtain higher levels of performance and quality with lower cost, improved productivity, and reduced waste**.

This is often done by identifying internal areas for improvements and innovation. It can also be achieved by identifying into the market, by either creating new markets or transforming the existing market.

Organizations taking this approach will primarily focus on improving internal and operational aspects of the organization to perform more efficiently and deliver better and cheaper products and services to its consumers.



Definition: **Operational excellence**	An organization's ability to continually meet and exceed customer expectations, and changes to the customer and their context. Consumer needs change over time, and the organization remains relevant by understanding what value looks like from the consumer perspective

Considerations for each strategic focus

Trying to **maintain 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.

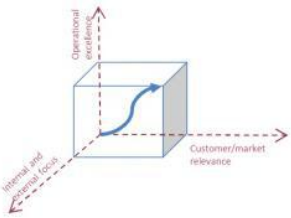
Trying to **achieve operational excellence**:

- The ability to balance:
  - Service Levels
  - Cost levels
  - Expectations of stakeholders
- Changes in demand must be matched by changes in strategy and performance

Internal and external focus

When crafting a digital vision, some organizations (primarily business-to-consumer ones) look outwards and ask questions such as:

- What markets do we serve?
- What products/services do we currently provide to the market? Are they valuable?
- What opportunities are there for growth or disruption? What threats do we face?
- What capabilities do we have to open new avenues for us in existing/new markets?



Other organizations strategize by looking inwards and asking:

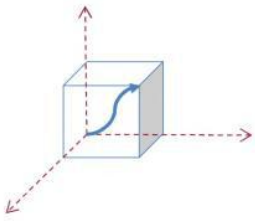
- What do we need to do to continue doing business?
- What do we need to do differently?
- How do we manage the risk associated with each opportunity?
- How do we monitor and control our journey?
- How can we improve operational efficiencies?
- How can we reduce costs?
- How do we get to where we want to be?

A balanced approach

Most organizations will, therefore, find themselves taking a balanced approach, even if the strategy tends more towards one focus than the other. Most importantly, there should only be one strategy that addresses both, not separate strategies for customer and market relevance and for operational excellence.

	Looking outwards	Looking inwards
Customer/ market relevance	• How are customer needs changing? • What products and services will they need? • How will they procure and use them? • What opportunities are emerging? • How easy will it be to do business with the organization? • What PESTLE (political, economic, social, technological, legal, or environmental) factors need to be considered?	• How do we engage with customers? • How do customers experience the way we deliver products and services? • How do our employees and technology support the customer experience? • What will we need in order to exploit new opportunities?
Operational excellence	• How do other organizations perform? • What technologies do they use? • How much do they spend on running their business? • What PESTLE factors need to be considered?	• What are our capabilities? • Is there a better way of running the business? • Can we use technology more effectively and efficiently? • How will performance need to improve over time?

Table 3.2 Looking outwards vs looking inwards



What is strategic positioning?

Strategic positioning is a term that is used a lot, but that is seldom explained. In this section we try to clarify what a strategic position is and why it is an essential part of defining a digital and IT strategy.

It is the positioning of an organization in the future, while taking into account the external and internal environment, its strategic capabilities, purpose and culture, within the governmental framework of the organization.

Strategic positioning has a close relation to strategic planning. Business leaders try to secure the strategic position that is most advantageous for their organization. A strategic position is the consequence of a series of decisions, all designed to give the organization best possible position in its marketplace. Or, using a military term – "the higher ground".

Some things to consider are:

- Consumer focus
- Competitor awareness
- Core competencies
- Resource allocation
- Repositioning

Definition: **Strategic position**

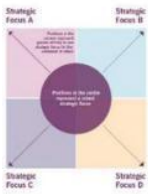
Strategic position is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders.
(Johnson and Scholes, 2005)

Positioning tools for digital organizations

This section describes the major features required for positioning models and provides some examples of widely used techniques. In the next section several internal and external assessment tools that can also be used for positioning decisions.

Aspects to be considered when deciding how to position an organization in the digital world includes:

- the markets and industries that the organization will be serving
- the desired levels of customer/market relevance and operational excellence
- which opportunities it will exploit (for both customer/market relevance and operational excellence)
- the value proposition for consumers in its targeted markets or industries
- which products and services it will deliver
- which business model will emerge as these decisions are made.



Choosing analytical techniques and tools is almost as complex as the positioning analysis itself.

Two major approaches available for strategic decision-makers are:

- **maturity models**
- **digital positioning models**

Maturity models

Two types of maturity models are prevalent:

- Models with focus on the **characteristics of** the organization, **regardless of the position it wants to attain.**
- Models focusing on **helping** the organization to **evolve from one level** of disruption (usually organizational) **to the next** (either market or industry, and then economy).

Example: *Four Levels of Digital Mastery* – a two-dimensional model for characterization of organizational maturity.

Models focusing on helping an organization are built on the assumption that the organization will follow a predictable series of positions, but truly disruptive organizations have not necessarily followed these patterns.

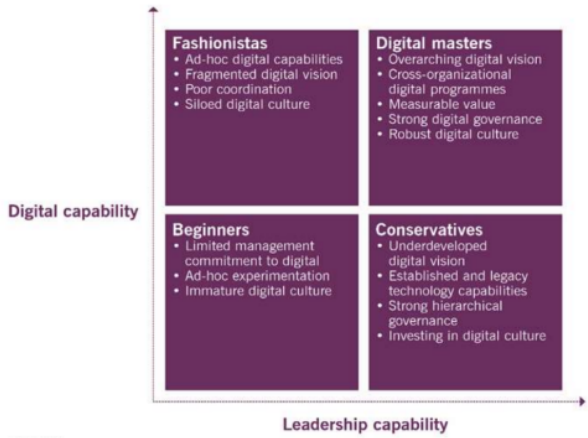


Figure 3.3 Four types of digital mastery

The limits of maturity models

Using maturity models as a primary approach for digital positioning can be time-consuming because:

- Maturity models are built on data and experiences from multiple organizations and are only partly applicable to a specific organization in a specific position and context
- Not all characteristics and success factors will apply to an individual organization or to every type of position
- Success does not always depend on being at the pinnacle of maturity.

