

Digital Transformation in Organizations: Co-Innovation through Co-Working

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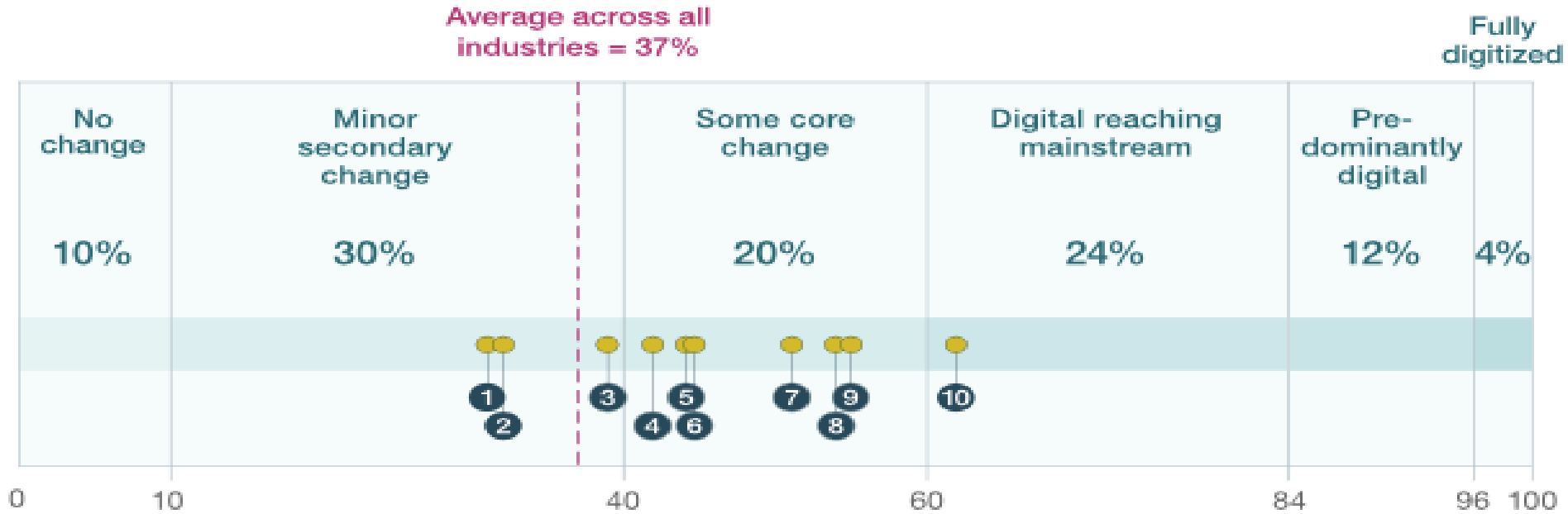
Stockholm School of Economics (SSE)

October 4, 2018



Digital is penetrating all sectors, but to varying degrees.

