



Digital Transformation Playbook: Four Elements to a Successful Strategy

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Introduction

Organizations of all sizes and types aren't simply facing a higher velocity of change in their business, market, and industry. Today, they must keep pace with rapidly accelerating change. This became especially true during the COVID-19 health crisis.

Organizations that had already begun their digital transformation journey were prepared with the tools and platforms to shift to remote work, recalibrate supply chains for changing demands and unplanned interruptions, and transact with customers in new ways. Now, many of these organizations are thriving and adapting faster than ever.

But the landscape is continuing to change for all of us, and it has become clear that "business as usual" will mean something very different from what it meant in the past. Those early investments are not enough to keep up in a world that has not finished evolving.

There's no going back to the level of digital adoption we saw before the pandemic—what we used to call digital transformation has now become digital acceleration.

Whether you're excited or daunted about digital transformation and acceleration, this playbook can help you tackle the process in incremental steps. Digital transformation is not a one-size-fits-all scenario, nor does it manifest through a single chess move. Digital transformation is a journey that creates value, solves problems, and empowers people to do their best work while looking for ways to contribute to the public good.

This playbook is a roadmap of that journey. Depending on where your company is in its process, you can use this playbook from beginning to end or jump to the section that's most relevant to you.

85% →

of CXOs surveyed said their organizations had done a good job implementing ethical technology also said they adapted and pivoted well in response to the disruptive events of the past year ¹

54% →

of surveyed CXOs say that flexibility and adaptability is the most critical workforce trait for an organization's future ²

91% →

of survey respondents who accelerated digital transformation amid the pandemic intend to maintain that swifter speed and not return to the effort's pre-pandemic pace ³

¹[Building The Resilient Organization](#), 2021, Deloitte

²Ibid

³[Digital Acceleration Redefines the Future of Work](#), 2021, Harvard Business Review Analytic Services

An innovative approach to digital transformation

We've worked with more than a thousand companies on their digital transformation journey and have noticed a clear appetite to place digital transformation and acceleration within a wider context that nurtures the public good.

Addressing global economic and societal crises while protecting our planet present some of the greatest challenges of our lifetime. It is fundamental to support inclusive economic opportunity, protect fundamental rights, and create a sustainable future. It's not too late to put together a future that allows everyone to not just survive—but thrive by harnessing the power of technology.

As we've worked with companies on digital transformation, we've refined and optimized the process into a framework we call I.D.E.A. I.D.E.A. applies broadly tested and accepted concepts from leading institutions and research firms and comprises four key phases:

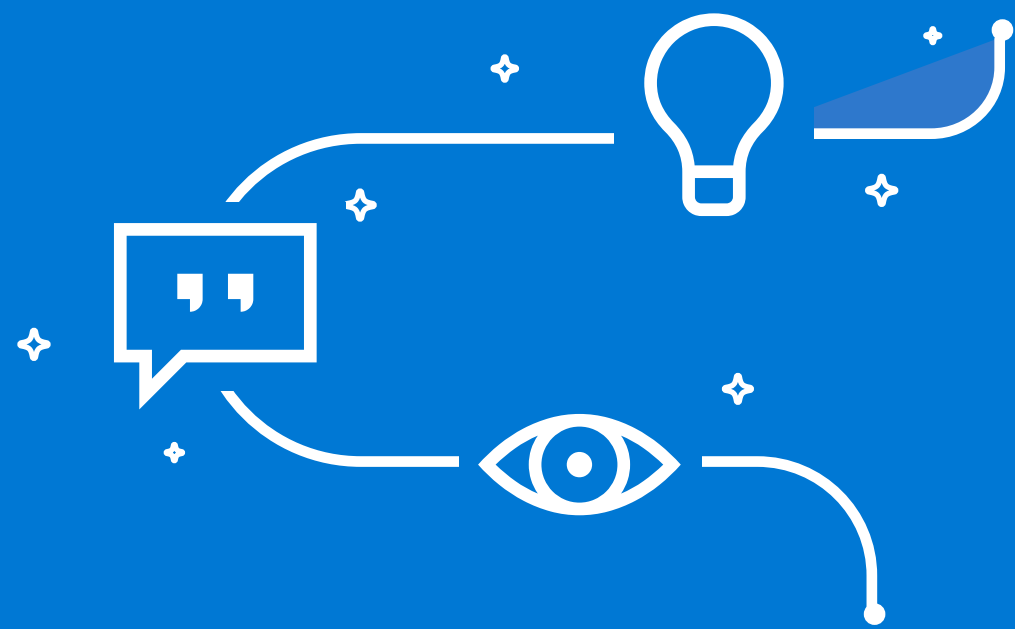


The way we look at success with our technology deployments is 'Are we able to embody the cultural values that we are trying to bring to life?'"

Paul Ryan, Chief Information Officer at [Kohler Co.](#)

Inspire

The Inspire phase helps you envision the future state of your business and define a strategy for achieving it.