But, maturity models can help identify the characteristics and capabilities needed to take a particular position. They are also helpful in defining initiatives to cultivate valuable characteristics and capabilities.

Maturity models are helpful to organizations that wish to follow in the footsteps of those that have already been successful.

Digital positionings models

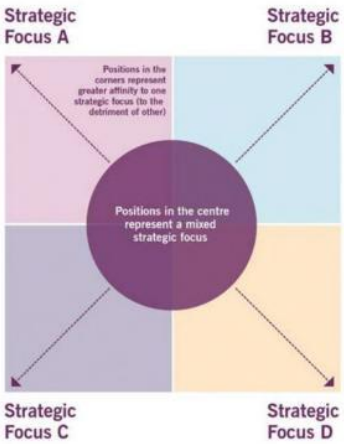


Figure 3.4 Digital positioning tool

The positioning tool shown in Figure 3.4 is a tool that can help organizations plot their position on one or two axis to help clarify its strategic focus or to compare different possible strategic positions or foci.

It can also be used to define the positions of competitors and to indicate how an organization's position is likely to change in the near-to-medium term.

Clustering of organizations in the digital positioning tool can be used to highlight the 'zone of competition'.

An organization may consider exiting the zone of competition as a way of ensuring long-term viability.

Example of positioning model with focus on strategic transformation

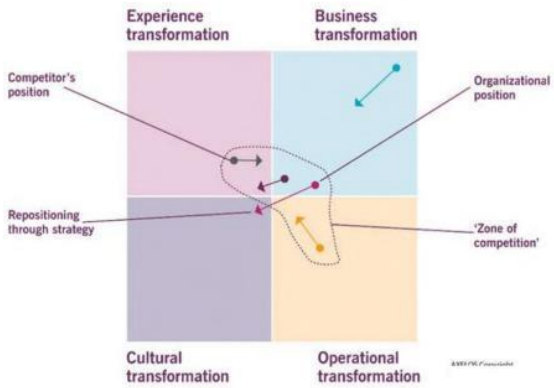


Figure 3.5 Positioning tool, with strategic foci on consumer/market relevance, operational excellence, and industry/market transformation

One example of how the positioning tool can be used with a set of four specific strategic transformation foci:

- Business transformation (focused on the organization's business model)
- Operational transformation (focused on the operating model and operational excellence)
- Cultural transformation (focused on attitude and behaviour)
- Experience transformation (focused on interactions with the organization's consumers and partners).

Another example of a model with other focus areas

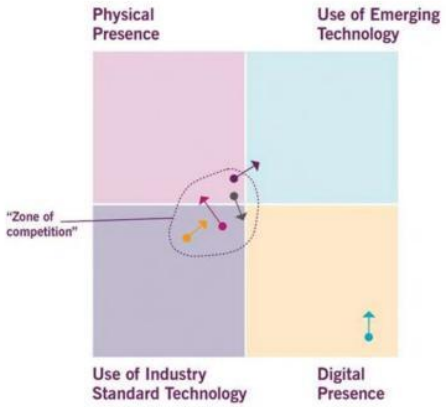


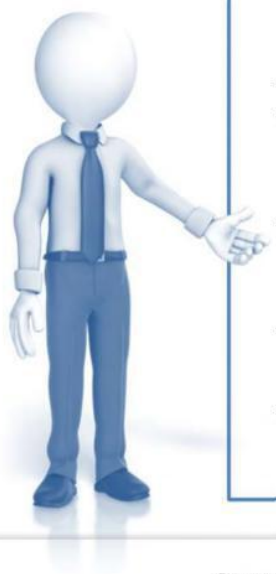
Figure 3.6 Positioning assessment framework focused on physical and digital presence, and the use of emerging and standard technologies

The same organization might choose to assess itself against a different, but equally valid, set of four specific strategic foci:

- Physical presence
- Digital presence
- Use of emerging technology
- Use of industry standard tools

Changing the strategic foci changes the positions of the same organizations, the direction of travel for each organization, and even what cluster forms the zone of competition.

Summary



We have just talked about:

- ✓ How to define an organization's vision and confirm its scope
- ✓ Disruptions on several levels:
  - Ecosystem
  - Industry/Market
  - Organization
- ✓ The need for a balanced strategic focus and examples of such:
  - Customer/market relevance
  - Operational excellence
  - Internal/external focus
- ✓ Positioning tools widely used:
  - maturity models
  - digital positioning tools
- ✓ The types of maturity tools and their limitations

Q: A service provider has launched a new video communication service that is secure and easy to use. The service has become widely adopted by consumers in many markets and multiple industries. Also, the service is gradually replacing specialized competitors' services, such as webinar platforms. Which term BEST describes what the service provider is doing from the perspective of their competitors?

A. Industry disruption

B. Market disruption

C. Ecosystem disruption

D. Organizational disruption

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Q: An organization that sells apps to consumers is planning a strategy to disrupt a market by focusing on customer relevance. Which is the BEST approach to adopt?

