A Business Transformation Model for New Growth

DIGITAL TRANSFORMATION CANVAS

A comprehensive strategising toolkit with a step-by-step guide to Digital Transformation and a compilation of case studies from top companies in Thailand and in the world

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Digital Transformation in Action is a step-by-step guide to transforming your business in the digital age. It was first published in October 2018. As of July 2020 the book has been reprinted 5 times and has become a bestseller in major bookstores nationwide. So, first and foremost, I’d like to take this opportunity to express my gratitude for your support for my previous book.

My main goal has always been to educate and spread knowledge about digital transformation from the point of view of someone who has been working in this field for more than 10 years as a business consultant and a lecturer for big corporations, SMEs, government departments, and educational institutions.

Normally in each year I will be able to reach thousands of people through my talks and lectures. It is not a bad size of audience, but I believe that my knowledge about digital transformation could be disseminated to a much larger group of people if it is published. In book form it could reach tens or even hundreds of thousands of people. The feedback I received from the readers of my last book also indicates that my latest book could still prove to be an informative, useful, and handy reference to a greater or lesser degree.
Why do we need to Transform?

Italicize makes a case for the need of digital transformation in today’s world. It tells the story of how the nature of business operation and competition has changed because of digital technologies. Many big organisation in the past manage to make a comeback and become successful again because they embrace the digital disruption and do not shy away from new competitions in their industry.

The main competitors in the digital era are now start-up companies and cross-industry businesses who can use and manipulate digital technologies to their advantages. As a result, many incumbent players in the industry are losing dominance in their own market. Some are unable to adjust and have to either downsize or completely shut their businesses.
Many readers have submitted questions or requests additional information that is not included in italicize. These are examples of some of the questions I have received in the past:

- Some organisation that are seemingly undergoing the process of digital transformation are simply working on their IT infrastructure or a digital marketing strategy. How do we know whether the organisation is actually pursuing digital transformation?

- What is the secret to success of the organisation that have achieved digital transformation? And what is the success indicator?

- Why are the causes of failure to achieve digital transformation for some organisation?

- What kind of businesses can pursue digital transformation and to what degree?

- Are there any case studies from global and local organisation from various industries that have successfully completed digital transformation?

- What is the starting point of digital transformation? What are the actual steps and key factors that need to be considered along the process?
These are just some of the questions. There are still many more inquiries about digital transformation that I have received so far. In a way I’d like to think that Italicize is essentially where I provide answers to those questions all in one place for easier reference.

Italicize is a step-by-step guide to achieving digital transformation. It will help you strategise and design a digital transformation process that works for you.

Italicize is based on the success stories of 20 companies that have completed digital transformation in the past 10 years according to Italicize. The book includes case studies from both global and Thai companies such as Netflix, Adobe, Amazon, Ping An, Nestle, Stripe, 23andMe, Meituan, Thailand Post, and RS Group.

Italicize is a toolkit for business owners, entrepreneurs, and executives who want to train their team to look for opportunities, to develop and brainstorm ideas that will fundamentally change the business from ground zero today to a bright new growth in the future.
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Chapter 01

- Digital Transformation 101
- Digital Transformation: What, why, and how?
- Why do we need digital transformation?
- Same or different? Digitization vs Digital Transformation
- Startups, SMEs, and big enterprises: different approaches to digital transformation
- The importance of digital transformation
- Additional essays on digital transformation 101
Digital Transformation: What, why, and how?

I’ll begin with the definition of 'digital transformation' for those who have not read Digital Transformation in Action. What is digital transformation? Why do we need it? How do we begin and succeed in pursuing digital transformation?

To understand the meaning of digital transformation, it is useful to start with what it is not:

- Digital transformation is not just about IT infrastructure or introducing new technologies to the organization.

- Digital transformation is not just about developing an e-commerce website or digital marketing strategies on social media or other online platforms.

- Digital transformation is not just about setting up a digital department, a transformation plan, a start-up team, or delegating responsibilities about the digital side of the business to someone in the organization.
What is Digital Transformation then?

Digital transformation is a mode of strategic thinking. It is an approach to conducting a business that is founded on a holistic transformation of the organization into a digital business. Such transformation comes from implementing new perspectives and new ways of thinking in every dimension of the organization, with everyone involved in the process of creating a holistic, organization-wide transformation.

Why do we need to transform?

The digital age has fundamentally changed the nature of business operation and competition, which leads to a phenomenon commonly known as the ‘disruption’.

