

Inside Out: Keeping Stakeholders in the Conversation

VIII



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About the Digital Strength Program

In this digital age, the pace of change is increasing exponentially and every organization faces existential threats from new and existing competitors. The Digital Strength program is crafted to give everyone within an organization – from the C-Suite to the production line – an understanding of what digital transformation means within a global context, and guidance to achieve the digital transformation journey in your own organization.

We will cover an explanation of what digital transformation involves, the roles and responsibilities around digital transformation, as well as the cultural aspects of a digital change. Over the course of the program we will detail tips and tricks, potential barriers, clues into the ideation approach, and how to move towards seeing digital as an ongoing process.

By the end of the program, participants will be fully conversant about digital transformation, and will be armed to be the change agents within their own organization to implement digital broadly.

No matter whether you are just beginning the journey of transformation or are well on your way, the guidance in this program will be useful to you. Early adopters, those mid-way on the transformation journey or those yet to begin will all find something of value from this program.

Welcome to the future!

Course VII: Bottom Up: Transforming From the Grassroots

I. Introduction

Digital transformation does not occur within a vacuum and external customers (not to mention other stakeholders) often feel the impacts of change – be they negative or positive. In this course, we introduce the concept of using customers as the "antibodies" that can help digital transformation be more rapidly adopted and accepted within the organization.

We discuss the notion of co-creating solutions with suppliers, customers and partners, and show how leveraging this network of stakeholders can deliver faster and better digital transformation outcomes. This shared development and shared ownership also drives customer and other stakeholder loyalty.

Finally, we look at the issues around intellectual property (IP) leakage when embarking on a digital transformation process. For some organizations, digitization is a core part of their IP and we reflect upon both the risks and the opportunities that the digitization can potentially introduce.

II. Your Customers Can be the Antibodies That Help Transformation Happen

Co-creation is a management initiative – or form of economic strategy – that brings different parties (a company and a group of customers) together in order to jointly produce a mutually valued outcome. It's a business strategy that focuses on customer experience and interactive relationships. Co-creation encourages a more active involvement from the customer to create a value rich experience.

Co-creation a stark departure from traditional models. Looking at previous approaches shows you just how different things used to be.

We've used Henry T. Ford's manufacturing and business approaches as an example in the Digital Strength program quite a bit. For good reason, too! Henry Ford famously said that if he'd asked people what they wanted when designing his first motor car, their answer would have been "a faster horse."

The early success that Ford saw came as a result of from owning every part of the value chain himself. This included the Ford motor company products, literally every part of the early automobiles they sold, and all part of design and production. In a world where an executive dismisses customers as having nothing to offer in terms of product design or specification, there is no limit to just how much of those processes can be totally internalized.

Fast forward to today, however, and no one really believes that's the case. From the famous example of Proctor and Gamble outsourcing significant parts of their product development to the world at large, to nearly every organization who – at a minimum – uses customer focus groups when designing and developing new offerings, it's now a truism that customers know best.

Co-creation is the next level of customer collaboration and has been defined as "the joint creation of value by the company and the customer; allowing the customer to co-construct the service experience to suit their context.¹" In practice, it involves a purposeful partnering between customers and suppliers. Together, they then ideate, create solutions, drive

1 Co-creation. (2018, August 09). Retrieved from <https://en.wikipedia.org/wiki/Co-creation>

efficiencies, and generally meet the needs of all parties.

While the theory of co-creation has existed for around two decades, it's been slow to gain traction. But the rise of digital technologies and the increasing pace of disruption in the commercial sector is giving co-creation added steam.

In an essay² on the topic of co-creation, Christine Crandell says:

Co-creation is not a customer advisory board on steroids or a clever sales and marketing tactic. It's about jointly creating value, for the vendor as well as customers.

A good example of customer co-creation comes from LEGO, the Danish company that's long been a favorite of children and their parents. As a company, LEGO was an early believer in co-creating products with customers. LEGO Ideas is a community where members can discover ideas created by other LEGO fans and offer up designs for new LEGO products. LEGO community members can also vote on submissions. When an idea gets 10,000 votes, it becomes a candidate to be produced as a LEGO Ideas set. The creator of the new idea can earn a percentage of the sales, and is recognized as the creator on all packaging and marketing.

The LEGO company has moved its customers from being simply consumers of its products, to creators of new products - a huge shift that is delivering immense value to the company.

It's clear that customers can be an incredibly valuable source of ideas and feedback when it comes to digital transformation initiatives. In the same way that it is wrong to silo your digital transformation function and avoid cross-pollination across the business, so too is it a mistake to not involve customers in the process.