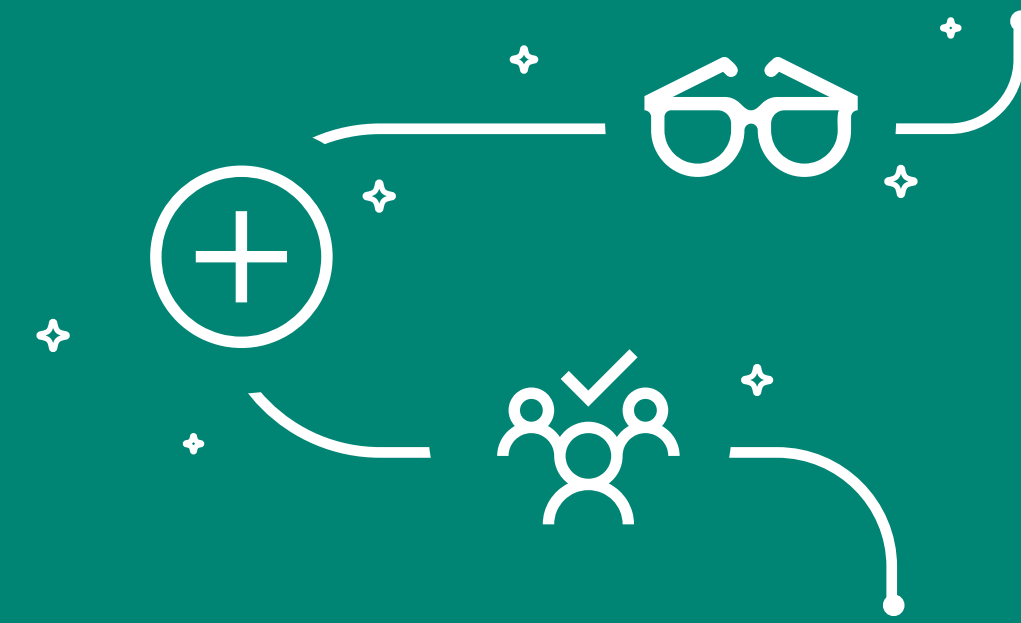
Design

The Design phase prompts you to scope your transformation aspirations and technology roadmap through a series of business-value and technical assessments.



Empower

The Empower phase helps you build support for your vision throughout the organization using visual assets, solution demonstrations, and immersive experiences.