A. Implement a new workflow management tool to support the sales department

B. Respond to trends by offering deals that provide more frequent app upgrades

C. Utilize digital technology to optimize the app development and deployment processes

D. Reorganize the service desk to increase support hours and expand user access channel

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Q: An organization wants to grow their business. They completed an assessment and implemented an improvement programme which has helped them deliver services very efficiently, while managing risks and containing costs. What else do they need to consider to have a balanced approach to their strategy?

A. How to monitor and manage their operations

B. How to improve their operations

C. How to address new markets or customers

D. How to work differently to increase efficiency

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Q: Which BEST describes an organization's vision?

A. It describes an organization's reason to exist

B. It describes the value an organization aims to create

C. It describes specific strategic objectives and initiatives

D. It describes what an organization would like to become in the future

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Course schedule

Day 1:

- ✓ Introduction to Digital and IT Strategy
- ✓ DITS Key terms & concepts
- ✓ The strategy journey
  - ✓ What is the vision?
  - Where are we know?
- Introduction to case study & assignment 1

Day 2:

- The strategy journey
  - Where do we want to be? & How do we get there?
  - Take action
  - Did we get there?
- Assignment 2
- Assignment 3

Day 3:

- The strategy journey
  - How do we keep momentum going?
- Assignment 4
- The 4 key capabilities
  - Digital leadership
  - Managing innovation and emerging technologies
  - Managing strategic risk
  - Structuring for digital business
- Exam preparation

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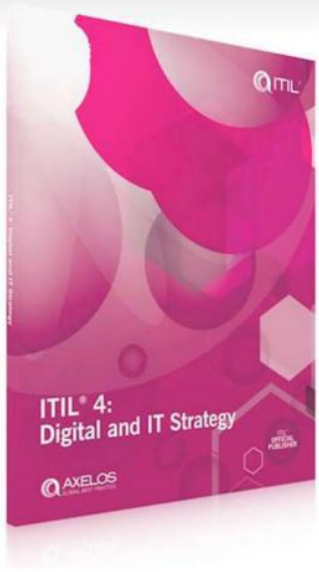
THE STRATEGY JOURNEY

- WHERE ARE WE NOW?



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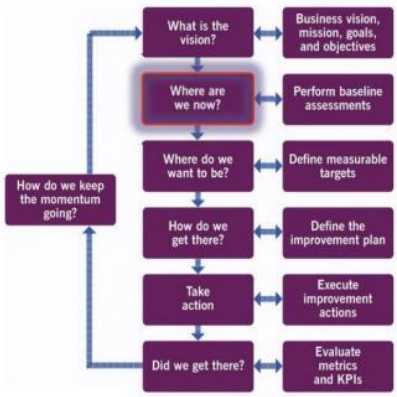
The context of strategy

Strategy articulates the past, current, and future relationships between an organization and its environment.

Every organization fulfils a need within an environment, and continues to exist only because it continues to meet some need in its environment. This is the purpose of the organization.

An organization achieves its purpose by interacting with its environment. Successful strategies identify each key part of the environment that it interacts with, and the nature of those interactions. Strategy also identifies what capabilities the organization will need to conduct those interactions successfully.

To do this, many different types of assessments or analysis can be performed. The following section points at the need to perform these types of analysis to get a good picture of 'where are we now?' but does not describe how to perform these.



Environmental analysis

Environmental analysis encompasses **three** main areas:

- The organization's environment, or the '**external environment**'.
- The organization itself, or the '**internal environment**'.
- The **interaction** between the organization and its external environment.

Strategy defines the optimal configuration and activities of the organization, so that it can achieve its purpose in its environment.

These three areas are increasingly complex, as waves of technological innovation continue to disrupt. The model used in ITIL combines the **PESTLE** approach to analysing the external environment with the **four dimensions of service management** for analysing the organization itself.

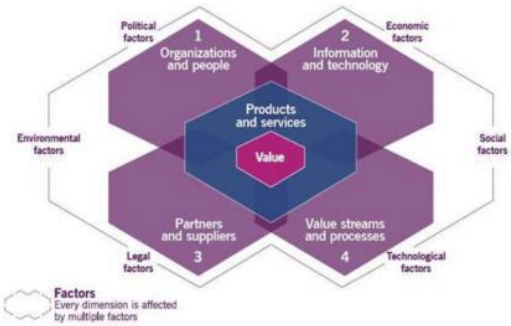


Figure 4.1 The context of strategy applied to the four dimensions of service management

The use of both approaches is particularly helpful in understanding the interactions between the two environments. This model is illustrated in Figure 4.1.

External environmental analysis

There are several approaches to analysing the external environment. PESTLE is helpful in categorizing factors influencing or constraining how an organization operates, as shown in Table 4.1.

Factors	Description	Examples
Political	The influence of governments through policies (tax, fiscal, trade, labour, state ownership, etc.), stability, level of corruption, openness to influence, available subsidies, etc.	Governments may force or ban the use of certain technology platforms or applications
Economic	Factors determining performance of an economy, such as inflation, interest rates, foreign exchange rates, demand/supply models, foreign investment, unemployment rates, and consumer purchasing power	Economic fluctuations may affect affordability of consumer technologies; commoditization and adoption of technology solutions are closely related to the costs of provision and consumption
Social	A population's culture, attitudes, norms, values, demographics (such as age, income, location, and language), buying trends, mobility, etc.	Social movements for or against certain technology solutions, their vendors, or their countries of origin may change the technology adoption overnight
Technological	The level and impact of technology innovation, including focus on research and development, attitude to innovation and technology, incentives to use innovative technology, automation, etc.	Technology innovations affect existing solutions, sometimes by quickly replacing them completely
Legal	Related to political, but specifically legislation rather than policy, including laws related to discrimination, competition, employment, consumer protection, copyright and patents, and health and safety	Legislation regulating data processing, privacy and other information-related matters may limit, prohibit, or endorse adoption and development of certain technologies
Environmental	Constraints or enablers related to the availability (or scarcity) of natural resources, geography, climate, pollution and carbon footprint targets	Environmental factors, especially disastrous ones, may interrupt or stimulate operation and adoption of certain technologies

Table 4.1 PESTLE: environment analysis factors and their influence on digital strategy

Questions asked in external analyses

Using external analysis, strategy asks questions such as:

- What needs exist in our environment?
- How important are those needs to people and other organizations?
- How could those needs be fulfilled? (What kind of services or products would meet that need?)
- How do those needs change over time?
- Are other organizations meeting those needs, and if so, are they doing so adequately?
- What are the limitations of our environment? (Is there anything that we are prevented from doing?)

