PULSE

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Transition into the digital age means

A technology-enabled transformation

The way scalability is achieved has **dramatically changed**

Technological advances have always impacted on the way companies run their business. In the industrial age, organizations were successful if they understood how command and control chains, together with highly efficient manufacturing processes, led to predictable business growth in well-known market development cycles.

And those industrial giants operate at a scale that others can't achieve. By spreading the fixed costs of expensive, non-transferable assets like machinery or a banking license, as well as highly-geared operating expenses like marketing and regulatory compliance, over a larger revenue base than their competitors, these companies were able to become more widely known and cheaper.

Creating economic value for shareholders and owners was of utmost importance and was quite often pursued as a short-term objective.

The trade-off? Decreasing public trust in companies across many industries, drastically reduced employee motivation, irreversible environmental damage and on top of all that, most companies are struggling to keep up with their customers.

While society and humanity had always been used to technological innovation, the difference to today is that connection and speed are creating an ever-increasing rate of change resulting in a future increasingly difficult to predict.

Decision-making regimes are still very much influenced by traditional mindsets that consider change as a long-term, once- in- a-while exercise, rather than an agile, recurring and rapidly responsive process within the reach of most companies.

And while many organizations still rely on a way of working designed for the challenges and opportunities facing the industrial age over 100 years ago, more often than not, they are hit by new market entrants. These are companies that know how to utilize the technological innovations of the digital age perfectly, where scale no longer means pushing a mass-produced product to the mass consumer, but where scale enables a digital company to tailor an individualized product to every consumer.

Today, information is the fuel for **business performance**

In the industrial age, the need for higher productivity and scalability, which resulted from standardization efforts to expedite the affordability of goods for the wider community, was linked to job security and greater consumer activity.

Information about the utilization of such goods, especially whether or not those goods were actually solving an end-user's problem, was not really used as design criteria.

That has changed. However, by starting to collect information to increase operating efficiency, things have now moved on even further and customers are becoming involved in the product design process. What first started as a feedback-loop in an assembling process, still imposed by manufacturers, is now determining the delivery process of choice. In the past, information was the currency of power - today it's the fuel for business performance.

Information-based business models are fueled by any traceable digital footprint a human being, a component, a machine or a service may leave behind. Enforced by network effects, business growth is being achieved primarily with information and data tied to a distributed entity generating future demand, rather than a supply-side push of products onto the market.

Efficient know-how management – **an item on every c-level agenda**

Today, conducting business is often part of an ecosystem or network, and the most successful companies aspire to become a hub in those networks controlling relationships between customers, suppliers and providers of complementary services. Being successful means being competitive and staying relevant in such networks, which operate more like a series of cogwheels than a linear supply chain.

Making a transition into the digital age now means a deep organizational change for a company as most of the past structural elements are not applicable anymore.

While highly standardized, rigid processes and guidelines were sufficient to guarantee survival in the past, today the epic center of this change is the way information and know-how are being managed through the organization - which essentially means digitizing the process of information and know-how management. This can be considered as pivotal for accelerating growth in digital business models.

The change management fueling the transition into the digital age needs to be accompanied by a careful management of important stakeholders.

Starting with a leadership coalition combined with a strong top-down buy-in gains the support of key people in the organization and, more importantly, allows access to the know-how and expertise of these stakeholders when considering organizational knowledge. The transition of operating models into a digital age is characterized by:

- **FROM** routine and static jobs **TO** rapid cycles and fluent task assignment
- **FROM** hierarchy supported by functioning command and control chains **TO** networks fueled by know-how and distributed learning communities
- **FROM** organizations optimized for predictability TO organizations rapidly responding to uncertainty in all business domains
- **FROM** efficiency achieved by lean and mean production processes **TO** efficiency (additionally) determined by data / information, know- how and its accelerated connectivity

And this transition is accompanied by a change of leadership style from the top - a change based on the personal development of members in the c-suite. Most command-and-control structures operate with a directive leadership style. A style based on fear, control, and telling others what and how to do their job. It tends to neglect the wisdom of the crowd and disengages those lower down in the organization. This is often perceived as distance between top-management and the rest of the organization.

Passionate sponsorship from C-suite executives will be crucial to power the leap of faith leadership teams need to launch a collaborative transformation that changes the way multiple functions work.

In the context of digital business, a technology-enabled transformation means a clear vision from top-management of how to aspire to and select new innovation fields with the potential to transform the organization.

In the digital age, the ability to efficiently manage know-how in an organization will be crucial to staying relevant in target markets and should therefore be an item on every c-level agenda. By still sticking to traditional operating models, the reality often shows that companies are not leveraging the full knowledge power of their employees. Why is that? Quite simply, 80% of the knowledge in the company is not even documented. There is one key reason for this - employees typically utilize their know-how tied to a specific and current job description rather than their multi-faceted, multi-disciplinary experience collected during various assignments in their professional lives.

The experience which might be precisely the very much desired domain expertise needed to create the next major innovation!