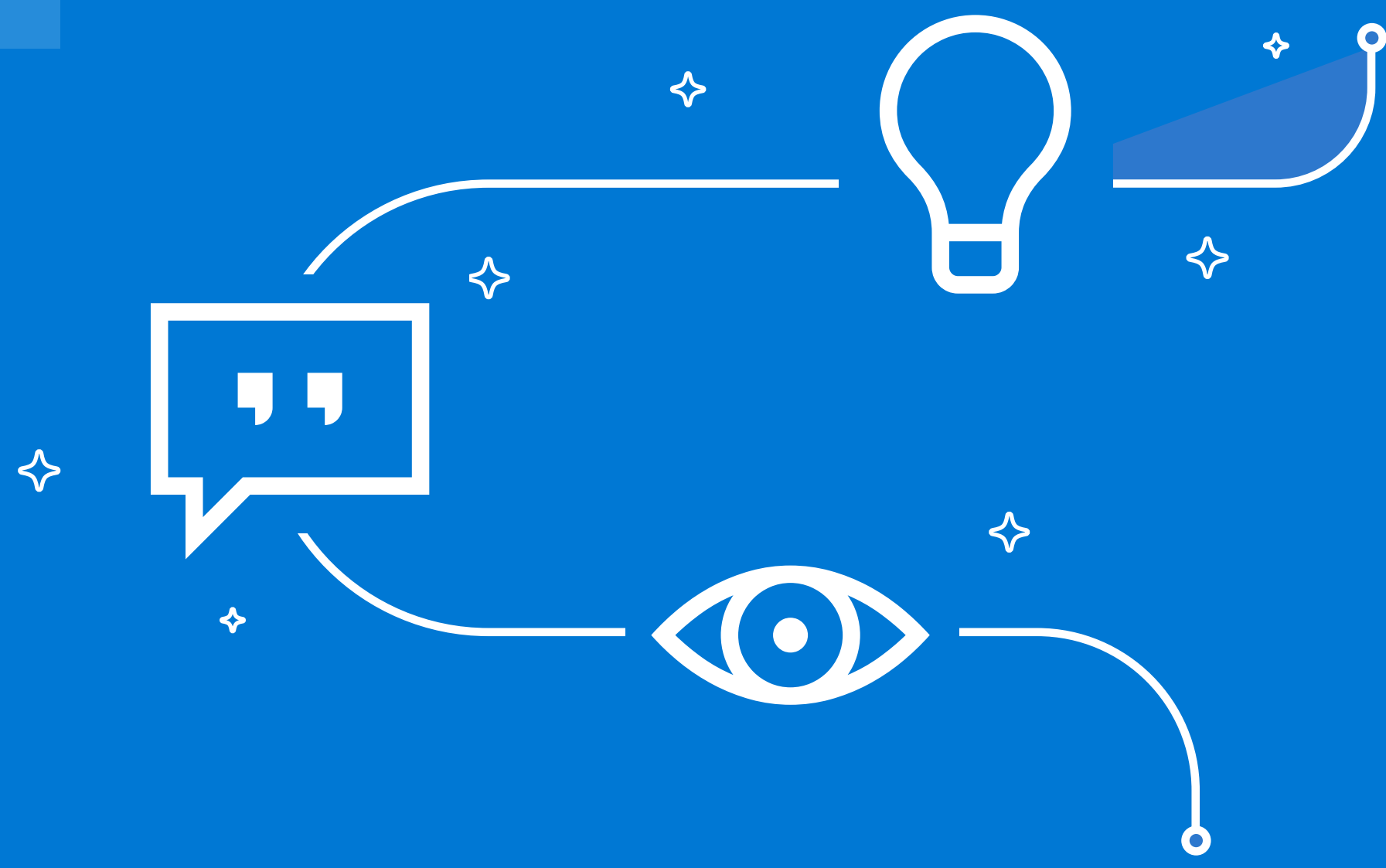


Achieve

The Achieve phase helps you move your organization from vision to action.



INSPIRE



Part 1:

Envision your future business

Now is a critical time to rethink your vision, explore new possibilities, and increase resilience for the future. You can fully articulate your vision with a strategy that looks at a longer time horizon. Instead of looking for ways to return to the status quo, use this exercise to look forward and emerge stronger.

“To take Chobani to the next level, we needed to move to the cloud. We wanted a simple, streamlined platform for both our front-end applications and our back-end systems.”

Parag Agrawal, Chief Information Officer at [Chobani](#).

Activities:

- ✓ Envisioning workshop
- ✓ Core capabilities mapping
- ✓ Customer journey mapping
- ✓ Business model selection
- ✓ Operations model selection

Outcomes:

- ✓ A prioritized list of capabilities that can help drive digital transformation in your organization
- ✓ New product and service ideas
- ✓ Strategic alignment on your organizational goals for digital transformation
- ✓ Deeper insight into your customers' experience
- ✓ A business model best suited to your digital transformation objectives
- ✓ An operating model designed to help execute on digital transformation



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Design



Empower



Achieve

An Envisioning workshop gathers your team to align on a vision for your business and to develop a guide for your digital transformation and acceleration journey. Now is the time to be audacious when setting your strategy.

Prepare for your Envisioning workshop:

1

Choose a facilitator

You can pick someone from your team or use a design thinking-certified third-party facilitator. Your facilitator's job is to help the group align and move forward through the phases of the workshop. If you're interested in working with a Microsoft facilitator, you can apply [here](#).

2

Invite colleagues from different business units

Your organization functions best when the people inside are unified. In your Envisioning workshop, invite department heads from Finance, HR, IT, and Operations as well as Customer Service, Marketing, Product, and Sales. You'll have a richer discussion and more diverse set of perspectives.

3

Establish a clear agenda

Establish a clear agenda that outlines expectations and defines the scope of the workshop, including what you will and won't achieve.



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“Our factories have continued to operate throughout the pandemic, and our projects haven’t stopped. Only the way we work has changed. We’re virtually connecting with local engineers for more than 70 percent of our work, whether we’re providing support or managing projects.”

Dallas Olson, Vice President of Global Manufacturing and Engineering at [Goodyear](#).

Core capability mapping exercise

Start your Envisioning workshop with a core capability mapping exercise. Note that the worksheets in this playbook can be filled out onscreen; or, you can print out the playbook to fill in the worksheets by hand.

01 List 5-7 key business units in your organization. For example, your business units might include:

- ✓ Customer service
- ✓ Product development
- ✓ Finance
- ✓ Sales
- ✓ Human resources
- ✓ Sourcing
- ✓ Marketing
- ✓ Supply chain
- ✓ Operations
- ✓ Information technology

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02 For each unit, identify existing capabilities. Then brainstorm potential capabilities. Look for new ways to serve customers that draw from your organization’s unique strengths.

Consider your:

- ✓ **Human capabilities:** Do you have people with the skills you need, and are they staying connected? Does everyone have the resources they need to do their job? How are your people being trained to work in new ways?
- ✓ **Operation capabilities:** These are the processes that enable people to execute efficiently. Do your organization’s processes support equitable access? Do you have systems that allow employees to work efficiently from anywhere?
- ✓ **Technical capabilities:** To ensure your organization can be agile and productive in the new environment, the right digital capabilities need to be in place. Do you have the right technology deployed so that teams have access to the data they need wherever they are working, without compromising security?

