

DIGITAL TRANSFORMATION THROUGH BUSINESS ENGINEERING

Digital transformation is a mega trend.
Companies cannot afford to be unprepared to face the changes.
Business engineering can help.

By Reinhard Jung



Two words are on everybody's lips: digital transformation. However, many companies have only the vaguest idea of what the concept involves. The process is more than merely having a bank launch an e-banking solution or having an insurance company provide customers with an online portal for signing and managing policies.

Drivers of digital transformation

In order to understand the "essence" of digital transformation, a glance at the drivers will illustrate what triggered this mega trend or is supporting it:

1. Technological networking and pervasive computing

Networks and networked devices are now omnipresent. The iPhone was launched exactly nine years ago. Modern everyday life is impossible to imagine without smartphones. Customers are almost always online meaning the real and the virtual worlds are ever more closely linked.

2. Web 2.0, social networks and communities

The World Wide Web, originally a source of information, has long since transformed to a platform for real communication (Web 2.0). From unidirectional 1:n communication from companies to customers, an m:n communication has since developed. IT allows consumers to reach other consumers, completely changing the power dynamics on many markets. Social networks and communities with completely different goals have been created.

About Reinhard Jung

Reinhard Jung is Professor for Business Engineering at the University of St. Gallen and Director of the Institute of Information Management. He is the Academic Director of the MBA HSG in Business Engineering and Executive Diploma HSG in IT Business Management and head of the Business Innovation masters program and on the executive board of SIRA (Swiss Informatics Research Association). His research focuses on business engineering, digital transformation and customer relationship management. He is a regular speaker at national and international conferences on business engineering and digitalization.

3. Generating and sharing content

The readiness of "digital" actors to generate and share content with others is constantly expanding. Consumers are taking part in innovation processes with no ulterior motives (prosumers) or are even providing services to other customers. Migipedia of Migros is an impressive example.

**DIGITAL TRANSFORMATION IS MORE
THAN HAVING A BANK LAUNCH
AN E-BANKING SOLUTION.**

4. Differentiation pressure

Many markets are saturated and are dominated by intense competition. Differentiation by means of original products and

services will become ever more difficult. New, primarily digital services create added benefits for customers and they improve differentiation on the markets.

5. Expectations

Convenient online services make customers more demanding of their market partners: Searching needs to be as easy as Google, shopping as convenient as Amazon and digital products as intuitive as iOS products. Providers who cannot keep up will quickly fall behind. The competition is intense and customer loyalty is decreasing.

6. New competitors

Two trends are apparent in many industries: One is the penetration of established and sometimes large companies into other industries. Amazon, for example, started with the sale of books and is now more of an online department store for all household needs. On the other hand, new companies are being created focused on the targeted value phases of established companies and substitute them with highly innovative products and services. A well-known example is WhatsApp, which almost overnight “cannibalized” the largest telecoms (text messaging) and caused massive declines in income.

**START-UPS HAVE A
DECISIVE ADVANTAGE:
THEY DO NOT HAVE
TO CHALLENGE EXISTING
STRUCTURES OR PRODUCTS.**

The “essence” of digital transformation

Companies, which react consistently to these drivers and use digital transformation to adapt to the changed conditions, usually focus entirely on the following fields:

1. Business model: New products and services need to be defined to meet the new customer needs, existing products and services need to be complemented with supplemental services (hybrid value creation).
2. Customer experience: Starting from customer needs or even processes (customer journey) the customer experience is redesigned.
3. Value creation process: The process is digitalized or automated as much as possible. Production refers to Industry 4.0 in this context.

The interesting factor is that start-ups take almost identical approaches. However, new companies have a decisive advantage: They do not have to challenge existing structures or products. The ballast in established companies creates significant resistance to change.

Business engineering as a structuring model

The University of St. Gallen developed the concept of business engineering, which can serve as the basis for digital transformation. Business engineering as a comprehensive approach to change illustrates the path forward for transforming all design levels within the company. Leadership aspects play a very important role and often decide between success and failure. Business engineering helps keep the change process transparent and understandable. The concept provides a comprehensive tool box for change managers.

Business engineering is based on consistent outside-in thinking, starting from customer needs and not from production processes and provides methods and models for system and design changes. As a top-down approach, it integrates numerous fields in a uniform change process. As part of digital transformation business engineering may support the following activities:

Business strategy: expanding and reevaluating the business model and supplementing the product portfolio through relevant (digital) services.

Business processes: use of new/additional communication channels with the customer and redesign of the customer service and communication processes in order to generate customer benefits and create an extensive knowledge base about customer (needs).

The systematic approach within the business engineering framework can thus help successfully design and implement change projects for the digital transformation.

Further information on the Executive MBA HSG in Business Engineering is available at: www.embe.unisg.ch ■

Imprint

Publisher:

AdNovum Informatik AG
Corporate Communication
Roentgenstrasse 22
8005 Zurich

Phone +41 44 272 6111
E-mail info@adnovum.ch
www.adnovum.ch

Responsibility and editing:

Andrea Duttwiler
Feedback: notitia@adnovum.ch

Design and realization:

Comuniqu, Zurich

Photography:

Getty Images (Frontpage), Gerry Nitsch, Zurich
Printed on Balance Pure