The questions above are focused on needs and the ability of the organization to meet such needs. When answered, they give a good view of some very important factors that a service provider should consider when defining its strategy.

There are of course many more perspectives and views that can be valuable to consider and therefore many more tools that could be used for external environmental analyses.

Tools for external environmental analysis

Tool	Description	Use
PESTLE	A framework to analyse macro-environmental factors that impact an organization	Monitoring impact and potential changes to the organization so that it can adjust its position or strategy to stay relevant
SWOT analysis	A tool to analyse the strengths, weaknesses, opportunities, and threats facing an organization	To identify actions an organization must take, relative to a specific opportunity or situation
Delphi method or estimate/talk/ estimate	A forecasting process framework where several rounds of questionnaires are sent to a group of experts and shared with the group after each round	Forecast the results of a proposed action or scenario, and determine the best course of action or response
Lifecycle analysis	A method used to evaluate the environmental impact of a product through its lifecycle	To determine what standards must be met to compete in an ecologically sensitive market, and how to comply with them
Scenario planning	A method where variables in a market or situation are described, and results are projected for alterations of each variable	To understand the range of outcomes that might result in a situation in the organization's environment, understand what causes them, and develop a plan for each likely outcome that is adjusted as more certainty about the variables is learned
Value ecosystem analysis or business ecosystem analysis	A method used to map the different parts of a business ecosystem and the value that they contribute and derive from each other	Create detailed business or operating models, and evaluate the impact of changes in the environment on the value of the relationships between ecosystem components
Porter's five forces	A framework for evaluating competitive forces operating in an environment; these are; competition, new entrants, power of suppliers, power of customers, threat of substitute products	Analysis of an organization's value proposition and how to strengthen its competitive position in situations influenced by various types of competitor
Directional policy matrix	A tool to identify preferred market segments based on how attractive the segment is and whether the organization has the capabilities to support it	Market segmentation, especially when identifying markets for existing capabilities; also helps to identify what capabilities need to be developed in pursuing a market segment
Competitor analysis	A method of analysing a specific competitor's products, sales methods, sourcing and manufacturing methods, and marketing strategies	Create strategies that are designed to improve an organization's capabilities to make them better than a competitor's, to outperform it in the market

Table 4.2 Tools for external environmental analysis

Questions asked in internal analysis

As an image of the external environment emerges, strategy looks inwards to the organization. It seeks to understand ways to ensure the organization's success in its environment. Strategy uses internal analysis to determine:

- whether the organization has the capabilities required to achieve its purpose in the environment that it operates in
- whether current capabilities could be used to create new lines of business, products, or services
- where it might be possible to make the organization more effective or efficient in meeting its purpose.

Internal analysis compares the results of external analysis with the organization's current capabilities, and asks:

- What capabilities do we need to fulfil the identified needs?
- What knowledge would we need?
- Which people would we need to hire?
- What technology would we need to invest in?
- What unique characteristics does the organization have that enable it to fulfil needs in a way not easily copied by competitors?
- Would we need to work with other organizations?
- What are our constraints? (What are we unable to do, or what are we able to do in one way but not in another way?)
- How should we organize ourselves?
- What is the best way of working to fulfil the identified needs?

Internal environment analysis

The strategic journey
- Where are we now?

Dimension	Description	Examples
Organization and people	• The organization's structure and system of authority • Skills, knowledge, and competency of its workforce • Leadership that supports the organization's values • Organizational culture • The ability to collaborate and coordinate across areas of specialization • Clear definition of roles and responsibilities	The organization's culture, competencies and structure are critical for a digital strategy, and define its overall attitude towards digital technology
Information and technology	• The systems, information, knowledge and experience required to make good decisions and follow them • Automation of activities and decisions • The means to create value • Together with people and partners, the means to build and deliver products and services • How information is exchanged between different parts of the organization and its partners • The design, procurement, or building of technology • Which technology best suits the organization's needs • How to measure the performance of technology and how it is used • How to manage investment in technology • The skills needed to manage technology	Current technology architecture, including automation and digitization of the business, define a starting point, opportunities, and constraints for the digital strategy
Partners and suppliers	• Those that supply goods or services that enable an organization to create value, and to build, sell, and deliver products and services • Deciding whether to manufacture tools or perform activities internally, or to source them from a supplier or partner • How contracts are negotiated, agreed, and managed • How supplier and partner performance is aligned to the organization's objectives • How supplier and partner performance is measured and reported	Opportunities and constraints for the organization's digital strategy are defined by its dependency on third-party technology and by the digital strategies of its key partners and suppliers
Value streams and processes	• What activities, workflows, controls, and procedures are needed to achieve the organization's objectives • Which products and services are produced, what steps are taken to produce them, and how much those steps cost • The cost and return of each product and service • Delivery models for each product or service	The levels of automation and digitization of the organization's value streams, together with the complexity and variability of processes and workflows, impact the objectives of the digital strategy and provide opportunities and

Table 4.3 The four dimensions of service management and their influence on digital strategy

Tools for internal environment analysis

The strategic journey
- Where are we now?

