

FOUNDATION OF DIGITAL BUSINESS

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Lecture 37

Lecture 36: Managing Ethics and Bias

Good morning. Now, coming to the last module of my course, which is about talking about a future-ready organization. Pathways to transformation—I will talk about them in this session. I will cover four topics in this module—not in this session, of course—I will just talk about the future-ready organization and the pathways to transformation. Overall, in the gamut of all the things I started with—digital transformation of industry, business models, new digital models, platform business models, etc.—we gradually moved from digital technologies to the extension of digital technology: today's world of AI. So, AI, of course, is a very big topic; generative AI is a very big topic.

I thought I would include this in a substantial way into this course to design a future-ready organization. I basically try to tell you what the future organization should look like. Of course, it will not get into very detailed things because that is not in the scope of this course, and the time also will not permit doing that. But it will give you a high-level idea of what the management team or the C-level, C-suite team should think about—what the organizations will look like—because everybody has to change. I think that is probably a very accepted thing: it is a very dynamic situation, a dynamic state. So, you cannot probably continue the way we have been doing business in the last 20, 30, or 40 years, and things are changing very fast.

So, the key thing here—the key message—is things are changing very fast. The implication is: am I fast enough? Because technology grows exponentially, but the way human beings absorb technology or adapt technology to their needs—business or to their use, even in our social life, practical life, etc., wherever—that cannot be really exponential because we cannot think in an exponential manner; our brains cannot work exponentially. So, you work in a linear manner.

So, we have to work and then to absorb, then we have to learn, then we go to the next step, then we learn. The learning process cannot be very fast, cannot be exponential. So, we have to grasp the thing. And then we will have a feedback system, so we learn from experience what is the result, the good or bad, right or wrong. Then we accordingly change or whatever improve our learning step by step, learning from the mistakes and also from the positives.

So, hence it is a slow process, so we can think in a linear manner, but technology is not waiting for us. So, it is going on its own independent track. It is speeding ahead and we always have to be doing a catch up game. But the message here is that you should always be on a catch up mode. Do not think that it is too fast for me or I do not need it, somebody else probably needs it, we do not.

So, do not have that mistake and understanding that you do not need, all of us need because we cannot avoid technology that is for sure we could not avoid computers many people tried many organizations at organized level tried to block computers for say coming into banks for example, in 1970s we could not stop that we could not stop phones mobile phones we could not stop anything and now we cannot stop this AI automation. So, automation is something which is going to directly impact human beings in terms of employability, it has to and so did all these enterprise applications which came with like ERP etcetera. Some automation always comes in with technology. So, some jobs get lost and this will happen probably in a much bigger scale.

But are we able to stop it? So, that is what I referred to in my previous session about 100 great people. Famous people, scientists, and executives, and industry owners wrote a letter to stop AI research for 6 months, review it, and see how we can or how we should rather proceed with this technology. In other words, slow it down; let us try to understand. Because again, our thinking is linear, not exponential. Our grasping power—everything is very linear in nature, and we cannot cope up with the way it is going. What will be the impact? So, slow it down, stop it.

Come up to speed—that catch-up game. Let us really catch up and then see how to proceed. Anyway, that did not happen; it does not happen. It is very difficult in real life. So, we will have to live with it. I have given some links for YouTube videos which you can see later. One of them is by the godfather of AI, Geoffrey Hinton, who won the Nobel Prize in Physics this year, 2024—the last prize—and he is an AI scientist, not a physicist by the way. And the last 6 decades of AI by another AI kind of godfather—he is

also known as the AI godfather—Ray Kurzweil. He was the chief technologist at Google; he has retired, a senior person.

And he makes a lot of forecasts, and he was the first one to say that superintelligence is going to come very soon—a few decades—and that made people sit up. So, from its inception 6 decades ago to its recent exponential growth, he is known as a futurist. Kurzweil highlights AI's transformative impact on various fields and explains his prediction for the singularity—the point at which human intelligence merges with machine intelligence. So, the time or date when the computer becomes equal to a human being in intelligence—he predicts that time. So, an interesting video. He has a book also on that; you can go through it. Now the question is: Is a company ready for the digital future?