Perception of digital penetration by industry,¹ % of respondents



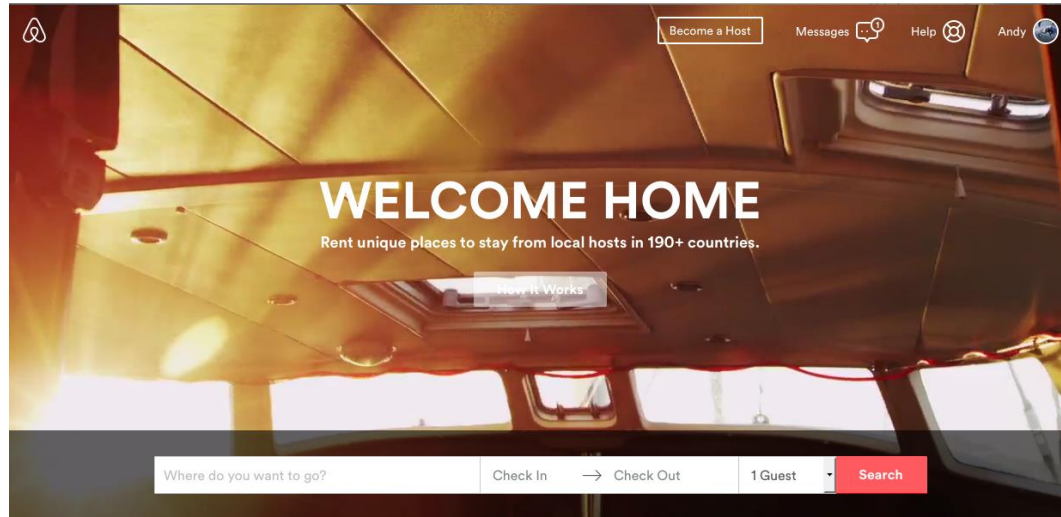
Selected industries²

- | | |
|---------------------------------|--|
| ① Consumer packaged goods (31%) | ⑥ Travel, transport, and logistics (44%) |
| ② Automotive and assembly (32%) | ⑦ Healthcare systems and services (51%) |
| ③ Financial services (39%) | ⑧ High tech (54%) |
| ④ Professional services (42%) | ⑨ Retail (55%) |
| ⑤ Telecom (44%) | ⑩ Media and entertainment (62%) |

McKinsey&Company

Article
McKinsey Quarterly
February 2017

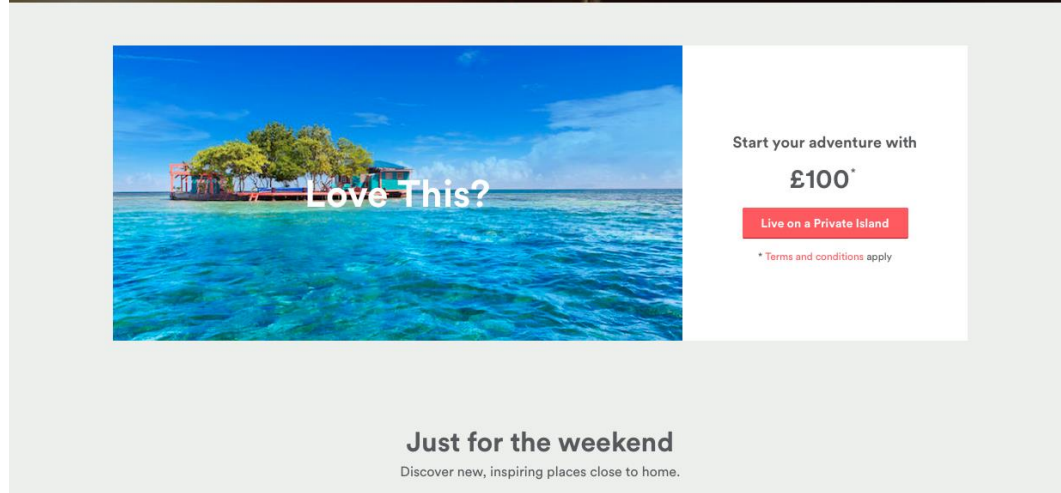
The new world of digital...



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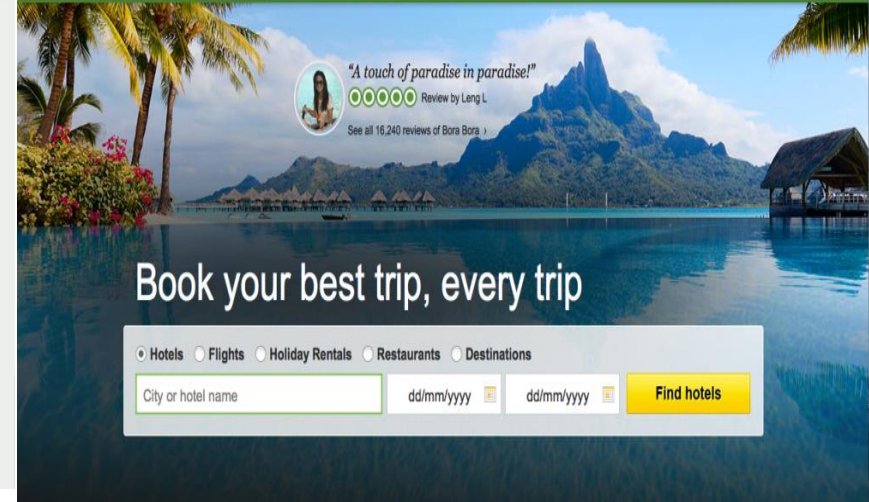
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<i>Dimension</i>	<i>IT logic</i>	<i>Digital logic</i>
Focus of management control	Operational integration	New initiatives
Value orientation	Cost saving	Revenue enhancing
Goal achievement	Risk aversion	Heavy experimentation
Reference industry	Industrial organization	IT industry, digital disruptors and start-ups
Location in value chain	Operations	Customer facing

