

## Digital business agility (part I)

**By:** Aleš Štampihar, president of IIBA Slovenia, digital42 team leader



Business Agility involves more than using agile principles for software development, and digital business agility is more than using agile principles in application development. Business agility also goes beyond agility in marketing and HR, even though both are really important, the first from the customer perspective and the other from the perspective of the employees and everyone who cares for their development. What does business agility involve?

**Keywords:** business agility, digital business agility, value for customers, changes, opportunities, sensibility, flexibility.

This article will NOT go into agile approaches or agile project frameworks (such as SCRUM) but will cover business agility with a digital touch. Business agility is one of the core competitive competencies in the next phases of the digital economy and beyond.

### What is business agility?

The goal of business agility is achieving high competitiveness in an organization by planning the development of its capabilities in three key areas:

1. Recognizing business opportunities or dangers before everyone else: combines the ability to recognize and realize **true** business opportunities before everyone else one the one hand which undoubtedly brings competitive advantages to the organization and recognizing **hidden** dangers in the business environments that can reduce or even eliminate the competitive advantage of the organization on the other hand.
2. Placing value for the customer in the center of the business opportunity: a real opportunity can be recognized by its value for the **customer**. Everyone must be aware that the value for the customer comes from their internal needs and not from the product/service/solution itself or the organization's offer. Another customer will not necessarily find value in something that was valuable to the previous customer.
3. Executing all required internal changes in due time to be able to realize the above-stated goals. Everyone is of course well aware that **making changes** in an organization is far from easy and that it demands lots of **time**. Since there is never enough time, organizations should learn to gain more time to execute required changes and should also learn to execute such changes faster.

### Opportunities and dangers

Keywords are: the "**right**" opportunity (the organization recognizes a truly beneficial opportunity) which will have a strong business impact to the organization's competitive position which is why it will be beneficial for the organization to invest its limited resources in such an opportunity; "**hidden**" dangers represent dangers that we do not recognize in due time because we do not put in enough resources into recognizing them or we notice them in time but we do not understand them as real threats so we do not give them the required attention and we do not form the required answers to them (everyone remembers

Nokia). Recognizing dangers is of course much more critical because failure in recognizing them may even ruin our organization while opportunities may give us an advantage over our competition. Both are of course connected, since realizing the right opportunities makes us more resistant to dangers.

Organizations are having problems recognizing opportunities and true dangers in the current VUCA (Volatility, Uncertainty, Complexity, Ambiguity) business environment. Especially because organizations mostly focus on their internal problems in such an environment and do not focus enough on external factors (where opportunities and dangers come from). Organizations are also used to looking at dangers within their industry and direct competitors, and even that can be difficult. It's sort of a Catch 22 where organizations cannot recognize real opportunities and are late to notice dangers so they have to spend too much time on their internal consolidation which reduces the resources and time that they can spend on recognizing opportunities and dangers. The big problem in opportunities is that there seem to be lots of them and it's hard to recognize the real opportunism among them. An additional problem with dangers is that the competition is asymmetrical within the digital economy which means that it may come from different industries or even small companies that weren't even on the organization's radar before the danger appeared.

## **Value proposition**

A real opportunity is an opportunity that guarantees value to targeted customers. The problems for organizations come from the fact that customers are ever more demanding and want more and more customized offers. It's an interesting situation since everyone feels that the society moves into a more homogenous direction, individuals fight against this situation by emphasizing their individual needs, wants, interests and demands. Luckily such individuals form groups based on their requirements so organizations can still prepare offers for groups of customers even if their number is thousands of times smaller than in the best times of mass marketing and production. Many organizations have not yet adapted to the new circumstances and offer what they believe their customers need. Business agile organizations are of course smarter and customize their offer according to the needs of their customers. Organizations that reached the highest level of business agility can connect their ability to recognize opportunities in due time with hidden buyer needs or needs that the buyers might not yet be aware until the right product reaches the market. Such an offer is a surprise for the customer and an even bigger surprise for the competitors. Startups are for example closer to their customers so they can easily recognize their needs and realize them before others.

What is the value proposition anyway? It is simply something that offers value to the customer – something that the customer is prepared to purchase. Value is much more than that – it can be anything that makes the customers loyal to our company (repeat purchases) or even something that may make them recommend our offer to others. This means that we have provided true value for them.

