

A research summary report with highlights from “Six Key Steps to Build a Successful Digital Business”

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Digital business changes the game, moving technology from a supporting player to a leading player in innovation, revenue and market growth. This research gives CIOs and other business leaders six steps to build a successful digital enterprise and change the game.

Digital business defined: What it is, and what it isn't

Q. What is “digital business”?

A. Digital business is the creation of new business designs by blurring the digital and the physical worlds.

Q. What is the promise of digital business?

A. The promise of digital business is to usher in an unprecedented convergence of people, business and things, creating new revenue opportunities in its wake.

Q. Why is this different from what has come before, like e-business?

A. Most will see digital business as a simple extension of an enterprise technology or e-business past. Digital business disrupts existing business models — even those that were born of the Internet and e-business eras.

Six steps to building a successful digital business

Step 1: Create the right mindset and a shared understanding among key decision makers across the enterprise

Digital businesses are continuously focused on innovative combinations and thinking about where and how to apply them. Rather than minimize variance and variety, digital businesses pursue them as sources of continuous value as people, enterprises and even machines exercise choice to use. Competitive advantage is not a destination, but a pipeline of opportunity.

Recommendations:

- Look for ways to change the mindset, language and organization from IT versus the business to a shared focus on business value. Create principles, standards and rules that enable and promote the ability to respond to opportunities rather than restricting and focusing on removing variance.
- Develop an experimental and combinatorial mindset that embraces intelligent failure in the search for the next wave of competitive business advantage opportunities, such as “business moments.”

Step 2: Put the right leaders in place to form the core leadership team that will drive the necessary transformation

The fast-moving digital world is exposing gaps in digital leadership, especially with regard to front-office disciplines (those related to the customer experience) and head-office disciplines (those related to enterprise strategy). Three types of digital business leader have emerged to fill these leadership gaps:

- The digital strategist
- The digital marketing leader
- The digital business unit leader

These roles are likely to be around for the next five to 10 years, but they are just interim positions. This is because digital will simply be a part of the way we do everything soon, making a single, separate role dedicated to digital initiatives inappropriate, if not impossible.

Recommendations:

- Identify the digital C-level leaders in your organization and identify any major gaps.
- Identify partners across the enterprise to develop a plan to fill needed digital leadership roles.
- Don't follow fashions or fads, but prioritize and customize digital leadership roles that work for your business.
- Review the plan relatively frequently (such as every six months) to ensure there are no digital leadership gaps in your business, and that leadership is appropriately integrated through formal processes.

Step 3: Launch a digital business center of excellence to assess business capabilities and to respond to opportunities and threats

Although business strategy excellence is one of the top crucial disciplines for digital business initiatives, the rapid and increasing rate of change and its associated growing complexity of issues makes creating, evolving and managing a digital business strategy both challenging and of the highest priority. Gartner recommends creating a digital business center of excellence (COE) to provide input, advice and opportunities for the collaborative formation of a digital strategy and the collaborative advice, innovations and capabilities needed for execution.

Recommendations:

- Examine your strengths, weaknesses and potential opportunities. Use Gartner's Hype Cycle to identify new technologies and how they might pose a potential threat.
- Use Gartner's early digital business assessment at this stage to determine the need, the degree of urgency and the potential scope of a digital business strategy.

Step 4: Create a digital business strategy that will provide guidance on the priorities and investments for a successful response to digital opportunities and threats

In addition to the people aspects of building out the enterprise's digital business, develop the other five essential elements of a digital strategy:

- New digitally enabled business models
- The product and service portfolio
- Information as an asset
- Technology
- Content, media and channels

Recommendations:

- Help your enterprise colleagues address the challenges of the digital business age by adopting the framework presented here to structure the conversation on digital strategy.
- Ensure your digital strategy includes all six essential elements to create an effective holistic strategy that addresses the digital challenges.

Step 5: Find, develop or acquire the necessary knowledge, competencies and skills to execute on the digital business strategy

Digital business is not an IT program but an enterprise mindset. Underestimating the changes required in expertise and competence can trip up CIOs and other executives. Digital business combines the expertise, skills and roles found not just in IT, but across the enterprise.

Recommendations:

- To jump-start digital business activity, identify key strategy players and possessors of technology and business expertise both inside and outside the enterprise. To accompany the digital center of excellence, launch a community of practice to enrich cross-business understanding.
- If your enterprise's business sector is being morphed by early digital business competitors, then move quickly to find, deploy and use external expertise. Work in parallel, not serially, on internal development and planning.