Incumbent businesses can no longer use their existing advantages to maintain dominance. Digital technologies introduce new ideas and approaches to business operation which are known under the umbrella terms such as ‘Platform Business’, ‘Disruptive Technology’, or ‘Disruptive Innovation’. These terms will be discussed in detail in later chapters.

Not only that the competition has changed, the customers and the market itself have also changed.

Digital technologies were first widely used in the early 1990s, which was the period known as the ‘dotcom boom’. Since the 2000s, e-commerce, social network and smartphone technologies have been a prominent factor in the market. Until recently, Big Data and AI (Artificial Intelligence) technologies also come to play a vital role in the business world. These evolutions and developments in digital technologies have essentially changed the market and business operation. There is a need to integrate both traditional and digital media to develop offline and online marketing strategies. This has led to the development of new marketing approaches such as Omnichannel, O2O (Online-to-Offline), and The New Retail. The use of MarTech (Marketing Technology) has also become more popular. However, the use of these new technologies and tools are not limited to digital marketing strategies. They are used with the recognition of the importance of customer experience (CX), especially the new demands and expectations from customers in the digital age.
How can we begin the transformation?

Begin with data and create innovations that go beyond the existing business model.

Data is the starting point to Digital Transformation.

A digital transformation process begins with an understanding and a strategic use of Big Data. That means knowing how to turn data into a strategic business asset. This is the starting point of the transformation process that will help business achieve a real transformation.

Successful organizations do not only achieve a true digital transformation but also have a true understanding and expertise in utilizing and processing data and creating new innovations within the organization. They become a truly innovative organization by incorporating and synthetizing a range of innovative ideas and techniques such as Design Thinking, Open Innovation, Design Sprint and Business Model Canvas. The synthesis of these ideas creates a continuous flow of innovations and a sustainable circle of success.
Now that we understand why and how to begin the transformation, it is time to execute it.

A digital transformation process must begin at the level of individuals. There must be an emphasis on training, upskilling, reskilling, educating people in the organization, alongside recruiting new digital-oriented employees, to ensure that the organization is ready to face the change and compete in the digital era.

At the level of organization there must be a change in the structure, corporate culture, operational procedures, human resource management, and key performance indicators that are not limited to the traditional KPI model.

Most importantly, the organization needs to understand that the nature of competition has changed. The new competitors do not view the industry in the same way. It means that the organization also has to change the view and understanding of their own industry so that they can maintain their dominance and survive in the business.

There is more information about this in Digital Transformation in Action.

"However, for the moment, the big question is... Even after following the principles laid out above, why do some organizations still fail to complete Digital Transformation?"

"The answer is in the understanding that digital transformation is an investment in new technologies in order to achieve the result of the 3+1 formula."
The number 3 refers to the three outcomes from a successful digital transformation effort:

1. **New Efficiencies**
   A true implementation of digital technologies needs to lead to improved efficiencies in the organization such as lower cost, higher productivity, or faster and more efficient delivery.

2. **Enhance Customer Experiences (CX)**
   New efficiencies must also be translated into an enhancement in customer experiences that come from better and more efficient services from the organization.

3. **New Business Models**
   A true digital transformation should enable the organization to develop new business models or new ways to generate revenues and profits because the organization that is digitally transformed should be equipped with new competing abilities.
Organizations that are successful in implementing a digital transformation do not only achieve the three things mentioned above. An essential part in the 3+1 formula is the ‘New Growth’ or the ‘New S-Curve’. Digital transformation should help the business maintain its dominance or rise up to become one of the leaders in the industry.

In the age called ‘digital’

This book collects success stories of companies and organizations that have completed digital transformation and fulfilled the 3+1 success formula.
Why do we need Digital Transformation?

- Apple: 961.3 (1976)
- Microsoft: 946.5 (1975)
- Amazon.com: 916.1 (1994)
- Alphabet: 863.2 (1998)
- Berkshire Hathaway: 516.4 (1839)

Year of Establishment
Statistically it appears that many high-value organizations in the top ten of their industries in the past ten years have failed to maintain their market dominance. At the same time, successful organizations nowadays all belong in the ‘digital’ industry. If we look at the top ten organizations by market capitalization, there are up to six organizations that are even younger than Microsoft which was founded in 1975. Those six companies include Apple (1976), Amazon (1994), Alphabet (1998 – originally named Google), Alibaba (1999) and Facebook (2004).