2 Crandell, C. (2016, June 10). Customer Co-Creation Is The Secret Sauce To Success. Retrieved from https://www.forbes.com/sites/christinecrandell/2016/06/10/customer_cocreation_secret_sauce/#382baea15b6d

III. Co-Creation with Other Parties in the Value Chain

It's relatively easy to understand that customers should be part of the product creation process. Less obvious, however, and far more challenging is the idea that suppliers – and even competitors – can become the co-creators of products and services.

The traditional theory around business is that anything relating to the creation of an organization's products or services is critical intellectual property to be guarded at all costs. One can hardly imagine Henry T. Ford collaborating with other automobile manufacturers when designing parts of his motor cars.

But things were more simple back in the days of Ford. Today, when speed is of the essence, the benefits to be gained by collaborating broadly far outweigh the potential negative impacts.

Perhaps the best modern example of this is the open source movement. The Linux operating system, OpenStack cloud platform, and Kubernetes infrastructure management tool are all open source projects with diverse collaborators and contributors, many of whom compete tooth and nail for market share. Not only do these different participants compete, they directly compete around selling the open source projects they are involved with.

Henry T. Ford would be horrified at the very notion of this sort of collaboration. But all of these projects are examples of the benefits to be gained via the wisdom of the crowds.

As organizations embark on their digital transformation journey, it's important to look at the journey as one in which other stakeholders can share.

There's even a term for this sort of collaboration among competitors: frenemies. It's used to describe this notion of fierce competitors coming together for the greater good of specific projects.

Of course, this raises some questions and concerns. For example, who owns the IP in co-creation? How to defend a product space? And how to grow a business when the core asset is a collaboration? All these challenges are real and should not be understated. But they all pale in contrast to the speed and creativity that comes from a shared development approach, and we approach many of these challenges later in the course.

IV. Shared Ownership of Products, Services or Processes Driving Benefits

It's our belief that when the entire value chain (suppliers, producers and customers) are part of the creation and ownership model, there are significant benefits to be derived in terms of total market size or customer loyalty.

While we've already detailed the benefits of shared creation of products by way of time to market, loyalty benefits can be significant in and of themselves.

In the case where a third party, either upstream (a supplier) or downstream (a customer) have an involvement in the creation and ownership of a product or service, chances are that product or service will be a longer term proposition. A supplier, for example, who has invested time and resource in creating a widget for a customer is less likely to change things, preferring instead to earn back the time and resource they have invested in creating the product.

This is often case for customers, too. A customer who feels an emotional connection or a level of investment in a particular product or service is likely to be more loyal to that product or service than one who purchases it at "arms length."

A good example of collaboration both upstream and downstream product creation comes from DHL³, the world's largest mail, freight, and courier company. DHL has created global forums where customers and suppliers can engage with the company. Their view is that co-creating solutions drives benefits to all involved stakeholders.

One of the products that was born out of this collaboration is the Parcelcopter, a test drone delivery service project based in Germany. While standard mail-delivery vehicles may take 30 minutes or more to effect a delivery, the Parcelcopter can get the job done in less than ten minutes. DHL and its customers ideated, created, and tested the service. Now they all enjoy the benefits it brought.

3 Milbrath, S. (2016, August 05). Co-creation: 5 examples of brands driving customer-driven innovation. Retrieved from <https://www.visioncritical.com/5-examples-how-brands-are-using-co-creation/>

For the partners who supplied the physical device and software needed to run it, this partnership provides a more engaged customer who is able to more deeply understand the opportunity for the product. For the customers involved in this initiative, the Parcelcopter more closely met their particular requirements.

The net result of collaborations – even when they prove challenging to the more traditional business norms – is that they have positive impacts in terms of speed and long-term loyalty. In a digital world where the ability to iterate rapidly, to quickly react to market changes, and to vary business models often, this is especially the case.

For organizations born in a world where everything had to be created and owned in-house, the move to digital is an excellent opportunity to develop the new skill of working in a collaborative way.

V. IP – The Elephant in the Room

All this talk of collaboration is well and good, but there is still the very real question around intellectual property. When Henry T. Ford was changing the way automobiles were manufactured, sharing ownership of that IP would seem at odds with leveraging his company's market opportunity.

Back in the 1960's, McDonalds was scaling globally through a tightly controlled model that saw all steps in the value chain controlled by the company. They were in control of everything from sourcing of raw materials to the creation of the company's legendary operating systems and processes. One can hardly imagine the golden arches spending time discussing the best way to do things with KFC, for example.

But today's reality exposes a different truth than that experienced by the Ford Motor Company and McDonalds.

COMPETITORS DRIVEN TO COLLABORATE

The pace of business today is exponentially higher than only a few short years before. At the same time, the complexity with which a company has to contend with is getting increasingly high. Organizations need to quickly determine what is their core competency and they need to understand their "secret sauce." Everything else is simply a supply issue and needs to be resolved in the quickest, most efficient way.