- Bring in people from outside with the required knowledge, skills and competencies — some as external experts, not necessarily as permanent employees. CIOs who learn to orchestrate talent can take advantage of global ecosystems of expertise to build digital expertise quickly.

To guide your center of excellence staffing, consider building out a digital business dream team (see Figure below) — “a group of people regarded as having the perfect combination of talents.”

Figure. Identify and Build Out Crucial Digital Business Expertise

	Discover	Design	Pilot	Build Out
Business Expertise	Revenue-centric creativity Business strategy expertise Business model innovation Product development	Ecosystem development Digital mashup design Customer/consumer engagement	Customer validation Dark data mining Product marketing	Information-as-asset management Data science Corporate information stewardship
Technology Expertise	Robotic engineering Internet of Things engineering Additive manufacturing Data science	Mobile business Big data 3D printing Real-time data capture	Iterative testing Digital R&D labs Gamification Social analysis	Information integration Technical architecture
Strategic Capabilities	Competitive intelligence Business strategy SWOT analysis Emerging trends radar screen	IP creation Multichannel customer mining Social network influencing	Rapid prototyping Behavioral change and modification	Startup, scale-up science Talent science IP management
Disciplines	Competitive strategy analysis Horizon scanning Product and service marketing Analogous industry assessments	Customer experience design Competitive strategy definition Business process design Enterprise architecture	Stakeholder analysis Social and behavioral sciences	Technology incubation funding Customer experience management End-to-end workflows
Behaviors	Critical thinking Competitive team spirit Break-the-box thinking	Creative solution building Revenue-centric entrepreneurship Digital anthropology	Tenacity Statesmanship and enrollment Communication and enrollment	Knowledge sharing Communities of practice
Frontier Demands	Predictive analytics Digital anthropology Neuroscience	Web psychology Augmented human design Machine learning	Prototyping (Arduino, 3D printing) Sentiment analysis	Graphics and media design Human analysis of sensor data Distribution, manufacturing controls

Source: Gartner (April 2014)

Step 6: Create new *business capabilities* required to play and win in the digital age

With the expectation that digital business expertise will spread around businesses within two or three years, but the acknowledgment by many that their workforce is unprepared and inadequate, our Talent on the Digital Frontier survey asked about the kind of disciplines needed to drive digital business initiatives. The results point out the mix of business-oriented disciplines with their underlying knowledge, competencies and expertise required for digital business success.

Recommendations

- Launch boot camps and other learning programs about digital business, strategy and marketing, making them “must attend” events across all areas of the business. CIOs, HR directors and digital business leaders should all work together to define these programs and promote them as valuable professional development opportunities.
- Mine informal networks, project teams (including supplier and value ecosystem teams) and other communities to find business and technology gurus who “speak digital” as it relates to driving revenue and profitability through innovative uses of digital technologies.
- During the next six months, investigate “work mashups” by applying digital business and digital technologies to the decomposition and distribution of work, to the definition of outcomes and to the securing of quality across, inside and outside the enterprise.
- Pilot new channels for finding, building and acquiring digital business capabilities. Social sourcing, microtasking, small-company acquisitions, global expertise networks and open innovation forums all are fruitful channels to investigate.

Key findings

- Digital businesses use and think about technology in a fundamentally new way, from an enabling tool for what the business wants to a source of innovation for generating future revenue and value and for responding to threats.
- Digital business is not an IT program. It is an enterprise mindset and lingua franca with digital expertise spread across the enterprise and value ecosystem.
- New business-oriented disciplines are required to differentiate and create successful digital businesses.
- The velocity of the spread of digital business is creating gaps in digital leadership, especially in the front and head offices.
- Digital business represents a more extreme revolution than previous technology-driven changes, and CIOs, with their insight into technology and information, are positioned to develop and promote a successful digital business.

What to do next

- Influence the digital business mindset by acting as a digital business advisor and counselor to peers and executives.
- Identify which C-level leaders understand digital. If there are gaps, work with partners to develop and customize digital leadership roles that fit the enterprise and industry at hand.
- Create a digital business center of excellence to start and orchestrate efforts to build a successful digital business.
- To build digital business strategy, have key strategists collaborate with technology and business experts both inside and outside the enterprise to identify opportunities and threats.
- Assess your enterprise's digital business capabilities, and investigate new ways of finding, building and acquiring the knowledge, areas of competence and capabilities.

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