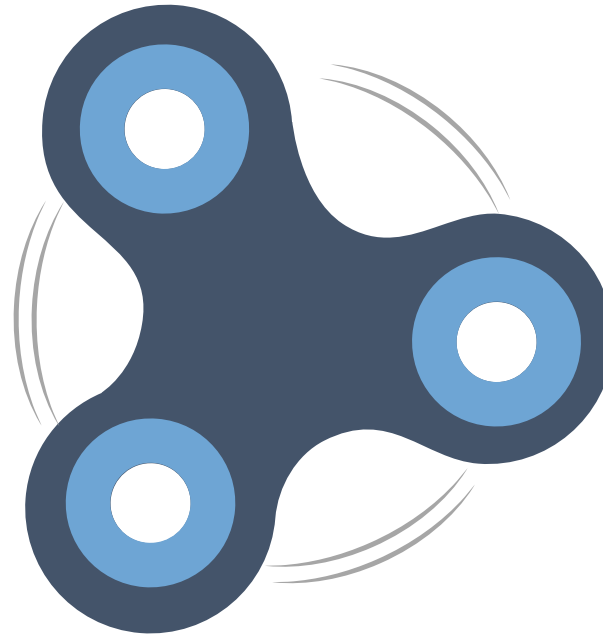
What Do We Mean By Digital Transformation?