Example:

Key business:	Supply Chain
<i>Dynamic sourcing</i>	Relevance: Difficulty:
<i>Order fulfillment</i>	Relevance: Difficulty:
<i>Supplier relationship management</i>	Relevance: Difficulty:



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03 Categorize the capabilities according to their impact and strategic relevance to your business goals as “transformative,” “high,” or “moderate.”


T Transformative **H** High **M** Moderate


- ✓ For example, within your Supply Chain unit, you might have a “moderate” process for screening new vendors, but a “transformative” dynamic sourcing capability that can predict and adapt to weather anomalies and other events that impact production.
- ✓ Another example: Within your Customer Service Center, you might have a “moderate” call-management capability but a “high” artificial-intelligence chatbot on your website.


04 Now assess each capability for its level of difficulty to implement.


Level of difficulty: ● Low ● Medium ● High

- ✓ For example, if your business depends on the quality of its people, you might like the idea of building recruiting centers near top 10 colleges to fill your pipeline.
- ✓ At the same time, it might be easier to evolve and improve your “moderate” vendor-screening process because it’s strategically relevant as a way to source talent and less costly and difficult to implement than building 10 new recruitment centers.

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Key business:	
	Relevance:
	Difficulty:
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05 Finally, if relevant to your industry, determine the regulatory impact of each capability. For example, one of the biggest issues organizations face when moving to the cloud is maintaining compliance with regards to where and how data is stored and who has access. Would making a change require greater investment in regulatory compliance?

Now that you have a full picture of your organization's capabilities, prioritize them and create a short list. For each capability on your short list:

- ✓ Describe the intended business outcome
- ✓ Project the potential business value

Align on the final 2-3 capabilities as a team. This will help you develop a tightly focused program with a clear understanding of how your digital transformation program will benefit the organization and its customers.

Top Capabilities

Complete here



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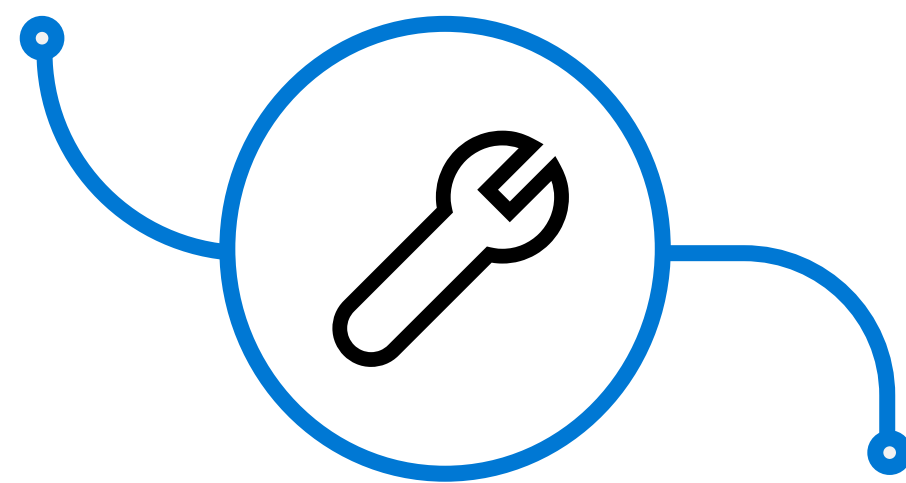


Achieve

Part 2:

Define business and operating models

In the second half of your Envisioning workshop, align on business and operating models. A business model defines what value will be created. An operating model reflects how the value will be created and delivered.



Your business model

Business models have shifted dramatically in recent years from prioritizing transactional relationships to valuing ongoing quality engagement. For example, we used to rent or even buy videos one at a time; now, we subscribe to a streaming service that we can cancel at any time. This shift means organizations must ensure customers are satisfied and making the best use of the products and services they consume.

Customers are also playing a more active role in the evolution of organizations through feedback and signal analysis. A digitally transformed company leverages insights to proactively provide better products and services.

“As a technology company supporting technical products, it is incumbent on us to demonstrate technological expertise at every customer touchpoint. We want every customer—big or small—to know that we value their business and respect their time.”

Brian Johnston, Business Architect at [HP](#).

01

Consider these customer dynamics as you evaluate your business model. If you prioritize relationships over transactions, how might your business model change?

- ✓ What type of business model do you have now?
- ✓ Given what you've envisioned for your business so far, is this the best model for the future?
- ✓ What business model would most benefit your customers?

02

Customers should be the ultimate focus of this exercise, as people are at the heart of your business.

- ✓ Do you know how to best meet your customers' needs?
- ✓ Can you anticipate what value they'll want next?

 To better understand your customers, use a customer journey mapping exercise.

