Digital and Social Media Marketing and Advertising Collection
Victoria L. Crittenden, *Editor*

The Seven Principles of Digital Business Strategy

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BEP BUSINESS EXPERT PRESS

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First published in 2017 by
Business Expert Press, LLC
222 East 46th Street, New York, NY 10017
www.businessexpertpress.com

ISBN-13: 978-1-63157-033-9 (paperback)
ISBN-13: 978-1-63157-034-6 (e-book)

Business Expert Press Digital and Social Media Marketing and Advertising Collection

Collection ISSN: 2333-8822 (print)
Collection ISSN: 2333-8830 (electronic)

Cover and interior design by S4Carlisle Publishing Services Private Ltd., Chennai, India

First edition: 2017

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America.

Dedication

"To Orla, Erinn, Cara and Lily"

—Niall McKeown

"To Deirdre, Matthew and Adam"

—Mark Durkin

Abstract

Strategy creates competitive advantage.
People and a culture of innovation sustain it.
Technology and communications are the means
by which it is delivered.

If we are creating most of our competitive advantage at the strategic planning stage, why are we spending so little time on this and so much time on technology?

This book is not about why you should digitally transform and become more strategic, it's about how. It lays out the steps that must be taken, the data that should be used, and the decision tree to be followed.

Following the principles laid out in this book allows organizational leaders, marketers, and technologists to talk at a high strategic level without getting bogged down in the tactics and delivery that consumes most of the time, attention, and activity in the modern workplace. Use *The Seven Principles of Digital Business Strategy* to define the direction of travel for your business in today's digital economy.

Keywords

business strategy books, business strategy, digital business strategy, digital transformation framework, digital transformation, innovation and entrepreneurship

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Introduction

In 1971 the NASDAQ was born, and that November, Intel launched the first commercial microprocessor chip, the 4004.

The 4004 is history's first monolithic central processing unit, fully integrated in one small chip. Such a feat of integration was made possible by the use of the then-new silicon gate technology that allowed twice the number of random-logic transistors and an increase in speed by a factor of 5 compared to the incumbent technology.

Since then, chips have improved in line with the prediction of Gordon Moore, Intel's cofounder. According to his rule of thumb, known as Moore's law, processing power doubles roughly every 2 years as smaller transistors are packed ever more tightly onto silicon wafers, boosting performance and reducing costs. Moore's law is thought to be coming to its end due to the physical limits of effects of quantum mechanics, however the rate of change driven by technology is not abating.

A modern Intel processor contains around 3.5 billion transistors, half a million of them would fit on a single transistor from the 4004—and collectively they deliver about 400,000 times as much computing output.

This exponential progress is difficult to relate to the physical world. If cars and skyscrapers had improved at such rates since 1971, the fastest car would now be capable of a tenth of the speed of light causing time distortions for the driver like those seen the movie Interstellar; the tallest building would reach half way to the moon.

While we are nearing the end of super reduction in size of silicon transistors, we are still seeing significant increases in the speed of computing. Today there are 3 billion people carrying smartphones, each one more being powerful than a 1980s' super computer that once filled a space similar in size to a family living room.

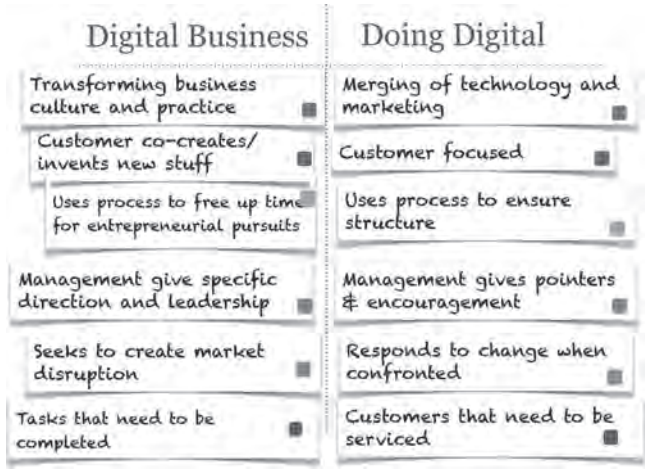
The exponential rate of technological advancement means that each morning when we rise, not only are we heading out into a world where more powerful and varied technology exists than existed yesterday—we are moving into a day where more technological advancement will occur than on any other day in history. For business leaders, managing in this ever-changing landscape is challenging enough in itself. Factor in the knowledge that cloud computing and software platforms are increasingly low cost and very powerful, newcomers are emerging all the time, and your competitors have easy access to the same technologies that will engage their customers as well as yours and the challenge is daunting.

Business start-ups require less capital than ever before, and competitors can test new concepts rapidly while maintaining business as usual. The pace of change today is faster than ever before.

Doing business effectively naturally means we must look at the marketplace in which we operate and assess our environment and our competitors. Most businesses do this already, often intuitively, but as the speed of change in the environment increases, being able to turn the resulting data into something more meaningful becomes difficult. In the era of Big Data one enabler for making sense of those data is having the competency to convert the data into information and information into insight. Insight gives us the ability to make management decisions more clearly and quickly based on a timely understanding of market intelligence.

Imagine presenting a spreadsheet full of numbers to an accountant. You ask them for their opinion on the data. They shrug and say it's meaningless. Next you tell them, "It's a profit and loss account and balance sheet." At this point, they can state the obvious characteristics of the report, but the data are still of no great value to either party. Next you ask, "We're considering buying that business, do you think we could reduce its costs and merge it with our business?" The accountant and the data are now able to add value to business decision making. Without the strategic questions and near-term challenges, both the accountant and data are of little use. Put strategy, data, and analysis together and now we have a powerful combination that leads to fact-based decision making.

In a similar context, keeping a close eye on the competition is a critical priority for any leadership team. Knowing what to do with information



about your competitors is not an automatic consequence of having it, however. Knowing what a competitor is doing, and what technologies they are deploying, is not an advantage in and of itself.

All businesses demonstrate their culture through their behaviors and ways of doing business, but what distinguishes digital businesses is that they are inherently collaborative. For example, digital businesses engage and cocreate with customers to solve challenges and tasks they know exist; they have a sense of ambition and of challenging the status quo—classic qualities of the entrepreneur. They are marketing-oriented and realize that success lies not in what the technology can do but rather in what customers want to do with the technology and that this is where the value exists in that context. Such businesses know that success is all about having a true marketing orientation based on marketing-informed strategy.

While technologists often have a large role to play in ensuring that new digital concepts fly, they are fixers rather than solvers. It is not the responsibility of the technologists to create the vision and strategy of the business. Technologists should be helping to implement a marketing-oriented direction that has been effectively communicated by the leaders. Chief information officers (CIOs), chief marketing officers (CMOs), and chief digital officers have a part to play; ultimately, CEOs and their executive board should guide the decision making and formulate the strategy for change, for opportunity exploitation, or indeed for transformation.