1. Digitisation

Technologies convert information into binary digits to automate processes

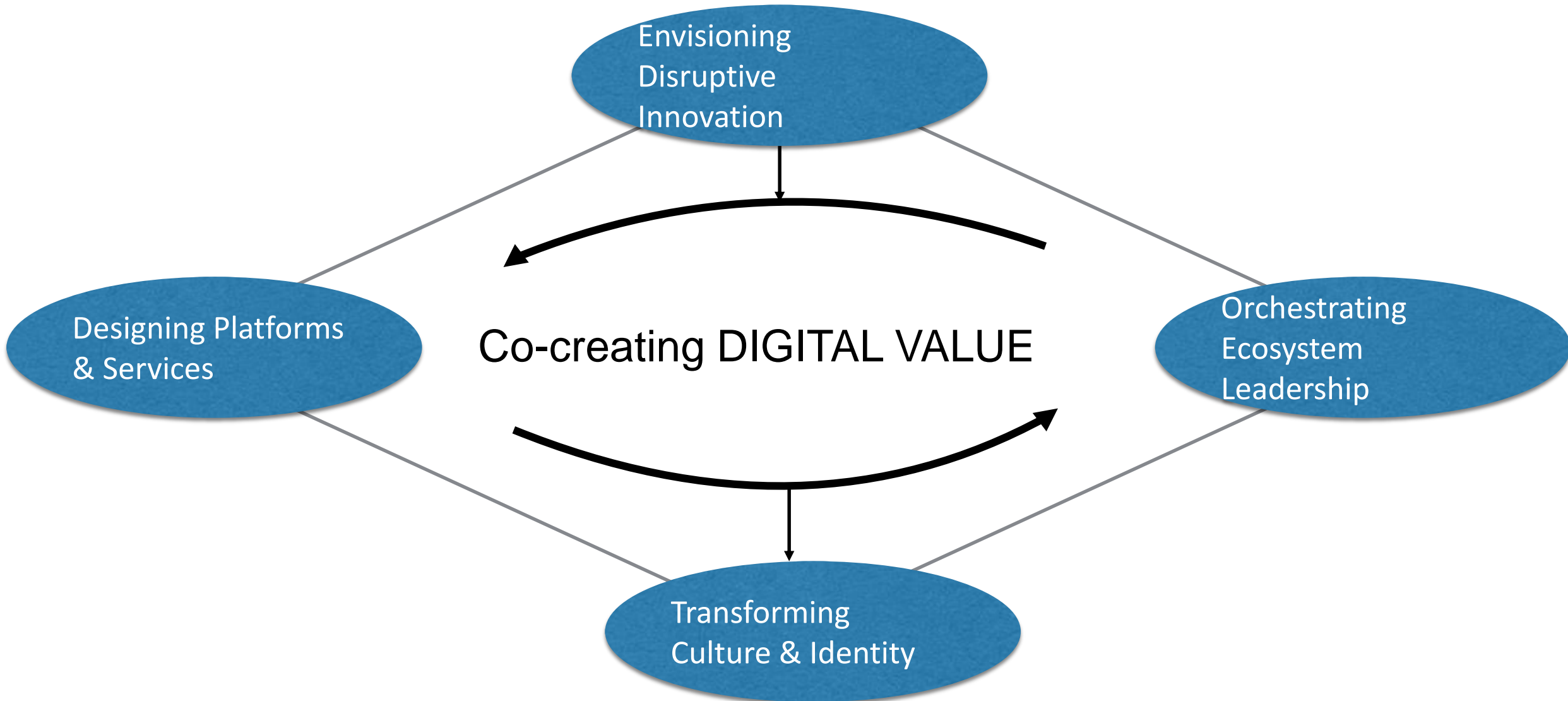
2. Digitalisation

Technologies enable radically new products, services, business models



3. Digital Transformation

The combined effects of **several digital innovations** bringing about **novel actors, structures, practices, values, and beliefs** that **change, threaten, replace or complement existing rules of the game** within organizations, ecosystems, industries or fields



