

Deloitte.

THE RIPPLE EFFECT

Stories of purpose and lasting impact

One giant digital leap forward

A global industrial manufacturer goes all in on new offerings from existing supply chains.

THE **NEW BUSINESS LINE** WAS RIGHT THERE IN AN UNTAPPED BYPRODUCT: **DATA.**

THE SITUATION

When you make something, it's been pointed out, you make something else. Put another way: Every product has its byproduct—something savvy businesspeople recognize as an opportunity. Decaf coffee producers sell caffeine to energy drink companies; lumber mills sell pulp and sawdust to all sorts of customers.

This was the dynamic that leaders at a global industrial manufacturer had in mind as they pondered a strategic crossroads. They'd successfully grown the company to billions of dollars in revenue on the strength of traditional hardware and services, but traditional success wouldn't hold off a fast-changing marketplace.

The manufacturer's industrial product base was becoming commoditized, bringing pressure for brand differentiation. Technological disruptions like artificial intelligence (AI) and the Internet of Things (IoT) were both reshaping customer expectations and uncovering new opportunities. Regulatory shifts toward sustainability suggested a demand for digital solutions to track environmental impacts.

Therein, the leaders knew, lay their opportunity in an untapped byproduct: data. The data from the manufacturer's offerings could be captured and converted into an entirely new line of business—a digital services business. Digital services like intelligent monitoring and analytics, or preventive and predictive maintenance. Like asset performance management solutions.

Company leaders also knew they'd need to have a strategy to get there—and to do so from their back foot, so to speak: The company's traditional market approach had done well on a decentralized operating model with minimal digital investment, but this meant their capabilities were dispersed, and a new digital business would be tough to scale. A talent gap—common in the industry—further complicated the picture. The company's rural locations were attractive to a traditional, trades-oriented workforce, but could leaders entice the emerging class of tech-savvy professionals they'd need to expand digitally?

Whatever the details to come, one thing was clear: because of the scale of their ambition, the work ahead of them would involve nothing less than redesigning their entire operating model ... without cannibalizing existing revenue streams.

To that end, company leaders reached out to Deloitte's [business strategy team](#), specialists in guiding companies in designing executable strategies and [transforming and modernizing operating models](#).



THE SOLVE

First things first: *Start where you are.* The Deloitte team used a [digital capability map and maturity model](#) to conduct a thorough analysis of the company's current operating state: What was the company already investing in digital products and services? What revenues was that generating? What digital capabilities—people, process, technology—were supporting these offerings? Where were they strong? Where could they stand to improve? And how did all this stack up against industry benchmarks?

In parallel: *Understand what you're aiming for.* How big was this new industry market for digital solutions and services anyway? (Pretty big, as it turns out—the Deloitte team's market sizing assessment suggested more than \$50 billion in digital solutions opportunities of which more than a third could be accessed by the company's existing business.) How fast was this market growing, and where, and why? Then, to help identify and prioritize strategic opportunities within this market, the Deloitte team convened thought leaders and specialists from across the organization for a [Deloitte Greenhouse®](#) workshop with company leaders.

The workshop (ultimately, one of many) helped cocompany leaders bring strategic choices into focus and fueled the next set of conversations—winnowing down, then pinpointing emerging opportunities that didn't just align with the company's ambitions but, more importantly, its ability to execute.

Next: *Set a new course.* The combined team defined a strategic "Digital North Star" outlining how business units, applications, and market segments would be prioritized for transformation and supported by a robust business case outlining returns on

investment, value tracking, and implementation milestones.

Finally: *Start the engines.* To bring the company's new strategies to life, the Deloitte team turned to designing a net new digital operating model, tailored to the company's needs. They did so by first using a digital operating model framework and set of archetypes—eight common, viable digital operating models to consider as foundational thought-starters—to facilitate discussions with company stakeholders and home in on model elements that would fit their ambitions.

These eight references and frameworks became two, and ultimately one—the scaffold on which the company's new model would be built. This model emphasized governance, accountability, and digital capability building, with a structure that enabled collaboration across business units.

A mobilization plan closed out the strategic chapter of the transformation process and kicked off the tactical. This plan detailed a five-year roadmap for reaching digital maturity in both capabilities and offerings, with guidelines for accelerating existing digital offerings, and bootstrapping new, revenue-producing digital services.

The plan also outlined how this would happen from an organizational perspective—how, under the new North Star, business units would interact with the enterprise in launching and running digital services, as well as how to attract and retain the next generation of talent necessary to grow the business.

NEW STRATEGY, NEW OPERATING MODEL, NEW HORIZONS

THE IMPACT

By aligning the executive leadership team and more than 40 company leaders on ambition, strategy, and operating model, the Deloitte team helped build a unified approach to the company's digital transformation—along with the tools (chief among them a detailed multi-year roadmap, including phased implementation plan with clear progress milestones) to achieve it.

The team validated a significant market for digital products and services, with ample opportunity for growth and innovation—of the multibillion-dollar market opportunity to which the company aspired, growth areas defined by the new operating model are projected to provide significant potential revenues, with a supplemental three-year business case showing additional, incremental revenue possible simply by accelerating existing offerings.

To start the engines—following a Deloitte incremental investment assessment—the company invested in new talent and capital expenditures.

By closing capability gaps and prioritizing high-impact digital offerings, the company is poised to expand within the digital landscape with confidence (*confidence* being a byproduct the company may elect to keep for itself).



DIGITAL NORTH STAR ABOVE, FULL SPEED
AHEAD TO TRANSFORMATION

LET'S CONNECT.

Do these challenges sound familiar?



GAGAN CHAWLA

Principal
Deloitte Consulting LLP
gachawla@deloitte.com
+1 617 449 5034



BEN NINIO

Principal
Deloitte Consulting LLP
benninio@deloitte.com
+1 212 436 5775



KYLA HEBARD

Senior Manager
Deloitte Consulting LLP
khebard@deloitte.com
+1 612 806 1252



CHRIS IANNACONE

Manager
Deloitte Consulting LLP
ciannacone@deloitte.com
+1 404 942 6765



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