In much of current marketing thinking, we see real challenges around who is driving the firm's digitized market engagement. CIOs have by default been key players in his process, often because CMOs have been poor at providing insights into how new technology can be deployed in a marketing-oriented way that would allow the organization to capitalize on the added value such technology could create for their customer. There is currently a leadership capability gap, and much international academic research, industry research, and commentary from professional bodies [e.g., Chartered Institute of Marketing in UK; CMOs in the United States, Deloitte, WARC, the chartered management institute (CMI), and the management and leadership network (MLN)] continue to evidence increasing competency gaps within marketing staff in areas related to digital technology and its deployment—especially in customer-facing activities and processes.

For any digital business, there are prerequisite building blocks that leaders must create if they are to succeed. We argue that the most critical building block, the starting point for any organization wishing to transform themselves into digital innovators, is that of the digital business strategy.

Once the digital business strategy is created, it must be adopted internally and the business aligned to support it. Quite often businesses are not actually blindsided by disruption in the marketplace but rather become aware of it on the horizon, through the media, through business contacts, or through marketing campaigns. It emerges as a graduated process rather than as a more visceral response suggested in the word "disruption" itself. Once managers realize that change is coming to their industry, they understand instinctively that something must be done to counter the disruption and ensure that their own business survives—and

thrives—through it. Challenges arise in understanding how best to navigate from the point of identifying a potentially disruptive force to the point of having formulated an effective strategy to counter it. In the context of the pervasive and often disruptive change that digital technology brings to markets, and being mindful too of the digital competency gap identified in marketers internationally, this book provides a framework and sequential process to help navigate the first change block effectively, that of strategy. The framework will provide methods that afford firms the opportunity to understand the shifting landscape as it is moving and see ways of capitalizing on that change more immediately.

On Disruption:

The term "disruptive innovation" when applied to business has become distorted through misunderstanding and misuse. Clayton Christensen was the first person to define organizational disruption in his 1995 book *The Innovators Dilemma*. He explains that not all innovations are disruptive, even if they are revolutionary. For example, the automobile was not a disruptive innovation, because early automobiles were expensive luxury items that did not disrupt the market for horse-drawn vehicles. The market for transportation essentially remained intact until the debut of the lower-priced Ford Model T in 1908.

However, in the past decade, driven principally by Silicon Valley technologists, the term used in common parlance has broadened and is often used to describe a new way of working. It often ignores the Christensen requirements that to be disruptive, the new innovation must be more affordable, effective, and convenient than the predecessor.

For a prime example of what the Valley would call disruption, we need to look no further than the arena of competitive athletics. Anyone with even a passing interest in the high jump event will have heard of a technique called the "Fosbury Flop," where the jumper approaches the bar diagonally, turns, and goes over the bar head first, horizontal to the floor, and backward. The eponymous Dick Fosbury first used this technique in the 1960s, in the face of much skepticism. Prior to this, there was little variation in high jump techniques. Despite their initial skepticism about Fosbury's new technique, his coaches were forced to concede that the technique was superior to anything they'd seen before, when he consistently smashed records during his high school and college

years. Fosbury went on to use his technique with great success in athletics competitions, culminating in his taking gold at the 1968 Olympics in Mexico City and breaking the standing Olympic record. At the Olympics in Munich, 4 years later, 28 of 40 high jumpers used the Fosbury Flop technique. Of the Olympians that won medals between 1972 and 2000, almost 95 percent have used the Fosbury Flop technique.

It is accurate to say that Fosbury created disruption within his industry and forever transformed how athletes approach their high jumping technique. This is the same sort of disruption that we perceive in business. Disruption, then, is the discontinuous innovation, rather than a continuous innovation—it represents the creation of a new idea, driving an entirely different way of doing things—a revolutionary change, rather than an evolutionary one, but it would be remiss of us to consider Fosbury's own journey a revolutionary one, without considering the evolutionary method by which he developed and improved the Fosbury Flop technique. Fosbury's personal evolution caused a revolutionary change in the world of athletics.

When we consider this connection between evolutionary change at an individual level and revolutionary change at an industry level, we can translate it to our business leaders. The leaders must evolve himself/herself, and they must be attuned to the emerging trends in their industry or sector and certain at the level of their customers. In short, they must evolve as a marketer to lead success within their company and to preempt the potential disruption that new technology can bring.

Digital disruption is happening all around us, in almost every industry in the world. Because the technologies at our disposal are new, it is tempting to mischaracterize digital disruption as being something for the young, but as we noted earlier, technologies are increasing in number and proficiency at an exponential rate, meaning that in terms of how they relate to business success, the technologies available in industry are often as unfamiliar to the young as they are to the old.

It was a pleasure to visit the headquarters of SAP in Baden-Württemberg, Germany, and meet with the people heading up their innovation department. SAP is one of the biggest enterprise software companies in the world. To give a sense of scale, upon reaching the campus I boarded a bus that drove me through tree-lined streets named after various SAP

founders and products. The walks between buildings are long, and the campus accommodates the equivalent population of a small town. While I was talking to the innovation team, they made the astonishing claim that they may no longer be in the software industry in 20 years. I asked them to explain further, and they explained it to me as follows:

Nobody really wants a boiler in their house. Nobody wants plumbing, heaters, or air-conditioning units. Nobody cares for these things. What people want is a constant temperature of 70°F when they're at home and hot water on demand. Ideally, they want these things at a fixed price. The plumbing, boilers, and heaters are a means to reaching this end. Redolent of Levitt's classic essay "Marketing Myopia" and of the need to focus on benefits not on features, SAP is looking to the future as a corporation that intends to create solutions and benefits for their customers, not to develop features for their products. This has a profound effect on how SAP innovates. SAP is attempting to future-proof their business for the next 15 to 20 years by realizing that the innovators of today will be disrupted by the innovators of the future, unless they continually transform.

A short Internet documentary film titled "Humans Need Not Apply," produced by C.G.P. Grey and later featured in The Economist, garnered widespread public attention. Within 2 months of upload, the documentary had received almost 3 million views. In it, Grey examines how technologies, that are already available, or on the horizon, might cause disruption in industry. He demonstrates how no industry is safe—technologies already in existence are coming to displace human workers engaged in everything from coffee making to medical diagnoses.

Grey's film is not the only cautionary tale. Another short film by The Economist, entitled "How Computers Threaten the Jobs of Mid-Skilled Workers," details more ways in which technology might create future disruption in industry. All areas of industry are at risk, it says, and it details ways in which technologies already in development can do manual, cognitive, and even creative work traditionally reserved for human workers.

To deal with this oncoming disruption, businesses will need to transform if they are to stay relevant, survive, and indeed thrive.

Founded in 1996, Google is a company specializing in Internet-related products and services. Gaining initial dominance in the field of search engines, to the point that "Google" is now considered a transitive verb,

Google has branched out and is now part of a larger parent company called Alphabet. It has repeatedly caused—or responded to—industry disruption. In July 2014, the government of the UK announced that from January 2015, it will allow driverless cars to be used on its public roads. Having anticipated and indeed helped shape this eventuality, Google already has a fully developed driverless car (referred to as an "auto") that uses sophisticated lasers, sensors, global positioning system (GPS), and processors to get around safely. In 2014, The California Department of Motor Vehicles insisted that Google installs a steering wheel and pedals into the vehicle before they would pass it as roadworthy—Google didn't see the need. Since then Tesla has advanced faster in this market than the powerful Google.