Tool	Description	Use
SWOT analysis	A tool to analyse the strengths, weaknesses, opportunities, and threats facing an organization	To compare an organization's strengths and weaknesses with the capabilities required to exploit opportunities and reduce threats; used to identify threat countermeasures, and to identify which capabilities need to be developed
Delphi method or estimate/talk/estimate	A forecasting process framework where several rounds of questionnaires are sent to a group of experts and shared with the group after each round	Can be used internally to determine what course of action to take to improve the organization or deal with a challenge
Lifecycle analysis	A method used to evaluate the environmental impact of a product through its lifecycle	To create policies about how to produce the most responsible design and manufacturing, packaging, and distribution methods for a product
Scenario planning	A method where variables in a market or situation are described, and results are projected for alterations of each variable	To understand the range of outcomes that might result in a situation of organization change, understand what causes them, and develop a plan for each likely outcome that is adjusted after developing greater certainty about the variables
Value ecosystem analysis or business ecosystem analysis	A method used to map the different parts of a business ecosystem and the value that they contribute and derive from each other	Creating detailed business or operating models, and evaluating the impact of changes in the environment on the value of the relationships between eco system components
Skills matrix	Assessment techniques used to identify the type and level of skill and knowledge in an organization	Determining whether the current profile of skills and knowledge is enough to embark on a particular course of action; identifying the needs for training and education programmes
Capability maturity matrix	A maturity model, applied in many contexts, that rates an organization's maturity relative to an industry approach or standard	To determine how proficient an organization is in a specific area (e.g. software engineering, service management, security and risk management)
Cultural assessments	Assessments that determine the way in which work is performed, decisions are made, risks are taken, innovation is encouraged, etc.	Cultural assessments can help in preparing for the required changes, and determining how to best promote them within the organization

Table 4.4 Tools for internal environmental analysis

Interaction between the organization and its environment

Environmental analysis does not end with the strategy definition. The organization changes with each actioned step of the strategy if the changes affect the jobs it creates, the products and services it provides, the resources it manages and consumes, etc.

Not all these changes are easy to predict, and not all are under the organization's control. Strategy must include continuous monitoring and analysis of the organization and its environment, to ensure it remains relevant. This includes constant evaluation of:

- how the needs being met by the organization are changing
- who is competing to meet those needs
- whether there are new, better ways of meeting them
- whether the size of the existing needs is changing (increasing or decreasing)
- whether new needs are emerging
- whether the organization's services and products are still adequate to meet needs in the environment, and if not, how they will need to change
- whether new capabilities have evolved that will change the organization's business model.

Using results of environmental analysis

Environment analysis helps the organization to identify and articulate:

- the purpose of the organization
- the nature of its interactions with its environment
- the products and services it offers, and the needs that each one fulfils
- the size of the needs it will fulfil
- the constraints imposed by its environment
- the capabilities it will need
- how it will organize itself to fulfil its purpose (e.g. its business model)

Opportunity analysis

Positioning is not just a matter of deciding which level of disruption an organization wants to pursue, or which aspect of its environment it wishes to focus on. As it investigates each area, several opportunities will emerge.

Strategy management includes evaluating each opportunity to determine the following:

- Whether it is consistent with the organization's strategic objectives.
- The level of demand for products or services that the opportunity represents.
- How competitors are likely to pursue the opportunity, and how well the organization is positioned against them.
- How long the opportunity is likely to exist. Some opportunities can be very lucrative, but short-lived
- The impact of pursuing the opportunity (e.g. investment, changes the organization will need to make, and potential ROI).
- The impact of not pursuing the opportunity (e.g. loss of revenue, reduced competitive advantage, other similar opportunities).
- Risks associated with the opportunity, and the governing body's appetite for risk.
- The legal and ethical aspects involved
- The organization's ability to make the required cultural changes.

Opportunity analysis will identify which opportunities are viable and support the organization's strategy. It will also identify undesirable approaches, even those that appear attractive at first.

Tools for opportunity analysis

Tool	Description	Use
Luehrman: portfolio of real options, or option space analysis	A method of identifying several options for potential future situations	Instead of focusing on detailed planning for one or two strategic projects, Luehrman created an analysis tool that allows planners to define high-level options and rank them according to when they are likely to become necessary; all options are monitored, but they are evaluated in detail only when appropriate
Market spaces	A method for finding market spaces that are underserved or not served at all by competitors	Identifying or creating opportunities by focusing on spaces between industries; so instead of competing directly with competitors (e.g. by evaluating whether its customers could be attracted by a substitute strategy), Home Depot attracted customers who used contractors for home repair or remodelling projects, and showed them how they could do it themselves with more control and less cost
Strategic industry factors	These are factors that must be in place for an organization to succeed in a market (e.g. healthcare companies in the US must comply with HIPAA legislation)	Opportunities are assessed according to whether the organization has the strategic industry factors to succeed; if not, it needs to determine what investment would be required to obtain them
Investment prioritization	A framework that prioritizes opportunities by comparing the investment required, risk, and time with the projected outcome, returns, and likelihood	To evaluate and compare multiple opportunities using a similar rating system, even if the opportunities are different in nature

Table 4.5 Examples of opportunity analysis tools

Digital readiness assessment

Many organizations have plunged into digital transformation initiatives without knowing whether they had the appropriate capabilities and practices. As a result, few initiatives are successful. An effective digital readiness assessment can help with these preparations.