That is how we started this session. The goal of business transformation is to become future ready. Why are we transforming our business? To be future ready, future proof. Becoming future ready requires the organization to change on two dimensions.

You have to focus on two dimensions, one is the customer experience and the other operational experience. Why does a CEO need a digital transformation playbook? We had referred to this book Digital Transformation Playbook by David L. Rogers in my first few lectures on the digital transformation, I have used this book heavily. Why does a CEO need a playbook? Because it is for creating a common transformation language for the organization,

that is embedded and reinforced consistently by the leaders across the organization and that should be the first step as a CEO. So, what is my overall plan the vision plan for the transformation. And ultimately critical to gaining momentum needed during the early and difficult phases of the digital turn. So, that is how you why you need this playbook, playbook gives you a methodology step by step by step what you should do in sequence. Otherwise it is difficult for a CEO to understand what really needs to be done because it is a new topic anyways the digital transformation the playbook tells you it is a guide book for you do this do this do this avoid this avoid that do not do this

etcetera. Innovating to engage and delight customers, we focused on two things: customer experience and operational experience. Starting with customers while simultaneously reducing costs by means of readily available technology—that is operational efficiency. So, reduce costs and delight customers—that is customer efficiency. For example, by using cloud computing or APIs, I can bring down my cost of operations. It can often be

combined with agile development approaches during the testing, learning, and development process, and customers get a great experience no matter which company channels they choose.

Give multichannel exposure to my clients, my customers, and my customers should have a good experience in both. Let us take Walmart: in the regular physical stores as well as the e-commerce site, you must have the same degree of satisfaction. Companies try to meet the customers' needs rather than push products. You do not push products; it should be a pull. So, customers—you have to satisfy their needs, what they actually need. Futuristic companies also create modular, digitized services

to both optimize operations and design and release new offerings. So, we release small modules in digital format for customers' ease of use. And also, we bring mobility technology into practice so that you can use that service on the go. I can do a lot of banking from my phone; I do not even need my laptop to do that, let alone going to the bank. So, can I build such app-based solutions for the customer? That is the bottom line.

It also the future ideologies also treats the data as a strategic asset, a single source and supported by a set of data monetization capabilities. So, by the data I can look at it as my source for money revenue, I can generate money revenue out of this data. So, that is how I try to love and respect the data and give its due importance.

So, how companies compare on digital business transformation, if you classify them in this quadrant method. So, if you have operational efficiency on the x axis and customer experience the y axis. So, the two things are the transform and tradition. The lowest end is of course, the silos and complexity the traditional companies 51 percent product driven very complex landscape etcetera. If you are industrialized that is the operational efficiency is high, but not so much on customer experience there you are about 11 percent of the companies of those reviewed.

Plug and play products and services shared data can be competitive as said only one way to do each key task etcetera. So, you are talking about operational efficiency. Here on the other side, integrated experience about 15 percent of the operations, customer gets an integrated experience despite complex operations, strong design user experience and rich mobile experience. So, now you are coming to the really the what things customers love to use, giving them mobility services. But the best of course, is the future ready that is what we are trying to reach that is 23 percent of the companies surveyed are there, both innovative and low cost, great customer

Modular and agile data is a strategic asset. So, if you have all of these, then you are a future-ready organization. Now, how do you achieve that future-ready state? So, this is again from David Rogers' playbook, 'The Four Pathways to Future-Ready.' So, traditional transform and integrated experience and futurity are here at the top corner.

So, there are four: one, two is this one; the second method; the third pathway is three; and there is another fourth. I will explain each of these. Pathway 1 is to standardize. So, this will move the enterprise from the silos and complexity quadrant to the industrialized. So, you bring in, say, the ERP or CRM type of software.