The next vehicles we buy may not be driverless, but it's looking increasingly likely that the ones we buy after will be—if we even need to own a vehicle at all. The vision is that autos will be automated and ubiquitous. Rather than having a car and the related costs and issues that can come with storing and maintaining it, we may be able to simply hop into and out of autos that transport us around.

This change, from human-operated, gasoline-guzzling vehicles to ones that are powered by electricity and operated by software, will have a profound effect on many industries. How does a car insurance company justify itself, when traffic accidents and car ownership are a thing of the past? How does a gas station profit, when vehicles are largely powered by electricity? How do traffic systems work? What will cities look like when cars can communicate with each other and self-organize, removing the need for traffic signaling? What will happen to public transport? What will happen to retail, mining, logistics, warehousing, and distribution when vehicles are driverless? Who will be the first customers for these new vehicles; how will different sets of consumers and buyers respond to this new innovation; what groups of consumers will be laggards; and to what extent does a residual opportunity remain in serving the needs of these people too? These are not questions for the future; these are questions for now. Within 5 to 10 years, businesses will be forced to respond to these questions with relevant, strategic transformation or potentially face extinction.

To use another example of rapidly approaching disruption, Google and e-commerce giant Amazon are currently developing ways of delivering

their products to customers via unmanned aerial vehicles (commonly known as drones). Imagine a world where you're in the middle of cooking dinner and realize that you're out of peas. Rather than having to leave the house and hop into your car (or auto) to go to the store, you can pick up your smartphone and order your peas from a nearby grocery store; 10 minutes later, you are alerted via app that your peas have arrived by drone. You go outside to accept delivery, your peas are winched down to you, and you can continue with cooking dinner. That world is not the future. That world is now—and it has ramifications for businesses. Drone delivery is likely to completely change the way we perceive the procurement of goods, and the businesses that win will be the businesses that effectively transform.

Disruption is not only happening in terms of digital technology and software. Recently, Chinese researchers[1] announced that they have been able to use a method of supercavitation in conjunction with submarines to greatly increase the speed of underwater travel. Put very basically, supercavitation involves the creation of an air pocket around an object in liquid. This air pocket reduces drag on the object (in this case, a submarine) and permits it to travel at much higher speeds. The researchers have tentatively projected that this technology will be available within the next 10 to 15 years.

If supercavitation permits high-speed underwater travel, it has the potential to disrupt the way that we travel and the way that we transport our goods. We've become so accustomed to looking to the skies for faster travel solutions that few people have considered that the next generation of long-distance travel may occur under the seas. The impact on the air travel industry could be huge. Airline companies tend to receive their airplanes up-front and pay for them over following years, so financial difficulty could follow. If underwater travel becomes a popular mode of travel, will we see seaports expanding in the same way that airports have? These are the questions that businesses will need to ask themselves when they're considering future disruptions.

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[1]See http://www.extremetech.com/extreme/188752-chinas-supersonic-submarine-which-could-go-from-shanghai-to-san-francisco-in-100-minutes-creeps-ever-closer-to-reality.

The medical industry is not immune to disruption either. Ever-increasing computing power is powering the unraveling of the mysteries of genetic code. This is the new field of genomics and it's pointing the way to a new future.

Already it's having an impact on cancer. Mapping the cancer genome is giving hope that a cure to cancer may soon be within reach. New cancer therapies are being created that treat patients based on their cancer's genetic makeup, rather than just on where the tumor is located. Combined with new immunotherapies, these approaches are radically changing how the entire pharmaceutical industry will work in the future. No longer will one pill to cure a problem be considered a reasonable response to a life-threatening disease.

In the near future, a new technique called clustered regularly interspaced short palindromic repeats (CRISPR) will allow scientists to actually edit DNA sequences. It will soon be commonplace that medical practitioners disable key genes in human immunodeficiency virus, deactivate others gone awry in an autoimmune disease like multiple sclerosis, or reprogram yeast DNA to create petrochemicals like plastics.

Genomics is little more than a decade old, but early indications are that dozens of industries and their business models are heading for constant disruption and transformation.

New technologies will transform our industries too. Quantum dots are a new revolutionary material used in electronic devices. They create everything from more efficient computers to cheaper and sharper televisions. Graphene, another nanotechnology material, is increasingly being used to make a wide variety of products from superstrong, but incredibly light, prosthetics to superconducting wires.

Take, for example, the energy industry that makes up 8 percent of gross domestic product. It is predicted that these technologies will reduce the cost of solar power creation to around one-fifth of what it is today. Add to that Tesla's new home battery storage that can harness this natural resource for reuse when needed and we'll see a transformative effect on not just companies but entire markets.

In recent years, we've seen smartphone apps—from the simple to the sophisticated—causing disruption in many industries. Even the most

regulated, unionized, legislated professions are vulnerable. One such app is Uber—an app that allows people to use their smartphone to hail a cab to their location. The cab need not be metered, since the Uber app has the ability to measure the distance of the journey via GPS and calculate a price. If there's room in the cab, other passengers can get in or out along the route, reducing the cost to the customer.

This one app was the cause of strikes that took place across much of Europe and the United States, when cab drivers noted a drop in business—a disruption. It would be easy to look at the Uber app and conclude that it is successful because it's a new, smart piece of technology that effectively undercuts a competitor—but that is not quite the whole story. Backers of the Uber app include multinational investment banking firm Goldman Sachs and other organizations, all of whom understand how disruption works. Uber has clearly come from a clinically planned and well-executed strategy, designed to create a point of disruption. Uber was designed to hail cabs and does it very effectively—the strategy was designed to create disruption, and it has.

Here we can see that the technology output (in this case, the app) is only part of the solution—the front-end user interface. This app required a huge amount of strategic planning, investment, and understanding of how the business could grow to take on a market sector that was heavily regulated and very manual. The disruption of these heavily regulated and manual industries drive the point home that no industry is safe.

What are the implications for smaller enterprises with limited resources, shorter planning cycles, and less sophisticated marketing and business skills? How can we take the lessons learned from the big winners and translate them to smaller companies? If you deal with the distribution of goods, from furniture to food and materials, what do you do?

To start with, we must accept that innovation is rarely a single eureka event. It requires compound discovery of new insights, the engineering of solutions around those insights, and then the transformation of an industry or field. Technology does not produce progress by itself; we need to find important problems for it to solve and then must change how we work in order to take advantage of it.

Further on in this book, we will drill down into the details of digital business strategy, but for now, let's look at this simple case study:

Case Study

This is a true story, only the names have been changed in the interest of commercial sensitivities.

Picture a scenario where a local company servicing the hospitality industry suddenly finds itself under threat from a new market entrant that has been growing rapidly in neighboring territory. We'll call this business "New Competitor." We can call the existing local small business "Goods and Stuff."

Goods and Stuff becomes aware that it has a competitor entering its territory. Upon investigating the competitor, the CEO notices that New Competitor has a brand new, state-of-the-art website. Perceiving this as the reason for their rapid growth and potential disruption, the CEO contacts a web designer and commissions a website with roughly the same specification.