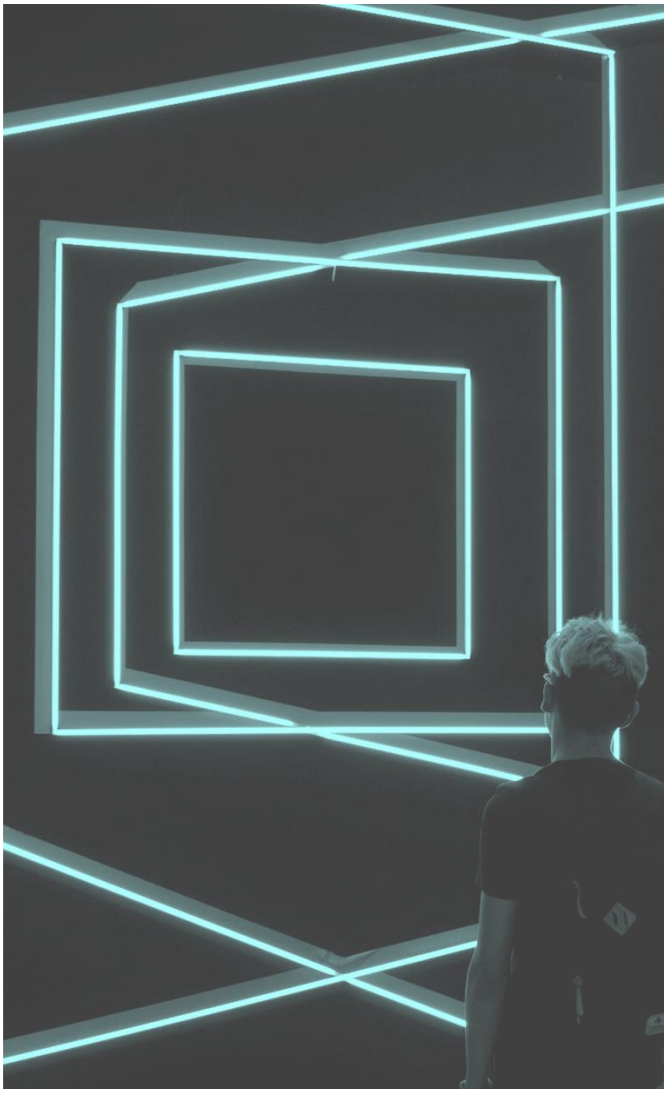
Compressed innovation cycles in many industries require access to relevant information in real-time even more and quickly conclude decisions determining the commercialization of the next innovation at the tipping point.

Our conviction: transition into the **digital age requires a structured playbook**

Judging by the evidence, we believe that the low-risk approach of developing isolated use cases to pilot the application of technology for a company's future business growth is not enough to stay relevant in increasingly digital markets and become meaningful enough to transform an entire industry - an obvious aim of every well-performing company.

Instead, transition into the digital age means a technology-enabled transformation sponsored by the c-suite where the efficiency of an organization is additionally determined by real-time access to relevant information and know-how.

The way we accompany our customers on the edge of such a transformation is by initially facilitating at the c-level the changes needed in capabilities and their operating model. We do not shy away from leading the empowerment of the organization in a way that ensures know-how is used efficiently. This includes using collective knowledge about how innovation is based on economic value and, furthermore, how to allocate the required resources in order to maximize the value of innovation and market differentiation. In our view, reporting the financial benefit to a company through specifically defined terms (such as KPIs) represents the loop back to demonstrate successful transformation for the purpose of attaining sustainable business growth.



Our strong belief is that a transition into the digital age requires an architectural and holistic playbook, passionately sponsored by the c-suite.

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Take-aways for your transformation journey

Structured & comprehensive playbook for a technology-enabled transformation

- End-to-end approach: As a first step, initiatives are designed to address systematic obstacles and outdated IT infrastructure, a traditional operating model with limited governance on how new technologies are diffused in an organization. Further initiatives are then phased in touching every part of the organization instead of isolated use-cases.
- Technology as a catalyst: technology is used to go beyond harnessing efficiency in lean production processes and to accelerate the transformation to a digitally literate organization and attain the next level of value.

Early, disciplined approach to capital expenditure management

- Financial intelligence: Employing an unbiased analytical approach for capital allocation will lead to an early sorting order of right bets to obtain an optimal margin mix in both core and new business models.
- Financial benefit to customers: End-to-end Business models can lead to customer decisions that release financial benefits for sourcing a new service or even a new platform business.

Pursuit of commercial excellence

- Digitized sales and go-to-market: (new) technologies in e-commerce and sales for dynamic price sales management based on profound analytical capabilities.
- Tech commercialization: Build an understanding for Technology and IT as a profit center to have an integrative end-to-end and value-driven approach of tech employment to business processes.

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Meet **LD 7**

LD7 is a team of innovators, leaders and investors working with large organizations in the financial services, energy, automotive and technology sector.

With offices in Bremen and Munich, LD7 accompany and lead companies through their digital transformation to develop and launch sustainable business models and to find answers to their clients' most critical key industry challenges.

LD7 is a bridge-builder between large established corporations and small innovative market entrants. Identifying meaningful and marketable innovation fields for established corporations and developing growth strategies for young companies are likewise activity areas, where LD7 employs profound expertise in strategic development, innovation management and organization development.

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