Often the quickest way to reach an outcome is for competitors to collaborate on parts of the problem which are somewhat generic between them. The open source software products detailed previously are generally standard between different vendors however these companies see the additional products, and especially the service offerings tied to these generic solutions as the differentiator between themselves. In this case it makes sense to collaborate on the vanilla stuff and put more energy into the unique propositions.

LETTING SUPPLIERS SHARE IN THE VALUE

A century ago, Henry T. Ford deemed that every part of the Model T needed to be manufactured in-house. Today the reality is different and Ford realizes that it can't be the best at everything. Over the past few decades, every automobile company has more deeply

partnered with its supply chain to help drive their key objectives.

In the old way of working, the automobile company was forced into reduced innovation by a very real concern for the costs sunk into creating a particular component. Today, with the supply relationship outsourced, these companies can more tightly specify what they want. They can also iterate the component more often. The per-unit cost of the component may increase, but the value gained from time to market and flexibility perspectives are greatly increased.

This is especially the case when it comes to digital solutions. A decade ago, a company that wanted to move to a subscription model, for example, would spend months or even years building itself the technology platform to allow for that. Today, there are a plethora of third-party billing and subscription platforms that these customers can use. For a monthly fee, customers can leverage a platform which gives them more flexibility, and works "right out of the box." Again, the net result is an ability to focus on the core differentiators that a company can bring to the table. When you're not trying to do everything, you have more time to focus on doing the right things.

CUSTOMERS AS CO-CREATORS

Finally we come to an organization's customers, the very people who will (hopefully) use the digital solutions being created. The business models of today encourage flexibility. While this is a benefit to customers, it means that suppliers have less certainty as to customer loyalty and hence security of revenue.

Given that your customers are more ready than ever to jump ship at the turn of a hat, what better way keep them than to involve them deeply in the creation of the product itself? We see this time and again in the digital arena – it can be as simple as an ongoing focus group or as complex as a customer actually taking an ownership stake in the product being created for them. Whatever it looks like, the general trend is that we're seeing more customer involvement in the creative process than ever before.

VI. Key Takeaways

The biggest difference between organizations ready for the modern, digital age, and those who are less so, is an appreciation and understanding of the new norms around product creation and ownership.

While the open source movement resulted in many technology companies being increasingly comfortable to share IP broadly, this is not necessarily the case for more traditional sectors. We feel, however, that this situation is finally turning. All sectors – manufacturing, media, industrial and others – are realizing that speed trumps all.

Rod Drury, the founder and former CEO of cloud accounting vendor Xero, is fond of telling his customers:

It's not the big that eat the small, it's the fast that eat the slow

In the quest for speed, shared creation and ownership is a reasonable thing to adopt in order to help deliver the real prize: speed.

We'd encourage Digital Strength participants to think deeply about all parts of their business and, in the light of a digital transformation strategy, consider what parts of the company can benefit from the adoption of a co-creation or even co-ownership model.

Here's an exercise to help you. Imagine a series of concentric circles. At the center lies the very heart of the business, the core proposition and the most valuable of assets. As you move out into the outer circles, the solutions become more and more generic and no competitive advantage can be gained from retaining ownership of these. What lives in your core? Conversely, what can be pushed to the outer rings? Of those things that are pushed outward, what might benefit from working with others to find a better solution for all?

And if nothing else, keep in mind that it would seem illogical for a company to create its own email service in a world where Microsoft's Office 365 and Google's Gmail do the job so effectively. Our challenge to you, readers, is to consider what lies within your various concentric circles, and spend some time thinking about how some of these tasks can best be shared.

About HelloSign

HelloSign is powering the future of intelligent business. The company's software platform — which includes eSignature, digital workflow and electronic fax solutions — converts process to revenue for over 60,000 companies around the world with HelloSign, HelloFax and HelloWorks.

About Ben Kepes

Ben Kepes is a business leader, a technology evangelist, an entrepreneur, and a commentator. Ben covers the convergence of business and technology. His areas of interest extend to leadership development, startup activity, digital transformation, and enterprise software, as well as articulating technology simply for everyday users.

He is a globally recognized subject matter expert with an extensive following across multiple channels. His commentary has been published on Information Week, Computer World, Forbes, Wired, ReadWriteWeb, GigaOm, The Guardian and a wide variety of publications — both print and online.

Ben's insight into the business of technology, and the technology of business has helped organizations large and small, buy-side and sell-side, to navigate a challenging path to a successful future.

Ben is passionate about technology as an enabler and enjoys exploring that theme in various settings.



Course 7 – Bottom Up: Transforming From the Grassroots

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