New Competitor

When the web designers arrive, they look at the competitor's website for reference:

In response to this threat, the web designers make a very similar website to combat the new force that they perceive will soon engulf their clients as they have done in neighboring territories.

Goods and Stuff's new website uses the identical technology to that of their competitor and takes no chances by mirroring many of the design features of New Competitor.

Within months they realize that their efforts are not halting the advance of New Competitor. Using the Seven Principles of Digital Business Strategy, they soon start to examine their own competitive advantage when compared to that of New Competitor. They don't get beyond the home page of their new market entrant before questions start to emerge.

Your competitor offers next-day delivery—do you?

Your competitor has a 365-day returns policy—do you?

This company stocks around 18,000 products, all available online—do you?

This company will sell to retail and wholesale channels at the same time—can we respond to this apparent conflict in channel distribution?

The answer to all these questions is no. Goods and Stuff has a fleet of vans that travel a delivery route once or twice a week, they offer a 7-day returns policy, they stock around 2,000 products, and most of their sales are made via sales representatives on the road.

Suddenly it's apparent that these two businesses are vastly different. Goods and Stuff is coming from a world of face-to-face selling, with 21 sales representatives on the road, while the competitor is coming from a world of catalog sales. The competitor has momentum that can easily be swung in the direction of online sales and is investing millions because that is its route to market. Goods and Stuff is hoping to invest perhaps $20,000–$30,000 to procure a marketing executive and compete at the same level. The reality is that this strategy is doomed. Goods and Stuff needs to transform.

Goods and Stuff has two options.

Option 1

Look at disassembling its transport logistics systems and switching to something more efficient. Adjust its customer returns policy to something that aligns better with the market. Increase the number of products it stocks, and switch to online-only sales. It must decide if it's going to supply retail and wholesale at the same time and not in some disguised half-hearted two brands (one for retail and one for wholesale) way.

Option 2

Look at a different model entirely, which leverages the advantages of having 21 salespeople on the road compared with the competitor's none. The competitor is having to send out catalogs, while Goods and Stuff can provide solution selling. The competitor has call centers, while Goods and Stuff has face-to-face relationships.

The differences between Goods and Stuff and their competitor may initially be seen as an Achilles' heel, but when we look at the two options, we see that they can be turned into advantages if leveraged correctly. Attempting to compete via Option 1 would be too costly and unlikely to succeed, given the head start of the competitor.

The strategy, then, is for Goods and Stuff to pinpoint and integrate their advantages to overcome the advantages of the competitor, to ensure that the customer values the advantages of Goods and Stuff over the advantages of the competitor.

This sort of strategic analysis leads to business alignment changes, business strategy changes, and cultural changes in an organization. Cultural change is often a stumbling block that requires leadership and management. A change in the culture of a business naturally requires senior leaders to effectively understand, communicate, and lead the change.

One of the challenges we've seen time and time again in businesses small, medium, and large, is that when the emphasis is placed on technology and tactics, this too often displaces the importance of the customer and marketing-led culture change. Two factors appear to compromise the necessary focus on marketing-oriented change; the first is the competency gaps in marketing managers internationally. Being busy "doing marketing" as before, they find it difficult to replace or complement what has been done before with what needs to be done now in the disruptive digital market context. They also lack the necessary digital skills and an understanding of the implications of such digitization on customers and markets. Second, there is a leadership vacuum where issues of generational difference, time pressures, and a fear of "saying the wrong thing" keep senior directors and CEOs nervous about, and distanced from, the digital agenda.

Organizations commonly lack a strategic narrative that is digitally sensitive and in the absence of that narrative executives in the business default to digital tactics—"doing digital."

The following case study illustrates the disconnect.

During a Local Authority Council meeting in the UK, the board discussed—and agreed to—the use of a "pooper scooper" app, which constituents could use to alert the council when a dog walker had failed to clean up after their dog. The app received this board-level attention because the technology was perceived as new and innovative, and the council board members wanted to be perceived as modern and in touch with the digital world inhabited by their constituents. When pressed about what other technology they were employing to keep in touch with their constituents, the board members mentioned Twitter followers,

Facebook friends, and other social media sites, which were overseen by two full-time members of staff.

Upon analysis, it became clear that the pooper scooper app had been downloaded by 0.01 percent of constituents after 18 months. The two full-time staff employed to engage with the constituency through social media were engaging with around 0.3 percent of the constituency.

The board members were putting their emphasis in the wrong place, because the challenges that they faced in engaging with constituents were not properly diagnosed, understood, and translated between the senior management of the council and the information technology and marketing people executing solutions. There was a disconnect between senior management, the needs of the customer, and digital tools. In these situations, the usual response is that budgets are allocated by senior management and given to marketing, technology, and human resources departments, in order to pacify the perception that we need a whole new approach. This typically leads to frantic activity as though the future was unpredictable.

But the future is not entirely unpredictable and even where a degree of unpredictability exists much new thinking in the entrepreneurial marketing space uses effectual logic to propose how differential advantage can be secured in just such unpredictable environments. Management effectiveness in a digitized market environment requires, more than ever before, senior leaders in a business to understand what their vision of the business is, how the customer perceives value residing in that business proposition, and the likely actions of competitors to that proposition.

There are many books written about how to approach digital; "The Lean Startup" by Eric Ries is a fine example for those starting a business. Part of the methodology of the Lean Startup involves the concept of pivoting, which is described by Ries as "structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth." [p.149] For start-ups, pivoting is a fairly pain-free process, but how would we manage to pivot a business with 500 employees? And why should we pivot?

Very few businesses that start off with a concept and go on to pivot and pivot again win. They are the exception that has been sold as the new rule. In reality, they are not the new rule. The businesses that win are

businesses like Uber. The type of business that wins starts off with a very clearly defined value proposition and a knowledge of where they want to take the business. The winners are not going through frenetic, constant change. They have a focus and use data with purpose to help ensure that their strategy is on course. The winners make their strategies with senior management understanding the opportunities, understanding the defined plays, and giving definitive direction to those that matter. Senior managers who succeed at this will manage to stay relevant—those who excel at it will become the creators of industry disruption or will thrive in contexts that are being disrupted by others.

In traditional business frameworks, there is a sequencing and organization of tasks mainly based on predictive logic. In modern-day digital business frameworks, data are more heavily used to understand the marketplace, to understand customer demands, to look at trends and changing trends, to spot disruption in the distance, and to be able to look for new waves and new opportunities for business.

As we discussed earlier, innovation is an essential success ingredient, but the winners and the losers are decided by the success of their innovation-to-execution cycles. As ever, management effectiveness comes from a marriage of thought and action, innovation and execution, and strategy and tactical implementation.

In older businesses that are heavily manual process driven, the real challenge is in making sure that the people within the business understand that the priority is no longer completing the process. The priority now is thinking about how the new digitized economy has impacted on the currency of those traditional processes. The priority now is using insight from customers and trying to imagine in what ways adaptations are needed to maintain market position or to create advantage.