Although an organization may try to be more concerned with digital solutions than with assessments, a well-conceived assessment can help demonstrate where it is deficient. It will, therefore, identify where the organization should concentrate its resources and prioritization efforts to produce the best results.

The analysis of all aspects of the organization's environment (internal and external) and how it is likely to change, together with an assessment of the organization's current position, capabilities, and resources, will provide a baseline for the next stage of the strategy: how to achieve the vision.

What the strategy assessment provides

The strategy assessment is **not a report**, but a **process of consideration, prioritization**, and **decisions** based on the results of all the analyses performed in this phase of the strategy. Its output will be a detailed set of **strategic objectives, prioritized by its connection to the vision**. It will also include details about the **current state of the organization** and a **description of all barriers to achieving the objective**. It will **communicate the key principles and policies** that helped form the planning decisions.

The strategy assessment will give the planning team a picture of the organization's future state. The next phase will involve planning how to achieve the strategic objectives. The stakeholders performing this task may have to review and refine the strategy assessment, depending on the results of the planning activities. For example, it might be too expensive or too difficult to make the changes needed to achieve an objective.

The following sections provide an overview of the key activities of a digital readiness assessment.

Evaluating current organizational capabilities

Digital readiness assessments can be done within an organization or by experienced external providers, and often look at how organizations are performing in six key areas:

- **Strategy and digital positioning** - Organizations that are strong in this area have a clearly defined digital transformation vision shared at all levels of the organization. They also have a high-level understanding of digital positioning and how to execute it.
- **Value streams, practices, and processes** - Organizations that are strong in this area have well-established practices and processes that support the overall digital business. Value streams are well understood and mapped across the organization.
- **Information and technology** - Organizations that are strong in this area use automation in the right areas and make good use of digital technology to increase customer excellence, operational excellence, or both.
- **Organizational development and learning** - Organizations that are strong in this area effectively recruit, hire, develop, and provide growth opportunities to employees with digital skills. This key area drives the 'organization and people' aspect of the four dimensions of service management.
- **Risk management** - Organizations that are strong in this area have a mature attitude towards business and digital risk, effectively balancing and responding to threats and opportunities.
- **Innovation** - Organizations that are strong in this area value and support digital initiatives, and integrate them into the organization.

Data and information resulting from these areas can help leadership teams determine where there are gaps that need to be addressed.

Gap analysis

The digital assessment areas can be assessed individually or together. A gap analysis is used to compare a current state with a desired future state. The output of this analysis highlights the nature and scope of the gap between the two states. A gap analysis finds the organization's strength and weaknesses, and can result in actionable, practical steps for it to implement in the short, medium, and long terms.

A gap analysis report is likely to contain the following information:

- the organization's objectives (desired future state)
- description of the current situation related to each objective
- description of what is needed to achieve the future state (capabilities, resources, partners, etc.)
- actions required to close the gap between the current and future states.

Outputs of a digital readiness assessment

A digital readiness assessment, in combination with a digital positioning model, can direct future activities and areas of focus for the organization in supporting digital transformation goals. There are many different approaches to a digital readiness assessment. There are also many proprietary frameworks offered by consulting or technology vendors. However, they are all likely to include sections on:

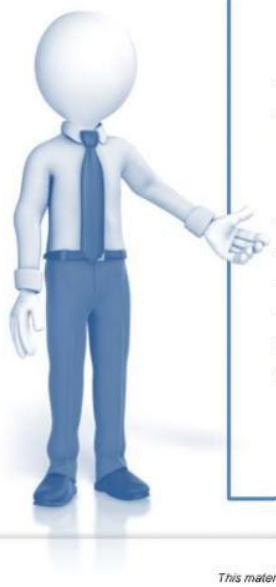
- cultural readiness (openness to change, innovative culture etc.)
- skills assessment for implementing and using digital technology
- level of innovation, or openness to innovation
- current levels of automation
- extent to which value streams have been defined and are ready to be automated
- nature of products and services provided
- customer personas and profiles
- leadership style
- controls and governance.

Risks and challenges of digital readiness assessment

Becker et al. (2009) summarize some of the main **issues when conducting a digital readiness assessment**:

- **Many assessments are overcomplicated**. Overly complex maturity models attempt to convince the organization of the validity of the findings and recommendations, by applying false rigour to subjective criteria. The resulting evidence, although detailed and at times insightful, is suspect, as it is largely subjective in nature and based more on opinion than on fact.
- **Many assessments are too simple**. The direct opposite of the overly complex model is the overly simplistic one. This type of assessment usually asks one or a handful of participants a few basic questions.
- **Few assessments account for risk**. While digital transformations share many of the same risks as other business initiatives, there are certain risks unique to digital initiatives. There are also risks associated with transforming existing business models to new digital models. One of the biggest obstacles is in not understanding the risk attitudes of key stakeholders.
- **Few assessments account for comprehensive practices**. Many digital maturity assessments tend to focus heavily on infrastructure, such as cloud vs on-premise, or on specific tools employed by the organization. Other assessments lump everything into one category, as though IT was one department with a few simple activities. Although stable and predictable technology is a prerequisite for a successful digital initiative, it is not enough. Nor is the role of IT to manage technology.
- **Assessment of strategy and leadership is not appropriately addressed**. Unfortunately, most digital assessment models do not evaluate the leadership's understanding of the digital landscape, or the extent to which it sets a clear direction for the organization. Furthermore, a digital readiness assessment must consider the organization's ability to run the current business model and digital business model simultaneously: in other words, as parallel execution models.