Digital Transformation Framework

Lloyd's Banking Group - Digital Transformation Strategy

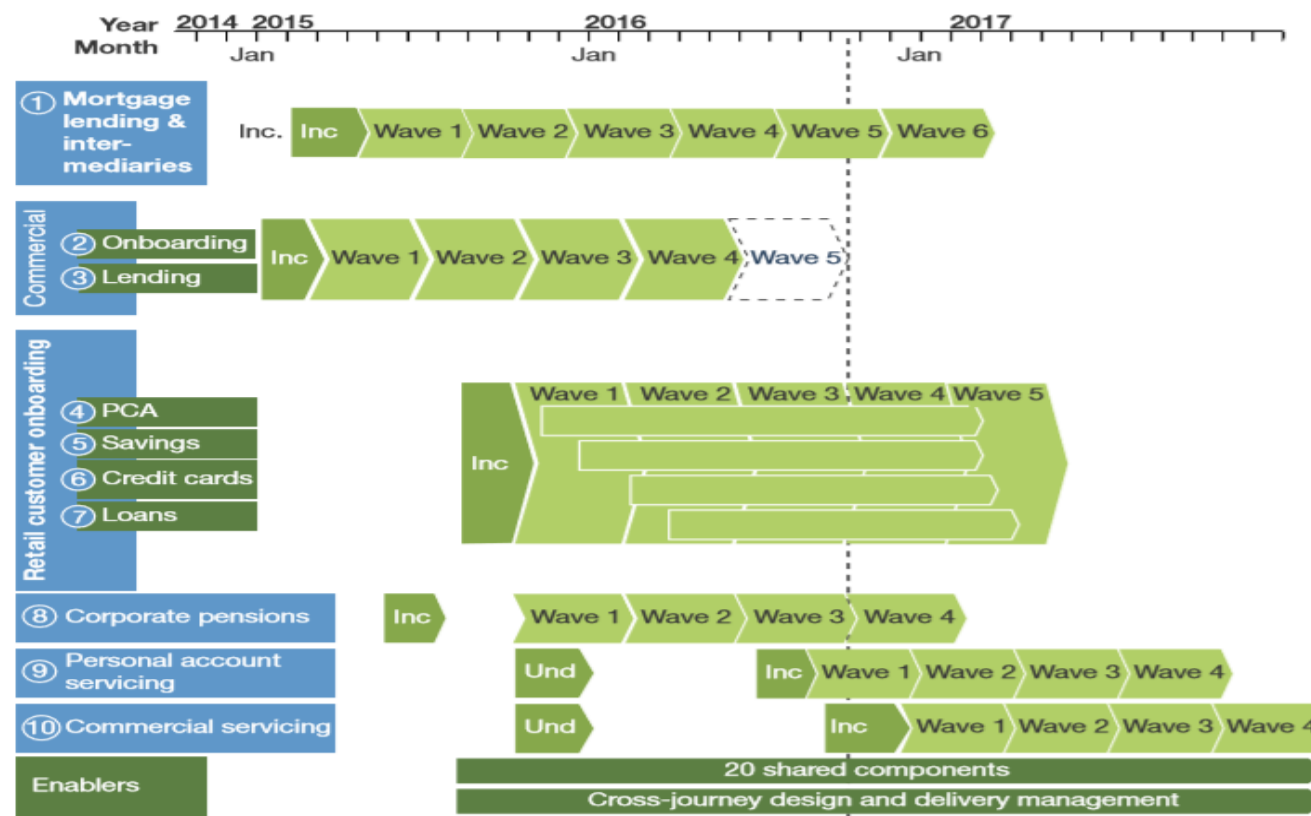
First Phase

Second Phase

- Implemented from 2011 to 2014
- Focused on improving digital customer experience

- A three-year digital business transformation program
- £502 million budget

FIGURE 10 Lloyds Banking Group's Transformation Is Tackling 10 Customer Journeys



Source: Forrester/LBG



**£3 billion
investment over
3 years to
digitise 70% of
bank**

Transformational strategy targeting significant customer and business enhancements



DIGITISING THE GROUP

- **End to end transformation** covering more than 70% of our cost base
- **Simplification** and **progressive modernisation** of IT and data architecture

MAXIMISING GROUP CAPABILITIES

- **£6bn loan growth in start-ups, SME and Mid Market** businesses
- Sole integrated UK banking and insurance provider targeting **>1m new pensions customers** and **£50bn AuA growth**

LEADING CUSTOMER EXPERIENCE

- **#1 UK digital bank**, with Open Banking functionality
- **#1 Branch network**, serving complex needs
- **Data-driven and personalised** customer propositions



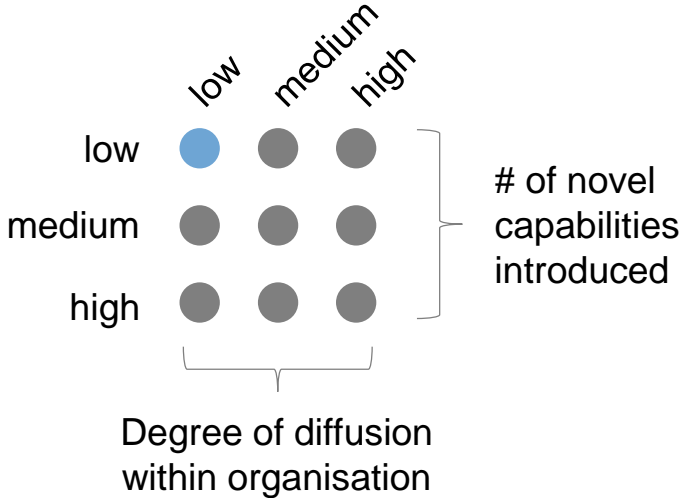
TRANSFORMING WAYS OF WORKING

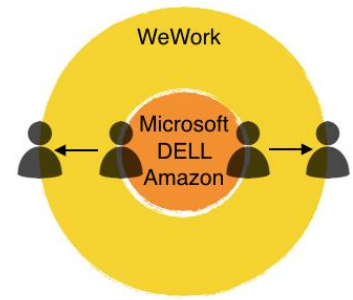
- **More than half** of transformation delivered through **Agile methodology**
- **Biggest ever investment in our People with 50% increase** in colleague training and development to **4.4m hours p.a.**