Drawing from over 120 business case studies through Ireland, UK, and Europe as well as academic research over the past two decades conducted in the United States and Australia, this book provides the answer as to how to create digital business strategy. This is essentially business strategy created and implemented through the lens of digital. The environment has become digitized—strategy must follow if organizations are to be successful. By looking through the lens of digital, we propose digital modeling frameworks, we explore and understand business alignment

challenges and cultural challenges, and we explore competency gaps that may act as barriers to success in this new context.

We must understand the ground rules and to make a distinction between businesses that do digital and digital businesses. The digital businesses are the ones that are winning. Senior managers can run digital businesses without fully understanding the inner workings of the technology to do so. The Seven Principles of Digital Business Strategy provides a framework where all strategic options are explored and directions proposed and explained. Whatever your business context and whatever your level of digital competency, this book will add value to your business in our digitized economy.

CHAPTER 1

Digital Business Strategy

As was discussed in the Introduction, the world around us is changing at a rapid rate. We can see that more and more technological advancements are encroaching on roles we've historically considered to be ones that could only ever be filled by humans and we understand that the pace of this change is increasing.

Where previously the local superstore employed 30 cashiers to operate 30 cash registers, they now employ a couple of assistants to aid customers with using automated checkout technology. Even in coffee shops, automation is beginning to take over. Despite our ideas about how much we like that friendly barista, preliminary tests by Briggo Coffee—a fully automated coffee bar in Austin, Texas, where you can create your order precisely how you like it and save it for future orders—have shown that people get used to the bot-made coffee quickly and apparently enjoy it no less.

Artificial intelligence is even encroaching on creative jobs such as journalism, law, and accountancy, which were once thought safe from automation.

If companies are to succeed in today's digitized environment, the digital aspects of business can no longer be distinct from the business as a whole, and the strategy of digital business can no longer exist in isolation of broader business strategy. The actions of digital businesses still belong to the tactical marketers and technologists, but the *strategy* of digital business belongs in the boardroom, where the C Suite [i.e., the CEOs, CMOs, CIOs, Chief Finance Officer (CFOs), and Chief Technology Officer (CTOs)] can come together and form a cohesive market-led digital business strategy. This digital business strategy—and the leadership that drives it—is the essential element for success.

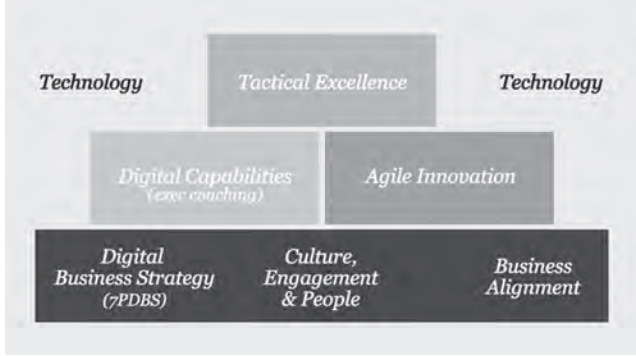
The distinguishing characteristics that indicate the onset of disruption are when a current function of a business becomes more affordable, more effective, and more convenient than the current method. Where once a

bank would charge its customers for setting up a direct debit, a third party can now handle the transaction by way of a mobile app at a fraction of the cost. While the bank doesn't see this alternative method of payment as a threat in the early days, the fact remains that this is a more affordable, effective and convenient solution for the customer than the bank offers. Because the smaller business markets this feature with greater focus, it has the power to erode the banks dominance in this domain.

Many smaller companies do not necessarily have better technology or processes than larger companies, but the technology and processes they have are more accessible to their customers and customers see more value in the technology-enabled process than in the traditional process. The dilemma, then, lies in how larger businesses can better engage with and understand their customers so that they can deal with these competitors nibbling away at their business. Quite often, these larger businesses are well established—they have a large customer base and large customer value. Clayton M. Christensen argues that making an inferior but more cost-effective product to sell to the customers downstream is the answer—but in today's market this is not the only answer. Christensen argues that technology causes businesses to fall and fail, but as we've discussed, technology is not the full story—technology is only the visible end of the transformation spectrum. By the time technology comes to change how people do things, or causes disruption in an industry, there has already been a huge amount of market sensitivity, culture change, strategy development, innovation, and education within the business using it.

When threatened by these newer, smaller businesses, most businesses respond by pinpointing the technology as the root cause of the disruption they face and then seek to install technology that is similar to, or more advanced than, their competitors, but in order to change businesses in a competitive way, it must be realized that the technologies and processes are only the final piece of a larger puzzle; they are the servants drafted in to answer the questions posed by a broader strategic process. In taking a closer look at this strategy process, we can see that while digital business strategy in and of itself is not the full story, it is the starting block on the track to better, smarter, more competitive business.

Before considering how to utilize technology, we must first understand where it fits within the overall strategic landscape.



The Change Blocks of Digital Transformation

This model illustrates the high-level change blocks that should be addressed if an organization is to find new and sustaining competitive advantage in the digital world. In this sense, we say that these are the change blocks that must be considered if a business wishes to undergo "Digital Transformation."

In terms of Digital Transformation, we understand the word "Digital" to be a synonym for the pace of change that's occurring in today's world, driven by the rapid adoption of technology. The word "Transformation" describes how an organization is built to change, innovate, and reinvent rather than simply enhance and support the traditional methods.

It shows that digital business strategy cannot be taken in isolation of culture. While this book deals almost exclusively with how to create a digital business strategy, an organization with the best strategy and poor culture is set for failure.

A rough but simple test of organizational culture is to check whether the management blocks access to streaming videos like YouTube or social media sites like Facebook, Twitter, or LinkedIn for their employees. Some managers claim that there are technical or security reasons why this should be so. The reality in most cases however is that the staff are not trusted enough by management to utilize these websites to further their knowledge and build better relationships. An organization with a positive digital culture seeks to provide training to its staff in gaining greater knowledge from YouTube, LinkedIn, and other social platforms rather than discourage their use.

The bedrock of the model is the interdependency between strategy, culture, communications, innovation, technology, and data in the emerging digital context.

Allied to this and representing the next level of enablement is the organization having the necessary competencies and behaviors that allow the business to become agile and innovative. An underlying competency in this dynamic space is the ability to recognize the change process as it is happening and of having the wherewithal to respond in an agile way.