Basically, enterprise software which you can use to standardize the whole operation. So, it relies on a platform mindset and API-enabled business services, which we can use across the enterprise and also by external stakeholders. So, step by step: first, the enterprise application; then you bring in some app-based solutions for your customers; and then adopt the platform mindset. The platform mindset is the way you operate—to have a common platform for multiple stakeholders to come, work together, and collaborate. So, that is called the platform mindset.

The classic one is, of course, like say Amazon doing e-commerce business. You bring the buyers and sellers together on a single platform, and they can interact. Similarly, from an organizational perspective, you can have, for example, your development work on a platform model, in the sense that all your developers are on the platform, sharing it with your regular employees and also maybe the customers. So, you can capture the feedback of the customers on your platform. You are directly interacting.

You are bringing them together. Interactions will be quicker and better, obviously. Similarly, for various such activities, you can consider doing it the platform way. Can I bring multiple stakeholders into one operating platform, whatever it means from a hardware perspective? Then, experience with the implementation of ERP and similar enterprise software implies that such changeovers are expensive and time-consuming endeavors.

So, it is the slower pathway one, but that is one of the ways. Pathway 2 is to improve your customer experience. So, that was more on the operational side; this is now the customer experience. Choose a strategy when the most pressing need is to improve the customer experience, and probably you are facing customer churn. For example, you know that you are losing customers or not getting new customers. Your business has

come to a standstill from a growth perspective—no growth, no customers, etcetera—or you are losing customers; it could be either.

So, some of the things you can try out are building mobile apps. That mobility aspect I was talking about—giving mobility to your customers. They can use your function anytime of the day and from anywhere. Give them websites, portals through which they can work, interact, buy things, submit service complaints, get services done, etcetera—all through the websites without needing to go to the company or a dealer. Set up call centers, so that you have a centralized section from which you can interact with customers

and receive their complaints, service their complaints, log their complaints, and also send their complaints to the right department. You have a centralized function called a call center through which all your customers can interact. So, the examples I talked about in my very first or second class was about Asian Paints, who in the 1990s set up a call center to track all customer requirements and sales requirements. Because I remember the paint business with thousands of dealers—all the dealers could call up the call center and submit their requirements. That freed up the regular salespeople who previously had to visit the dealers physically to find out what they needed. That freed up many salespeople from their regular jobs,

and they were put into other roles for more value-added activities like providing customers with painting solutions—not just selling paints but giving painting solutions. Give customers attractive offers and, as you know, involve relationship managers—identify relationship managers and tag them to the customers, etcetera. So, that customers get a much better feeling or experience working with your organization. So, all of this will go a long way to improve customer satisfaction. The example from mBank of Poland—they launched a new platform to deliver a host of features.

Like very fast loan approvals, mobile banking, video chat, integration with Facebook, peer-to-peer transfer, and cardless ATM. These are all technology-driven solutions, and some of them use AI. Banking is a very competitive industry. This one case study from Bank of Poland shows they did all of this. They use this digital platform to expand their business and interact with a host of

partners to grow their business in new markets. So, they interact with Facebook, for example, and other social media platforms, making them available to their customers to use those social media platforms to interact with the bank for various services. The third

pathway is to take stair steps—the third blue one: step, step, step, step, step. This step deals with changing focus from customer satisfaction to operations and keeping alternating between the two. So, you are doing both customer side and operation side—customer side, operation side.

Start with creating an omnichannel experience, giving customers multiple channel options: physical store, e-commerce store—both so you can buy from anywhere. Create an API layer and change a few legacy processes. So, create APIs and apps so they can be used 24/7 to perform tasks. Smart use of internal data to introduce new customer offerings. On the operational side, you are generating a lot of data, so can I use that data in a smart

To come up with new offerings and, hence, new revenue streams. But this has a disadvantage: too frequent changes can leave employees confused and disoriented because these are very small steps. Too many things are introduced very frequently—little by little—which might confuse both employees and sometimes even customers. Changing new things or maybe one is getting replaced with another. You started using this, and they said we are doing something else—probably better or whatever—that can leave both employees and customers a bit confused. Another example is from a bank in Spain—BBVA Bank Bilbao—in 2015, the CEO declared that they would set up the best digital bank.