### Top 10 Organizations by Market Capitalization

Market capitalization in billion U.S. dollars

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
<th>Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>2004</td>
<td>512</td>
</tr>
<tr>
<td>Alibaba</td>
<td>1999</td>
<td>480.8</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>2000</td>
<td>368.5</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>1886</td>
<td>366.2</td>
</tr>
<tr>
<td>Visa</td>
<td>1958</td>
<td>351.9</td>
</tr>
</tbody>
</table>

(data from Statista, August 12, 2019)
Top 10 Organizations in 2009 by Market Capitalization

Market capitalization in billion U.S. dollars

- Exxon Mobile
  - 1999
  - 442.8

- Wal-Mart Stores
  - 1962
  - 405.6

- Chevron
  - 1879
  - 263.1

- Conoco Phillips
  - 1875
  - 230.7

- General Electric
  - 1892
  - 183.2

Year of Establishment
Looking at the most valuable companies in 2009, we learn that:

- Even though some of those companies have been around for many decades, many of them fail to maintain dominance in the market. Some of them even have to downsize, file for bankruptcy, or close down completely. At the same time, there are also companies that remain in the leading position and continue to grow up until the present.

- Those companies that can maintain dominance in the market have all done one thing in the past several years: they integrate digital technologies into their business operation to create New Efficiencies, Enhanced Customer Experiences and New Business Models.

- It could be said that those successful companies have achieved digital transformation according to the 3+1 success formula, or the kind of digital transformation that leads to the New Growth or the New S-Curve.

In the chapters that follow I will give examples and case studies of organizations in Thailand and in the world, from various industries, that have succeeded in implementing the 3+1 digital transformation process.

(Data from the FORTUNE 500)
**Same or Different?**

Is Digitization or Digitalization similar to or different from Digital Transformation?

Many organizations that are adapting to the digital age often confuse IT infrastructure and digital marketing with digital transformation. The confusion leads them to believe that they have already undergone a digital transformation process.

The terms ‘digitization’ and ‘digitalization’ are also quite ambivalent. The lack of clarity and understanding then leads to an unclear direction and plan for the organization. More often than not we do not know what we are doing and what it is for. When I googled the meaning of these two terms in Thai, I found that almost every definition I came across is also confusing and misleading. So let’s define these terms so that we are on the same page and able to apply them to our work correctly.
Digitization has a straightforward meaning.

It refers to the process in which information in an analogue form is converted to a digital form that can be stored, processed, and transferred by a computer.

Many leading organizations and educational institutions have defined ‘digitalization’ in this way:

The first definition describes the phenomenon in which digital technologies have been integrated into everyday life and social relations. Social conducts that used to depend on analogue technologies such as letters or telephones are now intertwined with digital technologies such as e-mail, instant direct messaging, and social media.

Another definition of digitalization describes the process in which digital and information technologies have changed the nature of business conduct. Computer systems and digital technologies help to increase efficiency and incorporate automation in the operation processes.

There are many more definitions, but it could be concluded that digitalization is the transition from analogue to digital modes of living and working.
Digital Transformation has a wider scope than digitalization.

Digitalization is one aspect of digital transformation. It can be applied in individual and separate projects within the organization.

However, digital transformation aims to holistically and strategically transform the organization itself, while digitalization only focuses on the outcome of individual project that implements it.

Digital transformation is the paradigmatic shift in how to conduct a business. It will change the foundation of your business, including its core capabilities, through the transformation into a digital business.

Digital transformation is an investment in digital technologies that will lead to the 3+1 success formula:

Now that we understand the meaning of these terms, I want to highlight this paragraph as an example of how the terms can be correctly used:
In the digital age, organizations implement a Digitization process by converting information from analogue to digital formats. They initiate the process of Digitalization by introducing digital technologies in their business operation. Then the organization could initiate Digital Transformation in order to fundamentally change the core of its business operation and strategy.
DIGITAL TRANSFORMATION CANVAS
A Business Transformation Model for New Growth

Digital Transformation Canvas is a comprehensive toolkit for strategising and implementing digital transformation for business. The canvas is developed from the case studies of top 20 companies that have successfully completed digital transformation in the past 10 years according to a study published by Harvard Business Review. Included in this book are the best practice stories from both global and Thai companies such as Netflix, Adobe, Amazon, Ping An, Nestle, Stripe, 23andMe, Meituan, Thailand Post, and RS Group.

Whether you are a business owner, an entrepreneur, an executive of a big enterprise, an owner of an SME, a startup, or a non-profit organisation, this book will help you:

- understand what digital transformation means and how it can help your business achieve new growth;
- learn to use the 9-step guide of Digital Transformation Canvas from 10 case studies of top companies in Thailand and in the world;
- learn to use the 5Ds model to achieve digital transformation;
- know where to begin and how to successfully complete digital transformation;
- measure the success of digital transformation using the success indicator survey.