Summary



We have just talked about:

- ✓ Understanding the context of an organization's strategy
- ✓ How environmental analysis encompasses three main areas:
  - The organization's environment, or the 'external environment'.
  - The organization itself, or the 'internal environment'.
  - The interactions between the organization and its environment.
- ✓ Evaluation of key areas current organizational capabilities
- ✓ How to use the results of environmental analysis
- ✓ The use of opportunity analysis
- ✓ Gap analysis and what they can be used for
- ✓ What digital readiness assessments are and how these can be used
- ✓ Risks and challenges of digital readiness assessments

Q: An organization is investigating locations for a new office. What type of external factors should be analysed to ensure that potential future employees can integrate easily into the overall organization?

A. Political

B. Economic

C. Social

D. Legal

Q: An organization hired a team of external consultants to produce a digital readiness assessment. The consultants spent several weeks conducting interviews and collecting information. The scope of the assessment included:
- Governance, management, and culture
- Technology, people, processes, and partnerships

The report included detailed numerical data of hundreds of different aspects of digital readiness, and was used to create a strategy. When the organization tried to implement this strategy, it was clear that the consultants had not understood the organization, and the markets where they operate. Which is the MOST LIKELY cause of this issue?

A. The assessment failed to consider strategy and leadership

B. The assessment was too simple

C. The assessment was too focused on technology

D. The assessment was overcomplicated

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Course schedule

Day 1:
- ✓ Introduction to Digital and IT Strategy
- ✓ DITS Key terms & concepts
- ✓ The strategy journey
  - ✓ What is the vision?
  - ✓ Where are we know?
- Introduction to case study & assignment 1

Day 2:
- The strategy journey
  - Where do we want to be? & How do we get there?
  - Take action
  - Did we get there?
- Assignment 2
- Assignment 3

Day 3:
- The strategy journey
  - How do we keep momentum going?
- Assignment 4
- The 4 key capabilities
  - Digital leadership
  - Managing innovation and emerging technologies
  - Managing strategic risk
  - Structuring for digital business
- Exam preparation

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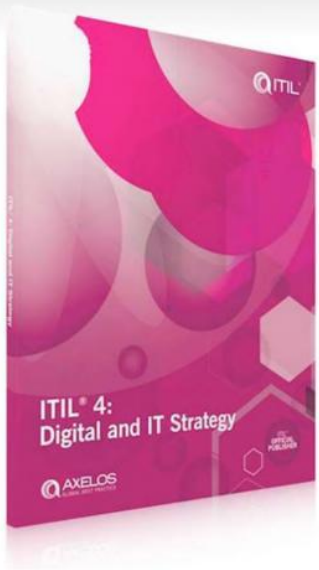
INTRODUCTION TO CASE STUDY



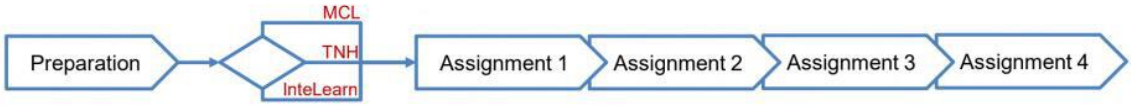
About the case study

The case study below is designed for the practical assignments of the ITIL 4 Leader: Digital and IT Strategy course. It describes three fictional companies; any resemblance to real companies is unintentional.

The course participants are expected to work on **four** (4) practical assignments in small groups or individually. They start by **reading all material and selecting one company to work with throughout the course**. In a classroom setting it is recommended that groups select different companies for the value added. However, all participants are expected to be familiar with the entire case study **including all three companies, their relations to each other and their contexts. The second, third** and **fourth assignment should be *consistent* with the material and presentations delivered in previous assignment(s).**

As well as containing descriptions of the companies, the case study includes a brief **major risk report** with risks that are likely to affect all companies, in different ways. Where relevant, this information should be used during the assignments.

Participants can add any information, as long as any assumptions made are reasonable and explicitly stated during in their presentations.



MCL

MCL is an international education company that specializes in language training and educational travel. The company was founded 10 years ago in London, UK. Currently, the company's headquarter is based in Amsterdam. It is privately owned by the founder's family.
MCL offers language courses through its in-house classes. It also has a franchise network covering 20 countries, including: Germany, France, Russia, Japan, Spain, Italy, China, and the USA. Language courses are offered in multiple formats, including: individual tutoring, face-to-face and virtual classes, and tailored programmes for corporate customers. 12 languages are available to study.

MCL offers widely recognized international language certifications, and is an accredited partner of the certification bodies in most of the countries in which it operates.
The company also offers educational travel, which includes exchange programmes, as well as short-term and medium-term attendance at language campuses that have a reputation for excellent education, reasonable prices, safety, and discerning cultural programmes. The campuses are run in collaboration with MCL's travel and hospitality partner, The New Hospitality Company (TNH).

MCL has adopted a divisional organizational structure, with six regional offices in: Europe, Asia, North America, Central and South America, Australia and New Zealand, and Africa. Each regional office follows the company's guiding principles, quality standards, methods and curricula. However, each office has significant autonomy in business development, marketing, and commercial matters.

A shared learning and content management system is used globally for all online classes. In most cases the system meets the company's requirements, despite having only limited support for mobile devices.
There are currently 3000 employees working within MCL globally, and about 5000 in franchise language centres.

At a global language learning conference last year, MCL reported the following key trends based on its observations from the last ten years:

- The demand for multilingual professionals is growing in Europe, Asia, and the USA.
- The demand for online and blended (online and in-class) programmes is growing every year across the globe. The fastest growth has been observed in Northern Europe, and the slowest is in countries and areas with limited internet coverage.
- The demand for educational travel is growing slowly. There is a noticeable growth in travel services for younger children (5 to 9 years old) and a decline in demand from young adults (20 and 25 years old).
- Demand for certification is growing across regions and age groups. Up to 95% of students aim to achieve a recognized certification, to demonstrate their proficiency in their chosen language.
- Rapidly developing digital translation services have not yet affected demand for language classes. However, it is expected that in the next few years demands will change:
  - from widely spoken to less commonly spoken languages
  - from basic levels to higher proficiency
  - from general to specialized language skills.