Some of the actions they took included a mobile app to enable customers to create new accounts in 5 minutes. It just takes 5 minutes to create a new account through your mobile phone app. A digital wallet service, so you can put some money into it and then use it for making payments safely without using any credit card or similar. Setting up instant messaging conversations with your managers, through either video or audio, so you can immediately connect with them and send messages. This is normally very difficult—you have to approach your bank manager, etc.—and most legal processes are replaced by scalable global digital platforms.

They adopted that platform model—scalable digital platforms—once you are in a platform mode, you can easily scale up. And Pathway 4 is the most difficult one: a single step to create a new organization. What it means is that if your current organization is too orthodox, too embedded in past legacy processes, operations, maybe elderly, aging employees, etc., too much inertia, resistance to change. People are not so digitally literate or educated, not very tech-savvy, to use the word 'tech-savviness.'

And you, as a CEO, would think that changing or bringing all these different pathways to this organization will be a very difficult, painful, expensive, and time-consuming journey. So, is it worth doing it? If not, the option is to start a completely new organization, a new division—the digital division—like a digital bank or something similar. Get a new set of employees. So, it is an investment—a new company, maybe a subsidiary, or a branch or division, or whatever financial structure, but you have to hire new, young employees who can now run your digital vision.

An example was Audi, the famous carmaker in Germany. They started a new venture to offer mobility services and car ownership. Maybe they wanted to start a car-hiring service, like a taxi or car-as-a-service. You do not have to buy a car; just rent one. For that, they started a completely different division—a different organization—to offer such services. The regular car-making business remains as it is, while you set up a parallel organization.

A similar approach has been adopted by many banks, like ING in Holland. So, I was giving you the example of banks. Banks are very traditional, security-conscious, etc., and you do not want to change that, but you want to start some digital operations. So, start a new bank altogether—a new digital division of your bank. It shows that the main challenge is how to bring the parent organization and the transformed new enterprise together, simply because the business models, work culture, and customer profiles will all be different.

So, you have two companies now: one is the traditional, and the other one is the new digital one. How do you integrate the two? You can also keep them completely separate. For example, Walmart manages two types of businesses and two channels very efficiently. One is a classic physical store—huge stores in the US, the biggest supermarket—and they now also have e-commerce, which is quite successful.

So, the way forward in most cases is that whenever an enterprise ventures into a new location or country, the old wine in a new bottle syndrome will not go away. It may not be a good idea. This concept of having a new digital entity will grow because whenever you want to start a new business, enter a new area, or expand to another country to start operations, you will not repeat the same old thing from your legacy; you do not want to replicate that. So, when you start something new from the grassroots, you will tend to start with new technology, digital, etcetera.

So, this causes Pathway 4 to grow. Most companies are going to expand, and new ventures will be more digital. Choosing the pathway—now you have four pathways—the role of the leader is of prime significance in deciding the journey map. You first need to benchmark all performance parameters with the industry average. So, how do you decide which of the pathways? The fourth one is probably easier, but what about the other three?

1, 2, and 3. So, first, you benchmark all your performance parameters with your industry average and see where you are lagging behind—customer experience, operational efficiency—and then accordingly, you can probably select 1, 2, or 3. 1 or 3 or 2 is the 2, and the 3 is a combination of both. And then, select the right executives to lead the transformation. So, team, you have to have the real team, the right team, and the right one headed by the right person.

Who is that right person, the right executive? Pathway one, standardization: the CIO would be a good choice. This is just a suggestion—not that it will be true for every organization. You can have a better person from another role doing the job. Pathway 2 is to improve customer experience.

So, the marketing executive with an appreciation for technology. So, a tech-savvy marketing person. Pathway 3, taking those small stair steps, is probably your chief digital officer. Why the chief digital officer? Because he needs to be the middle line between the CIO and finance or the business.