Innovation Spaces for Digital Transformation:

Digital Labs

Describes spaces where individuals develop, test, refine product, service, and business model innovations





Role of Co-working in Digital Transformation

Inside-Out Coworking Spaces (e.g., Wework)

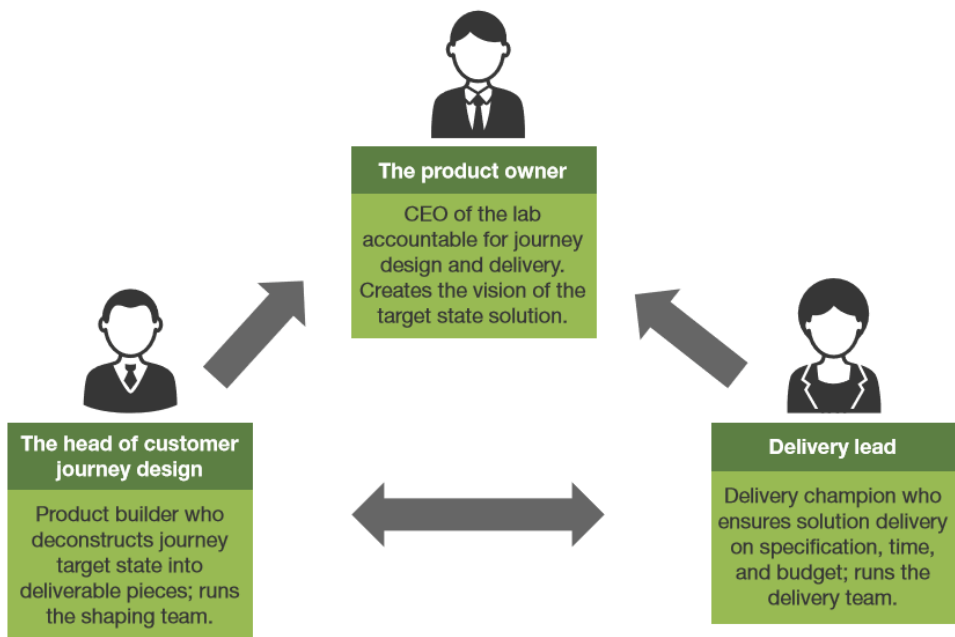
- Spaces act as external offices for enterprises to move some of their teams or departments out of the original offices.



Scaling Digital Transformation requiring new ways of Working

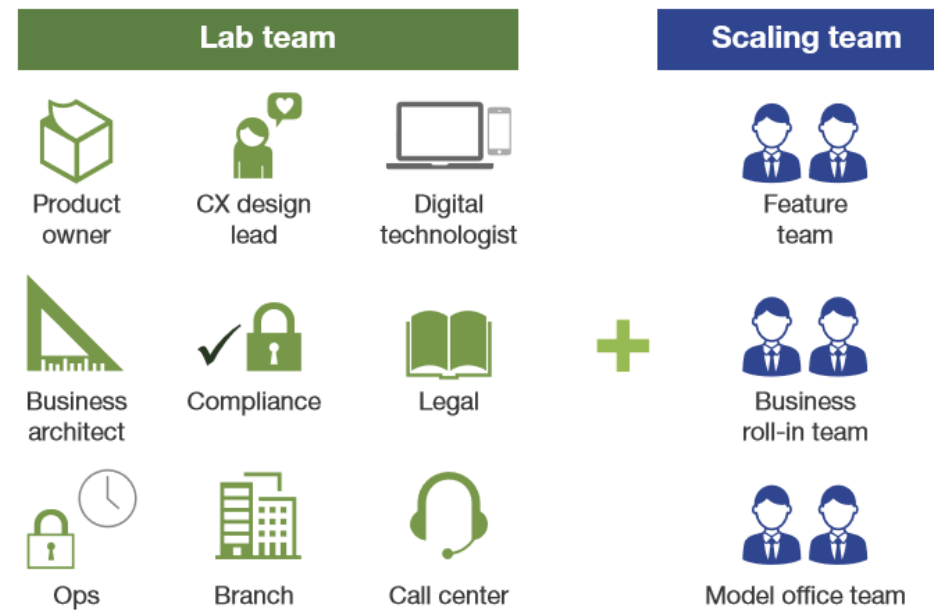


FIGURE 5 The Product Owner And Design And Delivery Partners Head Lloyds Banking Group Customer Labs