Example | Online retailer: customer ordering

	Doing	Expecting	Thinking/Having Questions About	Interacting With
Step 1	Adding item to shopping cart	Website to function quickly; item appears in cart; updated # of cart items; correct prices reflected	Did it get added to my cart? Am I getting the best price? How long will it take to get to me? How easy is it to return? Do I have to pay shipping for returns?	Online interface
Step 2	Checking out	A clear list of items ordered; correct price on each; ability to remove an item or change # of items ordered; ability to continue shopping	Are all of my items here? Should I buy all of these? Are there any coupons I could apply? How long will it take for these to arrive?	Shopping cart page of website
Step 3	Choosing shipping option	Fair price for shipping or no shipping fee; coupon to waive shipping fee; fast arrival; clear options on shipping times and fees	Should I choose the faster, more expensive option? When do I need these? Can I get this faster or cheaper from another retailer? Is it worth it? Should I buy it at the store? Do I really want to pay \$7.95 in shipping for a \$17.95 item?	Shipping interface online
Step 4	Choosing payment option	Clear payment options; credit card or PayPal; secure payment transaction	Is this secure? Where is my credit card? Can I use PayPal? Should I create an account so they remember my payment info?	Payment interface, which may go "offsite" for PayPal transaction
Step 5	Finishing transaction	Confirmation page and confirmation email; a summary of the transaction	Did it go through? Will they keep me posted on the delivery?	Website interface; email

Customer journey mapping exercise



Complete each box

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	Doing	Expecting	Thinking/Having Questions About	Interacting With
Step 1				
Step 2				
Step 3				
Step 4				
Step 5				

- 1 Select a customer experience or typical interaction that your customers have with your organization.
- 2 Break down the interaction into 4 to 6 steps.
- 3 For each step, examine what the customer is doing, expecting, thinking/having questions about, and interacting with.



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After you've completed the exercise, discuss insights with the team on how you can optimize your business model.

If you're stuck deciding between a couple of business models, consider the following questions:

- ✓ How would this business model change customers' experiences?
- ✓ Would it allow you to move into new markets?
- ✓ What impact would this business model have on the local and global community?
- ✓ How would your organization's value proposition and revenue grow?
- ✓ How would costs and risks shrink?





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Your operating model

Once you've defined what value you will deliver, consider how to best deliver it. Work through the following exercises to define your operating model.

Participatory roles

First, create a mind map of all the players in your ecosystem.



Complete each box

1

What are the major groups of stakeholders?



2

How do these groups relate to one another?



3

What are the major transactions between groups?



4

Which interactions generate the greatest value?



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Governance framework

Next, to define risk and regulatory impact, ask:

 Complete each box

1

Who makes the decisions?



2

What are the criteria for level of investment the business is willing to make in a potential new product or service?



3

What decision-making power do various stakeholder groups have?



4

What is your organization's risk threshold?





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Inspire outcomes

At the conclusion of your workshop, you and your team will have determined which opportunities could bring the biggest benefit to your business. You will also come away with:

- ✓ New product and service ideas
- ✓ New approaches to daily challenges
- ✓ A prioritized area of focus
- ✓ A macro-transformation strategy
- ✓ Alignment on initial business and operating models

DESIGN



Build a compelling case for change

In the Design phase, your team builds assessments that help drive a compelling case for investment in your organization's digital transformation. A business value assessment helps financially quantify the business value of the team's proposed solutions, including return on investment (ROI), revenue growth, cost savings, and employee efficiencies. A technology assessment brings stakeholders together to review current technology in light of solution objectives. The output is a customized, technical roadmap.

During the Design phase, it's important to consider how strategy and culture intersect. Organizations are best able to evolve and accelerate their business when the people inside it are unified and working with shared values and ideas. A shared culture keeps teams connected. Also, an organizational mindset rooted in flexibility and openness to new ideas, processes, and technologies helps build resilience.

"We were literally bursting at the seams and running out of desk space."

Mark Kane, Global Head of Information Solutions at [Mainstream Renewable Power](#).

Activities:

- ✓ Business value assessment
- ✓ Technical assessment

Outcomes:

- ✓ Business value proposition
- ✓ Business value assessment
- ✓ Projected ROI
- ✓ Technical assessment
- ✓ Strategy technology roadmap



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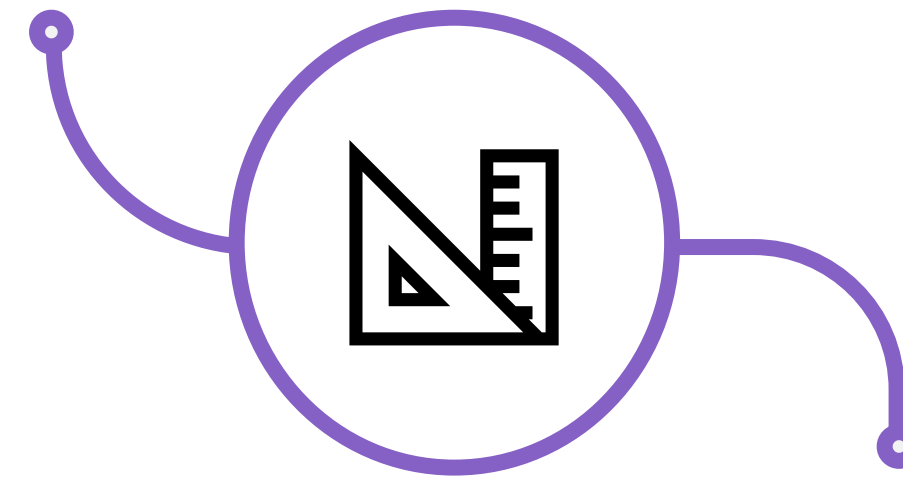
Achieve