So, business and tech he has to be play the role that is understands both. He is somewhere in between he is neither CIO is mostly generally fully a technical guy and a business leader of course, is a business leader. We need somebody who is familiar with both technical also understands business or either way. Pathway 4 usually has to be the COO or the CEO, it has to come from the highest level. Leaders will lead to pick a pathway and stick to it, so the transformation is difficult as I was trying to tell you on the time

and all the company stakeholders namely board, employee, customers, partners etcetera need to know where the organization is going and how it is planning to go. So, what is the pathway it has selected and involve everybody in this change journey. This is the major change management story. So, all must be involved. Risk of this pathway method is that in a few years the business units or country leaders will start local transformation initiatives due to frustration with slow progress or company wide. So, tendency

becomes when the company is not taking a decision about this or the transformation people think it is going slow not fast enough again as I said the difference between technology going so fast and we are the our adaption to the changes is much slower than linear and exponential thing I was talking about. So, because of this structure many local units will start their own transformation on their own. So, it will become kind of disparate development not a centralized top driven approach, especially for multinationals and other large companies. So, different units will start their own transformation road map or the pathways. So, you will consider the companies will pursue multiple pathways at once, but not coordinating them and the financial results can get impacted.

Choosing multiple pathways might make sense for many multi-business unit companies, but it requires more coordination and should be a conscious choice. So, not that you select all the pathways 1, 2, or 3, 4, which is of course very different, but still part of that, but you can do that for larger units. Different units might need different pathways to perform better, but then it has to be a conscious, coordinated choice. Not just arbitrary because all units will do it this way or that way, etcetera—do not make it a very arbitrary one. The problem can come with dealing with conflicting goals, investments, and activities, and making less headway than expected for any transformation.

Conflicts might arise if it is a disjointed effort. The organizational explosion. Changing decision rights, clarifying who has the authority to make which decision and how decision-makers will be held accountable. Like I said, different units making their own decisions. So, you must decide who has the right to make the decision—is it the CIO, CDO, CEO, or COO—to keep the whole thing centralized.

Developing new ways of working, changing the company culture, such as agile methodologies, then coming up with minimum viable products, and also co-creating by involving the customers in the development process. Nowadays, what we are talking about is something like remote working—can my development team or other teams work remotely and contribute? So, we can probably make it something like a 24/7 operation. If I am spread out throughout the world as a multinational, I can have teams sitting in different geographies and working. And then we start with this minimum viable product—can we launch beta products because time is of the essence? So, can I launch a product, even if it is not fully tested, into the market quickly so that I start getting feedback and go on refining and improving the quality of my product?

This is one of the methods being practiced by many organizations, especially in the IT sector, and one of the classic examples is ChatGPT. The ChatGPT 3.0 was a beta product—incomplete, half-done, and they released it. And it became viral, and millions of users started using it, and all that feedback helped develop ChatGPT 4.0 very quickly. Within six months, they had a new version. Creating the platform mindset, which I was talking about. So, identify the organization's crown jewels and convert them into reusable digital services that connect organizational silos for real-time transactions, fast innovation, and easy partnering.

So, that is your real crown jewels—your data. Can I use the platform mindset to connect various stakeholders? So, I can break the silos—organized silos. Bring many people across disciplines together on a single platform and give them these data sources and the challenge to develop something out of this data. The benefits of a platform mindset: scalability—so growth through user participation rather than heavy capital investment.

So, here it is all about participation. Resilience—diverse ecosystems can adapt to changes more effectively. If you have different stakeholders coming from different areas, your ecosystem becomes... So, there you can see that change can be driven better because everybody is speaking a different language—they do not have a common language. So, all the different languages can help bring in different ideas and diverse opinions.

Innovation the third parties contribute new ideas products or services since you are involving say customers for example, in your development. You said we are planning to develop this product, you have this pain point or this is your requirement, what do you think of it, what is your requirement, can you explain what you want expect from this product etcetera. Their involvement will give you help give you much better ideas and solutions for any either product or service. Multiple monetization opportunities through monetizing your dataset.