Marketing Professor George Day, from Wharton University in Philadelphia, explained that staff increasingly need what he calls "adaptive" capabilities in facing this digitized economic context. By their nature, these new capabilities are anticipatory and more effectively compensate for the inherent ambiguity and uncertainty in advancing digitized contexts. The open and outward looking nature of these capabilities results in the organization being more innovative and agile in how it anticipates and responds to change and opportunity. Indeed, the increasing attention being paid to design school thinking as applied to business today has much of its roots in the ambiguity and uncertainty managers have been facing in increasingly digitized environments. Thinking more broadly and embracing and leveraging transdisciplinary approaches have been seen to add value to the speed and nature of responses to this level of change. Look at Philadelphia University's new Strategic Design MBA not only as an example of disruption to the traditional and established MBA model but also as an entrepreneurial response to increasing uncertainty in the market and a desire in managers for the development of a different type.[1]

Indeed, a consequence of embracing an approach infused with digital business strategy will naturally expose gaps in education within an organization and identify where capabilities need to be enhanced. One of the key foci in creating a digital business is agile innovation. In her book, *The End of Competitive Advantage*, Rita McGrath, the Columbia business school professor, points out that the challenge of innovation comes from the fact that innovation itself is constant and gaining pace. Businesses that wish to create a strategy that relies on innovation then must change their culture to ensure the constant flow of innovation through the respective

[1]See http://www.philau.edu/strategicdesignmba/meet_the_director.html.

organization. She says that one of the most fundamental and recognized notions of business strategy—sustainable competitive advantage—can no longer be a holy grail for companies. Strategy must be combined with the right culture and deliberate cycles of innovation to succeed. While we all understand that the marketing environment is constantly changing (remember PESTEL, the tool for identifying threats and weaknesses used in a SWOT analysis), the speed and magnitude of such change, and the impact on lead times, now make it virtually impossible to respond in a way that allows for sustainable advantage. Deeply ingrained structures and systems designed to extract value, rather than being a competitive advantage, are becoming a liability.

When we look at digital business strategy, and indeed business strategy in general, we must take this into account. We must figure out a way in which to embed natural and constant innovation within our businesses and then go on to ensure that we have the tactical excellence to correctly execute the strategies fuelled by innovation.

Digital business strategy manifests itself by the way of technology-enabled education and data collection married with cycles of focused innovation, which are manifested using technology. Technology is the enabler, not the differentiator. Technology is not the agent of change, but the expression of the leadership thinking and strategy that goes before it. If we successfully execute these ideas with tactical excellence, we can create industry disruption, which leads again to further cycles of transformation through innovation.

Where strategy is market-led, it falls to the business to align the culture, to ensure that the associated capabilities required of the people behind the change imperative are in place, that the business processes are agile and aligned to the strategy and digital environment, and that excellence should emerge in the deployment and implementation of that strategy.

So where do we start in formulating a digital business strategy, and how does it differ from business strategy?

To answer this question, I'll use an example from the courses we run for many of leading thinkers and business leaders. At the beginning of the course on digital business strategy, we hand out paper and ask people to write down their definition of strategy. We then bring these definitions together and look through them. The exercise doesn't last very long, since

most people in business have a clear idea of what strategy is. Everyone gets it right in some shape or form. Here are some examples of the answers people have put forward:

1. Strategy is about giving direction.
2. Strategy is about finding the best path to accomplishing a task and achieving a specific goal.
3. Strategy is a plan used to overcome defined challenges where there is a desired outcome.
4. Strategy is about understanding the problem before you start.

None of these definitions can really be faulted. When the definitions are collected, we use them to come up with a single sentence to describe strategy, and it's usually something along these lines:

> *Strategy is a plan of action to give direction to overcome defined, specific challenges, and in conditions of uncertainty to achieve specific outcomes.*

One we have agreed upon a definition; we examine it to see how it fits into different parts of our business.

We'll take junior marketers as an example and examine what sort of strategy they work with, if indeed it can be called strategy at all. Do marketers have a web strategy or a social media strategy? If strategy is a plan of action to achieve goals in conditions of uncertainty, what were the conditions of uncertainty? What were the goals of the web strategy? What were the outcomes? In the courses we run, the tension in the room builds as we consider these questions. When we attempt to look at the work of marketers in this way, what we see is not strategy, but tactics. They are plans similar to those of an architect—complex and intricate—but we don't say that an architect is creating a strategy. We say that she has designed plans.

Vocabulary is important, and often words are used symbolically in business. When we incorrectly identify tactics as strategy, we usually do so to elevate the importance of the tactics we propose. The word strategy gives what we present a gravitas, but of course, this can have a negative impact on the effectiveness of what we want to achieve—or perhaps more

accurately—what we think we want to achieve. It makes people in the organization believe that we're being strategic, when we are in fact being tactical. Worse still, these tactics are not coordinated never mind not being set in any overarching framework. It's not strategic marketing, because in these instances, no overriding plan resembling what we call strategy has been given to the wider business. These tactics are important and functional in themselves, but they are not strategic. People like to immerse themselves in tactics because they're more easily and more quickly measured than strategic change and can address the current pressure on immediacy of results and Key Performance Indicators (KPI) achievement. The risk that arises is that such tactics may allow for a degree of efficiency in how we are doing business but undermine our effectiveness in actually what business we are doing. In short, *efficient tactics involves "doing things right"; effective strategy is about "doing the right things".*

Many organizations have a business plan that lays out where they are now, where they need to be, and what way(s) they might get there. In most cases, this business plan is strategic—it explains the direction of travel, predicts and defines the challenges ahead, and calculates the resources that need to be committed. We then surround this business plan with sales strategy, innovation strategy, financial strategy, information technology (IT) strategy, education strategy, recruitment strategy, and marketing strategy.

If we start to examine these strategies, the picture becomes quite complex. To take marketing strategy as an example, when we drill down a little, we realize that things like web strategy, advertising strategy, brand strategy, mobile strategy, social strategy, video strategy, and content strategy are all included under this umbrella, and all these substrategies are only loosely woven together. The IT umbrella includes such things as product development strategy, testing strategy, and implementation strategy. Each of these strategies seem essential for the business—but are they really strategies?

If we look at these "strategies" using the definition of strategy we discussed earlier in this chapter, we can see that they are not strategy—they more closely resemble the architect's plans. These are tactics. All of these tactics and subtactics draw from and give to the business plan—and the business plan, when we look at it in this light, becomes the digital business strategy. Through this lens, we can see that every aspect of the business links into, and is informed by, the digital business strategy. All of our business decisions—every aspect of our tactics—are informed through the lens of digital.

The challenge we most often face when we look at the business plan as digital business strategy is in misunderstanding the word strategy. We often throw out numbers, names, or goals without doing the necessary background work to make sense of them. Here are four examples of things we commonly mistake for strategy.

Expressed Goals

We set goals such as "we will increase our sales by 20 percent. We will increase our page impressions by 10,000 per month."

Having goals as a result of the strategic process is a good thing, but goals in and of themselves are not useful in isolation of that process. In the example above, we need to be asking questions such as the following: What difference will achieving these goals make? Why are they important for the business? Where will the demand come from to meet the goal of 10,000 page impressions per month? Is the market growing, rendering the growth organic, or do we need to do more work to garner these page impressions? How can we increase sales by 20 percent, and what will

happen if we don't? Finally, if the targets are not accompanied with guidance on how they can and should be achieved, then this can in no way be considered a strategy.

Operational Effectiveness

In 1996, Michael Porter wrote an article for the Harvard Business Review wherein he claimed that operational effectiveness is not strategy. He talked about the interlinking of technology and systems, which many businesses presumed was their strategic competitive advantage. The same thing is happening today, across the web. Technology systems are being implemented to allow web interfaces to get better access to customer data for marketing automation. This is essentially the digital manifestation of operational effectiveness, often mistaken for strategy.