Online learning is moving rapidly from computers to handheld devices, from offices and homes to other locations (transport, parks, cafés, etc.).

The New Hospitality Company (TNH)

The New Hospitality Company (TNH) was founded over 30 years ago and has been involved in several mergers and acquisitions since then. It currently manages three key brands (TNH hotels, TNH selection, and TNH Nature, which offer business hotels, luxury hotels, and resort and countryside accommodations respectively). The company has over 300 hotels in 25 countries with over 30 000 rooms. The company's headquarters are in London, UK.

3.1 COOPERATION WITH MCL

Ten years ago, 'we speak your language' became TNH's global motto for its hotels. It was announced that TNH staff across the globe would be able to welcome, serve, and help guests in their language. To deliver on this promise, TNH analysed their customer base, identified the key languages used by guests and included sufficient language proficiency in the requirements and development plans for all customer-facing staff across the globe. MCL, which at the time was a young ambitious company, was selected as the global partner for the language classes run for all TNH staff. In the first two years, the contract with TNH comprised up to 60% of MCL's revenue. This collaboration has continued with a growing number of classes run online. These classes follow a curriculum developed specifically for TNH.
Soon after the cooperation between TNH and MCL started, the companies' leaders proposed using TNH resorts during off seasons, as language campuses for MCL's educational travel programme. This proved to be a success. The collaboration between the two companies has developed into a partnership based on trust, respect, and shared values.

3.2 DIGITIZATION

TNH explores the opportunities that are provided by developing digital technology. The company was among the first to adopt:

- online booking
- integration with booking engines and aggregators
- IoT-enabled facilities and security systems
- smart devices for guests in every hotel room
- centralized resource planning and management systems
- mobile applications for the loyalty programme.

Nonetheless, the company understands the importance of people and environment when creating a great experience for its guests. 'Technology helps us to be wonderful hosts for our guests, but it cannot replace hospitality. It is our people who create a great experience, not computers,' the TNH Chief Hospitality Officer likes to repeat.

InteLearn

InteLearn is a start-up company based in San Francisco, USA. It was founded a year ago and has grown from just three people to three offices (San Francisco, Utrecht, and Singapore), with 35 employees globally. Six months ago, InteLearn launched two successful products:

- InteLearn is an online learning platform, which supports multiple formats of self-paced and virtual learning. It allows users to seamlessly switch between desktop, laptop, and mobile devices. It works on all of the main platforms and operating systems, and provides a wide range of useful tools for teachers and students. The company approached many training organizations in the US and across the globe, which resulted in several contracts. The satisfaction rating of trainers and students has never dropped lower than 94%, a fact that makes the company's founders particularly proud.
- InteLounge is a collaboration platform for virtual networking, video conferencing, webinars, and e-learning. It is a freemium product, with all of the key features available for free and business-level features requiring a subscription. The product became viral and its global adoption led to the opening of the European and Asian offices of InteLearn. The offices are mostly focused on localization, user support, and corporate sales within their regions.

The products are cloud-based; the company has direct contracts with three major global cloud service providers.

InteLearn is a true Silicon Valley start-up. The company uses the latest technology and management approaches. It has two key product teams working closely with the marketing team and the regional offices. Most of the supporting activities are outsourced to specialized service companies. The founders work closely with the teams and make most decisions, sharing their time between strategic business development and operations. They have managed, however, to ensure that they are never involved in coding, testing, and other software development, and management activities of the product teams.

InteLearn's ambitious vision is 'to become the number one brand for online learning and collaboration globally by the end of next year.'

4.1 CONTACTS WITH MCL

InteLearn approached MCL at last year's global language learning conference. The management of MCL expressed some interest in InteLearn products. Further discussions followed from the demo session at MCL's headquarter. A trial version of the learning platform was licensed to MCL. Meanwhile, the USA and Canada office of MCL adopted the InteLounge platform, for its internal communications and marketing webinars and was well-received by all users. However, it was not welcomed by the MCL's Information Security Officer.

A major risk report

Recently, significant risks of high likelihood and impact have been identified.

Environmental events of a great scale are more likely to occur than in the past. These events might affect many countries, leading to a complete or partial lockdown of the affected countries and a freeze on many business activities. Entire countries might be isolated, with travel to and from these countries prohibited. Digital connections and IT services are likely to remain fully or largely functional, with a significant increase in demand.

In these circumstances, governments of the affected countries might introduce emergency regulations that include various constraints. In some cases, financial support might be offered to the affected people and businesses. Emergency situations might last from a few days to several weeks or even months.

5.1 IMPACT ON MCL

All countries where MCL currently operates are affected by this risk. In the event of an emergency, all language centres are likely to be shut down for the entire duration of the emergency.

5.2 IMPACT ON TNH

TNH hotels are present in some of the countries that have a high probability of experiencing this risk.

Based on government emergency plans, peoples' ability to travel and commute would be limited. Some guests would be locked in hotels, there would be limited staff availability, and no new guests would be accepted during the emergency.

5.3 IMPACT ON INTELEARN

InteLearn is likely to experience significant spikes in demand for the collaboration platform in all affected countries across the globe. This might present an opportunity but could also cause capacity issues. At the same time, information security analysts suggest that there would be an increase in the number of attacks on online systems.