So, that is what happens when you that is your ground jewel your assets data give it to a team through a platform and ask them to come up with a viable product using this data sets. So, these are the first you know real benefits you want to derive out of your AI journey. The bar of what future ready means is rising as every company improves. So, this everybody now wants to be future ready. It takes a strong consistent vision to become future ready, but even that is not enough.

It also requires that the top management team agrees on a pathway for the journey and expertly and proactively deal with the organizational explosions. So, why the importance

of the pathway is that you need to have a direction. And you have to know which things I must do to continue the journey on a particular designated direction, the pathway is nothing, but a direction that is your north star. You select which is my north star and then accordingly things will fall in place because now you know to meet that using this path I have to do this. So, this was just the identifying the deciding the particular pathway is just the first step in the business transformation journey.

That is your playbook. A bigger challenge for the CEO is to closely manage the organizational change required to build a truly digital enterprise. Beyond the technological implications, change management efforts need to be at the top of the CEO's agenda. This was a statement made by the CEO of Cemex, one of the world's largest cement manufacturing companies. This is true for any major IT transformation. People resist change—we all know it is an inherent thing.

We try to resist the absorption of new technology initially; there is always an inertia factor playing a role. So, can we do it? What new problems will arise? Will we be able to manage that? Are we knowledgeable enough? The literacy gap—are we literate enough to handle such new technology? So, all of these things play in the minds of employees—rightly so—and all of these things will have to be addressed by the CEO's vision of what change management is. A change management plan—one of the most important ingredients—will be your communication plan and then your training plan. With the help of these two, you can overcome all these change management issues and resistances and continue on your journey, on your vision, on the pathway

you have selected toward the digital transformation of your organization. So, how to pick your pathway? To conclude, the role is to determine which of the four pathways the company is talking about and how aggressively to transform. So, you should start by determining where you are today—your baseline—using metrics like net promoter score and net margin compared to your industry and peers. Where am I in the eyes of the customer? For performance, what is the net margin in my mind, and how are customers scoring me—net promoter score? So, select Pathway 1 if your

customer experience is around industry average, you are low in or you are at same path say industry I would not say low or high, but then you need to grow you have to go above the average that is the idea. So, customer experience pathway 1. Pathway 2 if your customer experience is significantly below average and you cannot wait to improve on these there are scary new competitors. So, when my customer experience at an average

level I am not bad, but when I am much below average then I am really worried. So, I should go for pathway 2 and pathway 3 if the customer experience is a problem

But you can identify a few limited initiatives that will make a big difference. Start with those and then focus on operations and repeat in small steps. So, pathway 3 is fine it is a problem may be slightly below average or at the average level also may be, but you want to go up, but then I have to see checker of operations as well. So, do some few things on the customer side and then focus also on the operation side. So, combination of these two will give you the desired result.

And pathway 4 is when you build a new company if you cannot see a way to change, it is impossible to change, you give up. Change the culture, the customer experience and operations fast enough to survive. So, this is the last resort, this I cannot change. So, might as well start something new. Hope I will explain this journey of 4 pathways to the future ready organizations, what the CEOs standpoint should be and some of the tools or some of the methods which you can use and the type of people who should employ etcetera.

And this is a very important decision a CEO has to take, considering all of this, because he is about to make a very major change. So, a major transformation, a major change, a major involvement of all their employees, which is very important because you need all your employees to stand with you and support you—and, of course, your customers—so that they do not feel that you are not thinking about their requirements. Because their requirements are also changing, as the world around them is changing. So, they are seeing that—if you take, for example, if you are a bank—and if they are seeing that other banks are providing much better, faster, smoother services through digital tools and technologies, and you are not doing it, then you can guess what can happen to you. Customers will obviously be charmed, and they will go to other banks.

So, that is a choice—this is a question of survival. That is why I thought of doing this topic for the first time: digital transformation is a question of survival, and that is one of the reasons I designed this course and am taking it to industry executives. So that they can realize that this transformation will be very essential for all of them. So, with that, I will end this session today. Thank you very much.