Business value assessment

To conduct a business value assessment, gather baseline data. Your organization may already have some of this data, for example:

- ✓ **Accounting:** company financial performance such as profit, revenue, YoY growth
- ✓ **Customer Service:** customer satisfaction ratings
- ✓ **Human Resources:** employee retention, cost of turnover
- ✓ **Marketing:** lead generation and conversion data
- ✓ **Sales:** top-line growth by region or product/service line

Use this knowledge to prepare for questions about business outcomes and to set realistic expectations. Collect any additional data you need but don't have, such as employee skill levels or supervisor satisfaction.





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Technical assessment

The technical assessment helps map technology investments and solutions to business goals.

To develop your technical assessment:

1

Conduct a fit-gap analysis. A fit-gap analysis compares business requirements to your technology systems' capabilities and identifies the gaps you need to fill to fully support the organization from a tech perspective.

2

Develop a rough order of magnitude, which will help you estimate how much time, effort, and resources it will take to complete your digital transformation project.

3

Create a change management strategy that promotes positive company culture. You'll need to conduct change management to help staff adjust to organizational changes that result from digital transformation. A good change management strategy can help you to mobilize commitment and motivate people to support the changes happening in your organization.

4

Develop a project timeline, including the scope of your project, milestones, and key dependencies.



Complete each box



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Options-Based Opportunity Worksheet



Design

Option A Title

Option A Description and Value Proposition

Example: Most Aggressive Option will directly and decisively combat competitive pressures where first mover advantage is vital.

Cost: \$\$\$\$

Resources:

Option A Timeline and Expected Delivery

Option A Business Case Justification

-
-
-

Option A implications for not choosing this option

-
-
-

Option B Title

Option B Description

Example: "Middle of the Road" Option

Cost: \$\$\$\$

Resources:

Option B Timeline and Expected Delivery

Option B Business Case Justification

-
-
-

Option B implications for not choosing this option

-
-
-

Option C Title

Option C Description

Most Conservative Option

Cost: \$\$\$\$

Resources:

Option C Timeline and Expected Delivery

Option C Business Case Justification

-
-
-

Option C implications for not choosing this option

-
-
-



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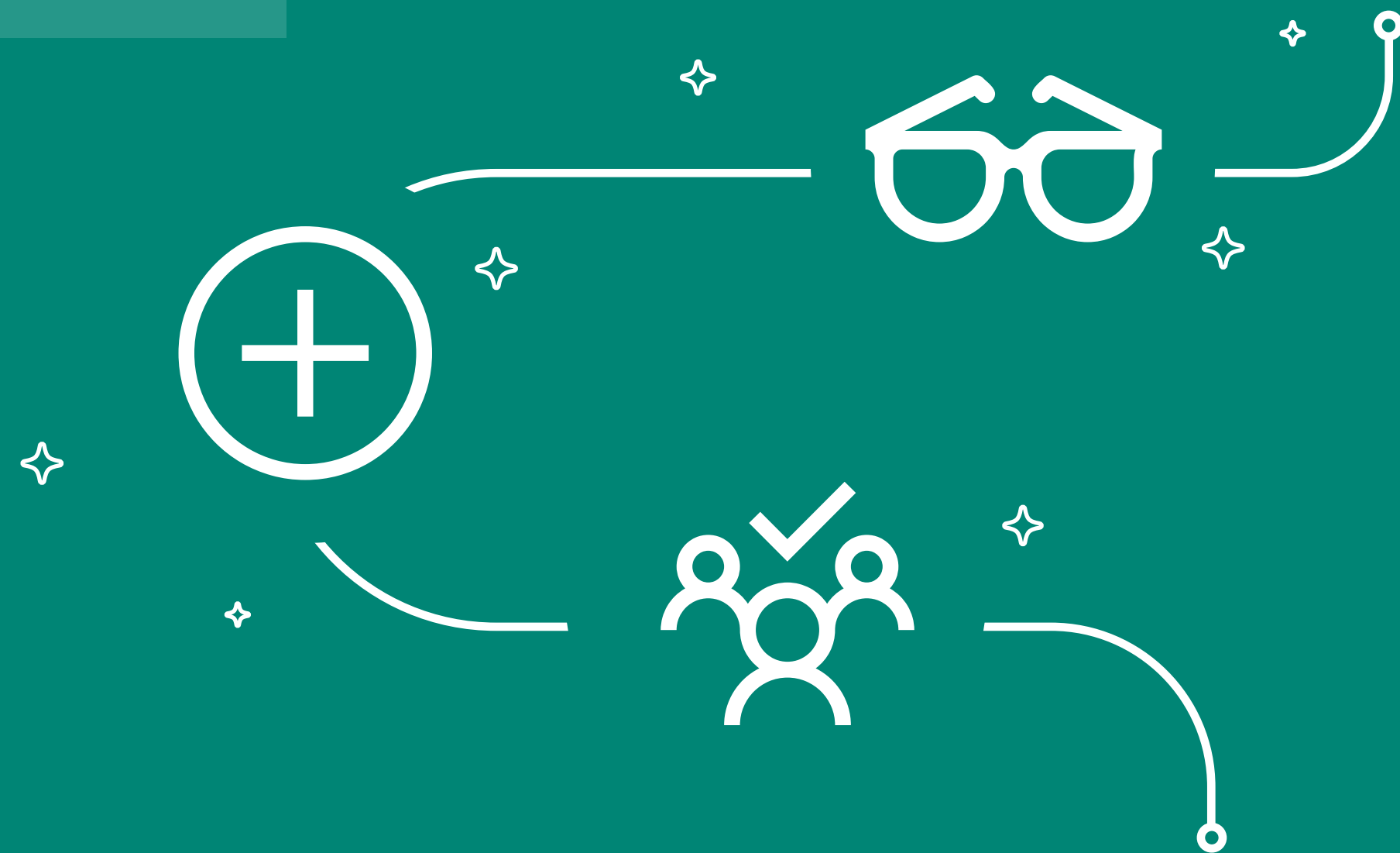
Achieve