Interwoven Tactics

Marketers look at their social media and tactical activities and use technology tools to automate the connection between them. They create and embed YouTube videos and other media in their websites and use social media to get the word out about them—and they consider this to be strategic. While they form an essential part of a digital business strategy, these interwoven tactics are not inherently strategic unless they are linked back into the strategic aims of the business, as defined by the digital business strategy.

Power Statements

Everyone who's been in a boardroom has at some point heard these power statements. They usually go along the lines of "we shall use social media to better service our clients."

These statements sound like noble enough goals when uttered in the boardroom, but without strategy to back them up, they are useless, feel-good slogans. Does the statement mean that clients are being poorly served in the first place? Do clients *really* want to talk on social media about private matters? To define channels in this way and construct power

statements around them is detrimental. When compared with our definition of strategy, they fall a long way short of the mark.

So far we have defined strategy as *a plan of action designed to achieve a specific goal, in conditions of uncertainty, with defined limited resources.*

Richard Rumelt, the author of the book *Good Strategy, Bad Strategy* in his address to the London School of Economics said, "Good strategy is about defining the nature of the challenge then focus energy and resources on a proximate objective—something that can be accomplished in the near future."

Rumelt suggests, then, that strategy is all about solving near-term critical challenges. He's saying that if we have business assets (i.e., people, plays, and momentum), we should leverage these to create a coherent plan of action and then focus on executing the requisite tactics to solve these issues. Strategy is *not* strategy unless there is coherent action that leads to an outcome that solves the identified problems.

Rumelt goes on to say that strategy has a kernel and that this kernel is made up of three things: diagnosis, guiding policy, and coherent action. For diagnosis, we must ask "why" questions, until we burrow deep enough to understand what challenges the business is trying to overcome. We then select the guiding policy that will help us to understand how we must act to solve those problems or overcome those challenges and the parameters under which we must operate. We then create the guiding policy, which outlines how we will solve the diagnosed challenge—this is usually a set of instructions, which allows the people that will be executing tactical responses to understand clearly what the challenge is, and the parameters in which they should be acting. Finally, we take coherent action to solve the diagnosed challenges. Unless this kernel is present within a set of goals, Rumelt says, the goals cannot be considered strategic.

When a CEO in a business doesn't understand the technological end of digital business because it transforms so quickly, they often task marketers to take care of digital business by making sure that a website is up and running, that social media are being utilized, etc. What we can see then is a set of incoherent actions that are disconnected from any diagnosed challenges or which float in isolation away from the business plan, rather than being informed by it. This usually continues with everyone involved becoming more and more frustrated, because while numbers

on a specific graph are going up, the increases are not affecting business change, and competitors always seem to be moving forward.

This misunderstanding of strategy is the first challenge we face. When we bring this into the digital realm and begin to look at business strategy from a digital perspective, we recognize that it is about specifying an organization's goals, opportunities, and related activities. When we lay this over our definition of strategy as put forward by Rumelt, we realize that we are using our vision, goals, opportunities, and related activities to create a set of guiding policies and coherent actions that allow us to solve diagnosed challenges.

A digital business strategy, then, is taking the understanding of strategy and infusing the context in which its development takes place and its actions are implemented with digitization. For the business strategy to work from a digital perspective, we need to understand the management styles that work and the competencies available. We need to get used to the idea of being able to innovate and to test and fail without consequence. This realization leads to a change in business culture, which ultimately needs to be aligned with our strategy if it is to succeed in a digital world.

This change in culture naturally necessitates an adaptation by the people within the business, their roles within the business, and the departments and divisions we've built, sometimes over many years. To align with a digital business strategy, we must be able to effectively manage this culture change. When we change the culture of our business, and consequently the roles of the people within it, we will invariably be left with capability gaps. Education must come to the forefront to help people adjust to new ways of doing business, and those within the business who embrace the change are those who will remain relevant for the organization as we move forward.

Only once we have addressed the management style, culture, alignment and filled in the education gaps are we fit to start considering innovation. If we start to implement innovation too early, before "getting our house in order" as it were, it is likely to be rejected by employees because the business culture is not in the right shape to allow for innovation, and indeed perhaps some of the existing employees are not those who will "fit" with the new digital business strategy.

Innovation has a part to play in digital business strategy, but it cannot jump the queue in terms of sequencing. The alignment of the business, people, culture, and education must come first. When these elements are aligned properly, they lead to inspired, focused innovation that links back to the digital business strategy and drives business growth.

This change of culture and business alignment is no easy task, but it can be done by degrees, piece by piece, as businesses change and have a narrative around change communicated to them (and cocreated with them) by the company. The larger a business is, the more its culture can be ingrained, and the harder the process of change can be. By the same token, for larger businesses with entrenched cultures, in the face of a rapidly changing technological world, the more urgent is the need for change.

In creating a digital business strategy, our ultimate goal is to achieve a plan of action that solves our diagnosed problems, gives us focus, and provides a direction that in turn creates large amounts of momentum. We're creating a strategy that states what the challenges are and what their relative importance is, where we diagnose the critical issues and bring those to our teams, and where we look for our point of leverage and innovate using our existing assets to solve problems. We are aiming for a strategy that gives guiding principles of how to overcome those problems to those who are tasked with tactical response. We want a strategy where the marketing, IT department, and other divisions get on with solving those tactical challenges and deliver value back to the business.

Sandra is the marketing manager of a small software company in Utah. Her marketing strategy contains many promises that in isolation sound like good ideas. Her plan is to use "growth hacking" to gain more "likes" on social media. From there she plans to "push traffic to a landing page." The desired outcome is that anyone who lands on this page will give over their e-mail address, willingly accept the blog articles her team plan to create as a part of their "content strategy," and eventually buy her software. She intends to "build better relationships with potential customers" through constant interaction on Facebook and Twitter.

Shortly after she begins, the realization sets in that her plan is neither strategic nor effective. There is a lot of content already available in her market space. Potential customers don't have an education issue. With nothing unique to say, readers don't feel the urge to give their e-mail

addresses and they will in no way be driven like sheep to her landing page, never mind purchasing the software she promotes.

Sandra's business lacks strategic leadership, innovation, and any differentiation that sets her apart from marketplace competitors. Her methods for engaging with customers were based upon leap-of-faith assumptions that potential customers were willing to engage. Her plans didn't start with a clear diagnosis of the situation, and as such her tactical actions were not coherent actions to overcome the diagnosed challenges. Sandra didn't have a strategy. She had a tactical wish list.

Eventually Sandra fixed the problem by getting strategic. She looked at the competitive marketplace, the customer demand, the overall business objectives, and the resources she had at hand. She diagnosed that unless she started with finding a competitive advantage born from innovation that the business couldn't compete.

She worked hard with the software engineers and a pilot customer to create an innovative solution to a common business challenge faced in her customer's industry. This gave her something to go to market with that was different from the competitors and was a starting point for the creation of a real, evidence-based, actionable strategy.

In the digital context, there is a distinct difference between businesses that create digital businesses strategies well and businesses that do not. As outlined in the Introduction, businesses that do it well are digital businesses, and businesses that do not—the more common type of business—are businesses that are simply "doing digital." Sandra's business started off as a business that was doing digital and found her plans, while well meaning, were never going to work.