**The digital value proposition** represents any new value that is delivered based on the digital economy and digital business characteristics that the customer recognizes as suitable for fulfilling their specific needs. An example of the digital value proposition is an above-average customer experience (Cx) while dealing with us or simplifying the customers' everyday tasks using digital technologies. Uber's current value proposition is a good example of the latter: "The Smartest Way to Get Around", as well as: "Your day belongs to you" (indirect strong emotional value), »Tap the app get a ride« (ease of use) and "Ready anywhere, anytime" (comprehensive service offer). The value proposition is a statement which companies use to represent their brands and which communicates why the company exists (their mission), how it works and why it deserves their business.



## Tap the app, get a ride

Uber is the smartest way to get around. One tap and a car comes directly to you. Your driver knows exactly where to go. And payment is completely cashless.

[MORE REASONS TO RIDE >](#)

### **“Your day belongs to you.”**

- One tap and a car comes directly to you
- Your driver knows exactly where to go
- Payment is completely cashless

Source: Google

### **Sensibility and flexibility**

Organizations are usually late in recognizing opportunities and spotting dangers. When they try to adapt to them, they run into internal obstacles to change. Both are connected with time. We can influence time in two ways: by noticing the opportunities and dangers much sooner than anyone else which gives us more time to realize them or defend from them; and being able to drive changes faster than our competition because we developed the required capabilities, skills and most of all a suitable culture within our organization. Sensibility is the biggest tool in timely recognition, and realization is best served by our flexibility. Sensibility is also very important in creating true value for customers since it enables us to recognize and or sense the (hidden) customer needs.

The sensibility of an organization depends on its recognition and understanding of general societal and economic trends as well as the development of the world around them, from sensing new trends and markets in time to creating or at least following the requirements, needs, and expectations of customers, ranging from correctly understanding them to the ability to quickly create creative solutions for them.

The flexibility of an organization depends on the organization of its internal processes, decision structure, the flexibility of its processes and resources as well as its organizational culture, which must be willing to change and be based on cooperation, internal connection and preparedness to be fully engaged in reaching clearly defined and prioritized common goals.

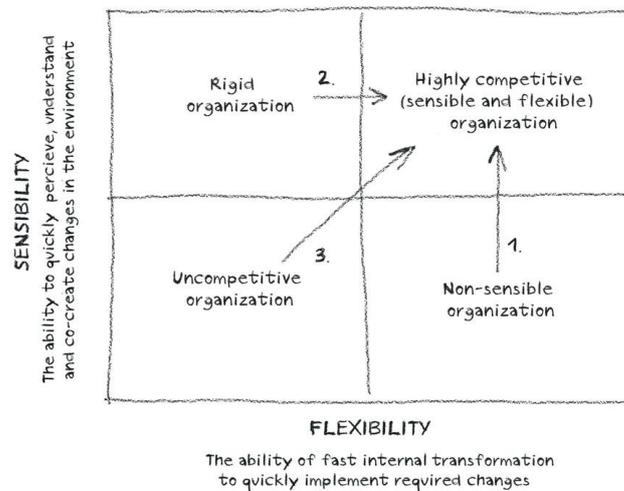


Figure 3: The transition into a highly competitive organization according to the current position of an organization.

Source: *Future business approaches / How to achieve sustainable competitive advantage in your organization*, Aleš Štempihar & Franc Bračun

## What is digital business agility?

The digital business agility is an ability of an organization to improve its business agility and competitiveness within the digital economy which means that:

1. It recognizes the characteristics of the digital economy in due time and above all understands them to be able to develop special digital abilities and competencies (more on that in the second part of the article) and uses digital technologies to achieve all that.
2. It recognizes hidden customer needs before everyone else and shapes a digital value proposition for them by using special digital capabilities and competencies, by developing a digital culture (mostly by focusing on customers), by managing the customer experience (Cx) and by using digital technologies (such as using them to understand customer habits).
3. It can implement changes even faster and that it encourages changes that benefit its buyers and employees and not just the organization itself. This is achieved by using special digital capabilities and competencies, by developing its digital culture (most importantly the willingness to change), by managing their employee experience (Ex) as well as digital technologies (such as using AI-supported automatic decision making).

**Part II will come in April 2020.**