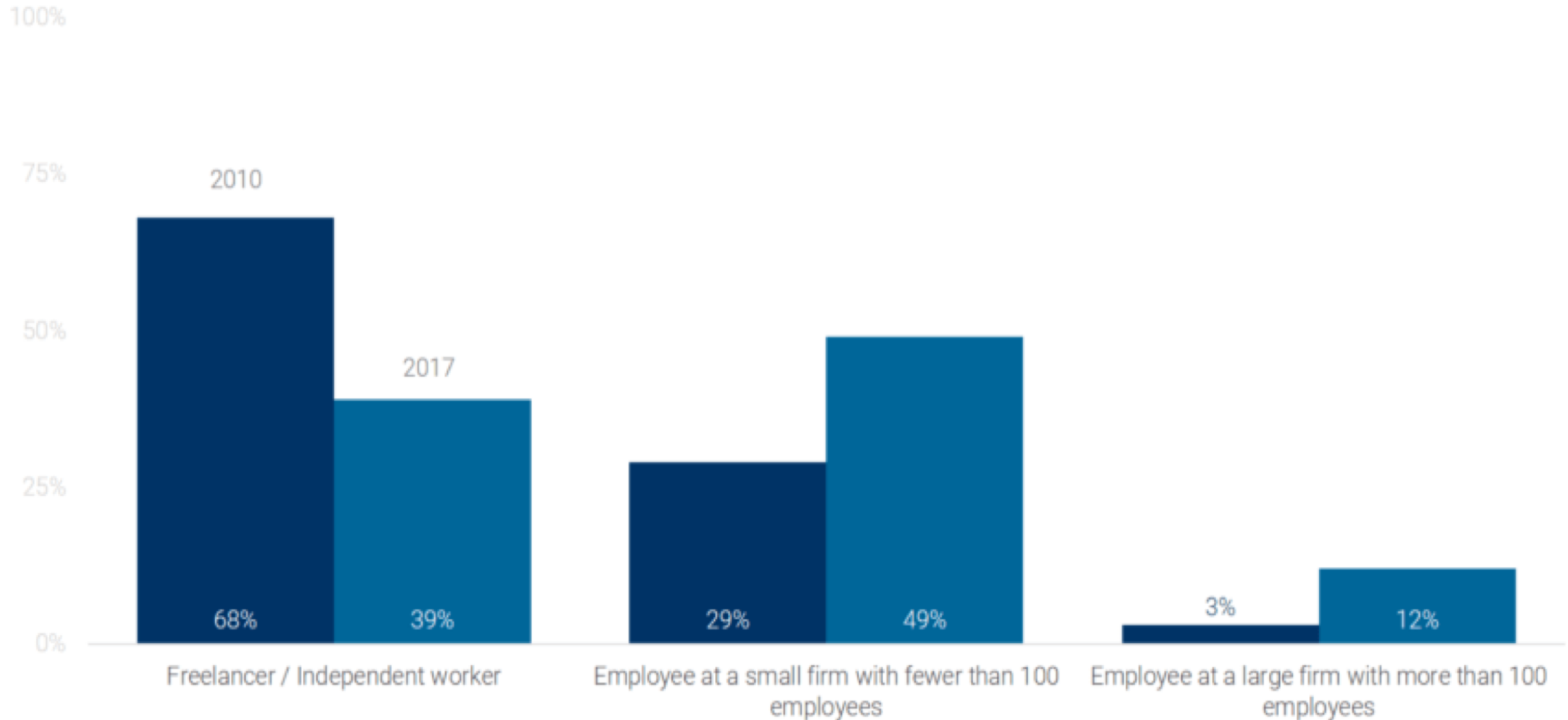
Source: Forrester/Lloyds Banking Group

FIGURE 6 Cross-Functional Teams At Lloyds Banking Group Are Aligned Around Customer Journeys