Design outcomes

- ✓ Business value assessment with baseline data and business outcome projections
- ✓ Technical assessment with technology roadmap

EMPOWER



Share your vision

Decision-makers who didn't participate in earlier phases of your digital transformation process may not fully understand what you're trying to accomplish and why. In the Empower phase of your organization's digital transformation, your team will generate a solution demonstration to share your vision, build excitement, and persuade key decision-makers and influencers.

Be sure to emphasize your unique potential, namely, the assets that differentiate you from competition. For example, are you using the insights from remote work data to inform the way your team works in the future, or to adjust future tasks and processes for efficiency?

Unique potential can manifest in different ways depending on the organization or industry. For some it might be their physical assets, such as retail locations and proximity to customers. For others it might be protected intellectual property. Whatever it may be, it helps unlock value through innovation.

Note that solution prototypes can include visual artifacts, videos, or immersive experiences. Use demonstrations along with business value and technical assessments to deliver a powerful case for moving forward in your digital transformation journey.

Activities:

- ✓ Internal stakeholder mapping
- ✓ Solution demo development
- ✓ Solution demo socialization

Outcomes:

- ✓ Solution demonstration
- ✓ Feedback and input from important stakeholders



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Solution prototyping

To develop a solution prototype:

1

Map out stakeholders who will experience the prototype

2

Identify their concerns

3

Use the information to inform the format of the prototype

4

Build the prototype and reserve time to socialize it with target audiences

5

Include data gathered in the assessment process to frame a data-driven story of digital transformation for your organization

6

Gather and incorporate feedback throughout the process



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Design



Empower



Achieve



Empower outcomes

- ✔ Solution prototype
- ✔ Feedback from stakeholders

ACHIEVE



Execute on your vision

There is no single “right” way to approach digital transformation. Some organizations start with a pilot project in a small part of the organization. Others roll out a larger proof of concept and quickly test and iterate for a broader and more immediate business impact. Regardless of the size of your project, agility and iteration are key to the desired business impact of your digital transformation strategy.

The Achieve phase moves your team from vision to action through a business transformation plan. Here is where you make use of existing capabilities while continually developing a wide range of new ones.

“With the amount of information we are generating in the last few years, it is vital that all that data is not wasted, and we use it for a purpose.”

Rafael R. Guerrero, Consultant Congenital Cardiac Surgeon, Clinical Director of Cardiac Services & Director of Innovation at [Alder Hey](#).

Activities:

- ✓ Transformation planning
- ✓ Blueprinting digital transformation journey

Outcomes:

- ✓ Strategic plan and roadmap for digital transformation journey
- ✓ Ready-to-execute pilot project