Businesses that are doing digital believe that the merging of technology and marketing creates advancement and will create success in the new digital world. If they have first mover advantage, or they are leveraging a good brand and have other leveraged assets such as logistics, warehousing, people, and technology, this can work for a short period, but as Rita McGrath pointed out, those things are often short-lived. In a technological world, competitors tend to iterate and catch up quickly, leaving the business outdated. Digital businesses, on the other hand, look to constantly align business culture and practices. They understand that the technology is the delivery agent and that marketing is the way of bringing the solutions

enabled by that technology to the people. Moreover, they understand that to get to that point, the business must constantly transform, innovate, and have a culture that is open to transformation ingrained within it.

Businesses that are *doing digital* have websites and social media along with integrated technologies and systems, but the business doesn't really leverage those technologies; instead they often act as a bolt-on to existing functionality. In a *digital business*, the culture dictates that everyone is trying to innovate and transform the business. The people within a digital business understand the culture and the challenges faced by the business, and they seek to change practices to meet those challenges.

Businesses that are *doing digital* talk about how customer-centric they are and how much they care for the customer, but the evidence is lacking. Digital businesses understand that adding value in a digital context is the customer focus required today.

Businesses that are *doing digital* often abide by the "not invented here" philosophy, where they avoid looking outside the business for innovation and ideas. *Digital businesses* drop this pretense entirely and seek out additional value from outside the business, looking to partners, customers, and even competitors for innovation and ideas so that they can understand competitive advantage, create new products or services, and leverage their understanding to create network multiplying effects. Day[2] called this inclusive process "open marketing."

Businesses that are *doing digital* often use processes to ensure that their structures are maintained and working efficiently. This is an essential part of any business, but businesses that are merely doing digital tend to be blinded to changes in using technology, whereas digital businesses constantly look to use processes to add value to the customer experience. If people can be replaced with automation, they are replaced with automation. There is no dispute on this front, because a business that has digital capabilities, that wishes to progress faster and further, has a different approach to technology; it is seen as an opportunity, and not as a threat.

One of the most common failings of businesses that are doing digital comes from senior management. Many believe that they need to

[2]G.S. Day. 2011. "Closing the Marketing Capabilities Gap." *Journal of Marketing,* 75, no. 4, pp. 183–195.

understand the minutiae of technology to give proper leadership and direction, so they end up giving pointers and encouragement instead and tasking marketers to meet the challenge. As this book will show, this nuts-and-bolts level understanding of the technologies employed by the business is not necessary. Senior management needs to understand and diagnose the critical challenges facing the business, they need to understand how to overcome these challenges and create a coherent plan of action as to how to overcome those challenges. They need to display leadership in terms of communicating that realistic vision, break it down into key mile markers, and in turn break these into projects and tasks.

In digital businesses, leaders look at their businesses from above and view them holistically, but they also ensure that tactics are being used correctly at ground level to overcome business challenges and ensure that the business is moving forward at a reasonable pace. In digital businesses, leaders realize that their expertise in understanding the broader industry and customer demands, and their ability to use that expertise to strategize as laid out in this book, is what's valuable to the business.

A business that is doing digital responds to change when confronted by industry disruption or even minor change. Change in the industry creates panic in a business that is doing digital, and that panic can lead to poor decisions. Digital businesses anticipate change and thrive on disruption and indeed may seek to create it themselves—they are the change makers and the innovators. Digital businesses have narrowed the capabilities gap, ensured that they have the right culture in place, that they have the right business alignment and that their strategy is entirely geared toward helping them to create disruption.

Businesses that are doing digital tend to lack clear direction from managers. In the absence of direction, they rely on statistical outcomes that may make little sense for the business strategically: likes, page impressions, users, subscribers, and even sales that don't necessarily indicate whether the business is moving in the right direction. Digital businesses can effortlessly marry long-term strategy with the associated short-term tactics needed for implementation. They use data to gain answers. The senior managers of digital businesses do not stay in ivory towers—they get down to the coal face to understand how individual challenges are being tackled within the business and use data to measure

how progress matches up to predefined goals and help guide decision making. They use the information they gather along with their expertise to define how the business can progress further.

So, if by these measures we recognize ourselves as wholly or partially a business that is currently *doing digital* rather than existing as a *digital business*, where do we start with digital business strategy?

We must start at the bottom left of the model we looked at the beginning of this chapter—the change blocks of digital business transformation—with the Seven Principles of Digital Business Strategy. While working on our digital business strategy, we must be aware of the fact that it is part of a bigger picture and that it will impact on culture and staff engagement. We must recognize that the business may need to be realigned and that there will be capability gaps. These gaps will need to be filled, these changes implemented, and these challenges met, before we can get into innovation and create tactical excellence using technology.

The chapters of this book take you through the Seven Principles of Digital Business Strategy, showing you where to start, what actions to take, and how to transform the business to meet the demands of an increasingly technological and competitive marketplace. The Seven Principles of Digital Business Strategy is a framework that systematically addresses all three parts of Rumelt's strategy kernel: diagnosis, guiding policy, and coherent action. It takes you through a process of diagnosis, gives guiding policy on the parameters and rules for moving forward, and the likely outcomes associated with those choices, as well as the resources required for any given move allowing the business leaders to make informed decisions and create coherent plans of action that will achieve the desired outcomes leveraging the assets in the business.

The Seven Principles of Digital Business Strategy

Niall McKeown • Mark Durkin

Strategy creates competitive advantage. People and a culture of innovation sustain it. Technology and communications are the means by which it is delivered.

If we are creating most of our competitive advantage at the strategic planning stage, why are we spending so little time on this and so much time on technology? This book is not about why you should digitally transform and become more strategic; it's about how. It lays out the steps that must be taken, the data that should be used, and the decision tree to be followed.

Following the principles laid out in this book allows organizational leaders, marketers, and technologists to talk at a high strategic level without getting bogged down in the tactics and delivery that consumes most of the time, attention, and activity in the modern workplace. Use *The Seven Principles of Digital Business Strategy* to define the direction of travel for your business in today's digital economy.

Professor Niall McKeown is the founder and CEO of ionology and visiting professor at Ulster University. He is an entrepreneur, YouTube enthusiast, aspiring troublemaker, and unconventional physics geek. He has experienced the nasty effects of disruption and is passionately committed to helping other business leaders avoid the same fate. *The Seven Principles of Digital Business Strategy* is the antidote he has been applying successfully to hundreds of organizations since 1999.

Professor Mark Durkin, PhD, is professor of marketing and executive dean of the Ulster University Business School based in Northern Ireland. Before joining Ulster University, Mark spent over a decade in sales and strategic marketing roles within the Bank of Ireland Group. He is a senior fellow of the United Kingdom's Higher Education Academy and has published more than 50 academic journal articles. An invited scholar to Babson College, Boston, he is also visiting professor to Philadelphia University.

DIGITAL AND SOCIAL MEDIA MARKETING AND ADVERTISING COLLECTION

Victoria L. Crittenden, *Editor*

ISBN: 978-1-63157-033-9

BUSINESS EXPERT PRESS