Source: Lloyds Banking Group

Shifting Demographics of Co-working

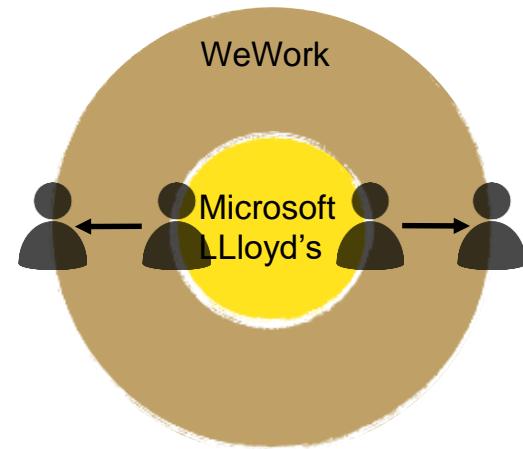


Coworking industry's shifting demographics (2010 vs 2017)

(source: Emergent Research, CBINSIGHTS)

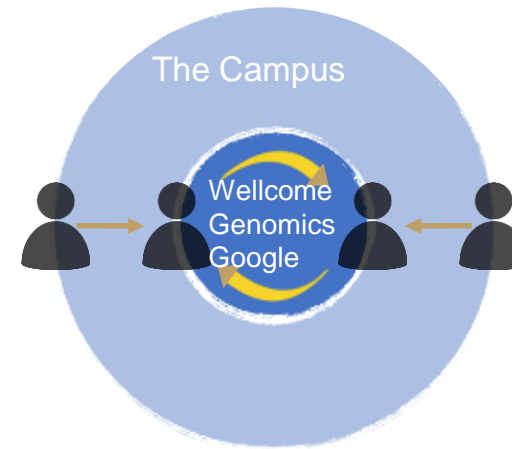
Co-Innovating through Co-Working

**Type A
Inside-Out**

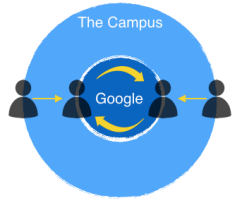


serve large companies

**Type B
Outside-In**



serve new ventures



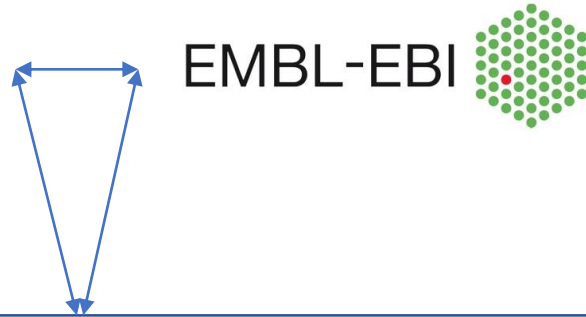
Type B

Outside-In Coworking Spaces

- **Type B: Outside In** (Google Campus, Wellcome Genomics campus)
- The **Outside In** coworking spaces are organised by large enterprises (e.g. Wellcome Genomics Campus) who provide open spaces for entrepreneurs to join their community.



- Leading global collaborations
- Aiming to be an 'ideas factory'



- Realising the potential of 'big data'
- Freely available data and science

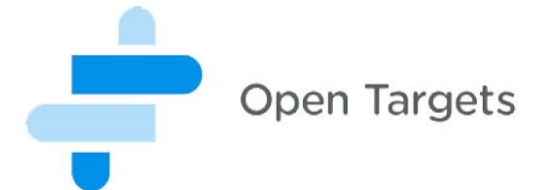
BIC firms: bringing commercial collaboration on to campus



WELLCOME GENOME CAMPUS

CONNECTING SCIENCE

- Enabling everyone to explore genomic science



- A partnership to transform drug discovery

Digital Transformation *in* Organizations

Customer journeys through human-centred design

Envisioning digital technologies for transformation

Shift from efficiency driven to agile working in multidisciplinary teams

Co-innovation through co-working in enabling digital transformation



THANK YOU

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