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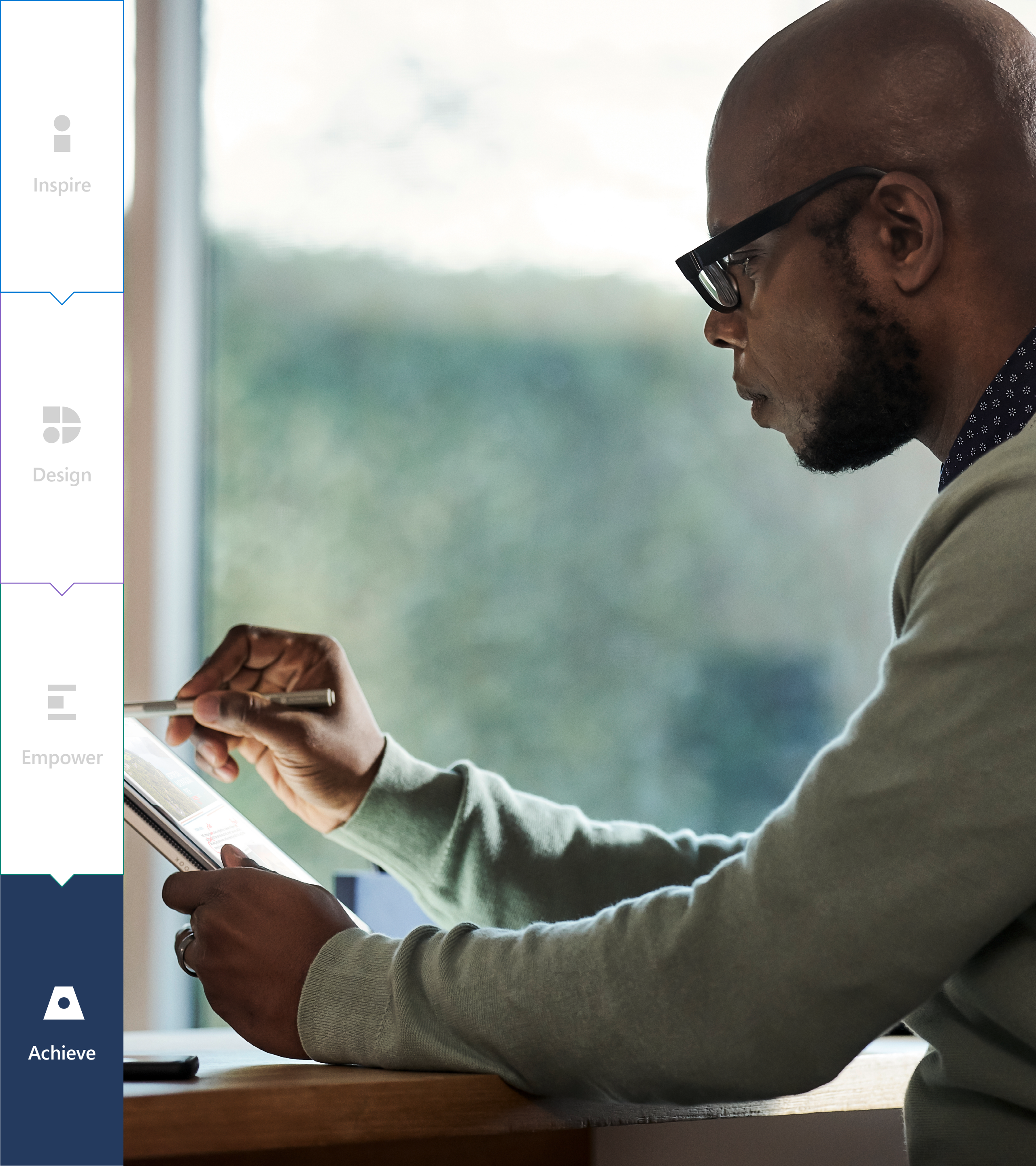
Transformation plan

Create your transformation plan:

- 1 Collect all the work the team has completed in the I.D.E.A. framework.
- 2 Create an executive overview.
- 3 Summarize the vision and assessments.
- 4 Map out concrete steps to project completion.
- 5 Make sure to allocate enough budget for effective change management.

Execute on your transformation plan:

- ✓ Set daily, weekly, and monthly goals to strengthen accountability.
- ✓ Set expectations for reviews.
- ✓ Share early wins and share them often.
- ✓ Encourage low- and high-fidelity prototyping.



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Design



Empower



Achieve

Achieve outcomes

- ✓ Blueprint for your organization's business transformation with supporting strategy and assessments
- ✓ Clear steps for acting on your plan

Get started

Building a digital foundation is as much about people as it is about technology. It unlocks human ingenuity to solve challenges, improve workflows, and ultimately, provide superior customer experiences.

Accelerating digital competitiveness requires commitment from the top of the organization and must also be pervasive across departments. That makes company culture a key element of success. Digital transformation happens because people see the outcomes and benefits and drive toward them.

The I.D.E.A. framework has guided many businesses through their digital transformation, and we hope it will empower your organization as well. Throughout the process, if you need additional guidance, expertise, or support, you can access more of Microsoft's—and our partners'—knowledge and experience.

- Apply to the [Microsoft CATALYST program](#) for support with workshopping sessions.
- Check out customer success stories on our [Transform blog](#).
- Download and read [Eight Real-World Digital Transformation Lessons](#).
- Browse through our [Digital Transformation site](#) for additional resources, including a Gartner report on defining business KPIs.
- Reach out to Microsoft partners in our [Partner Center](#).

Remember that the first and most important step is to get started.

Contact a Microsoft representative to discuss partnering with Microsoft on your digital transformation journey.