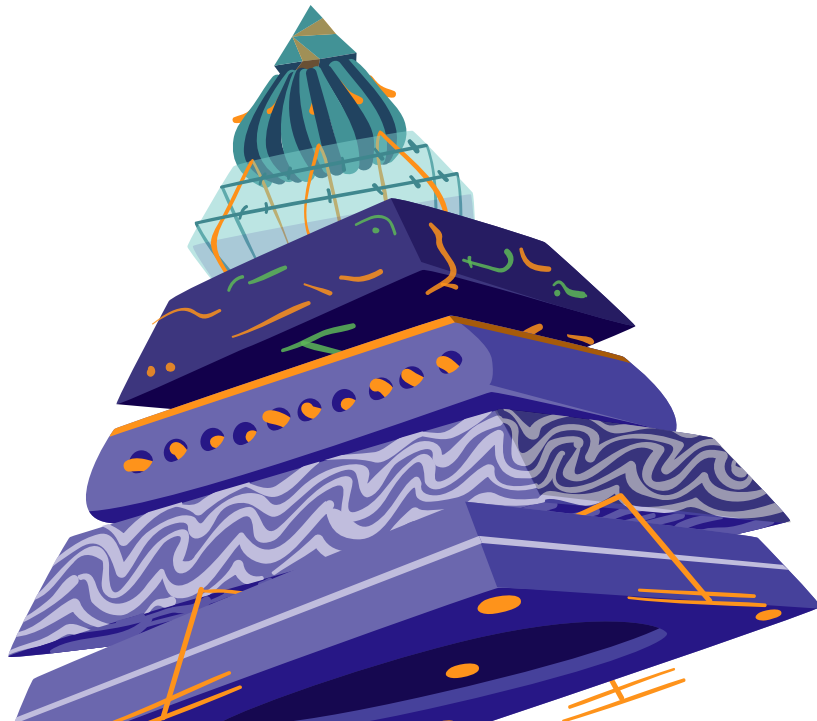
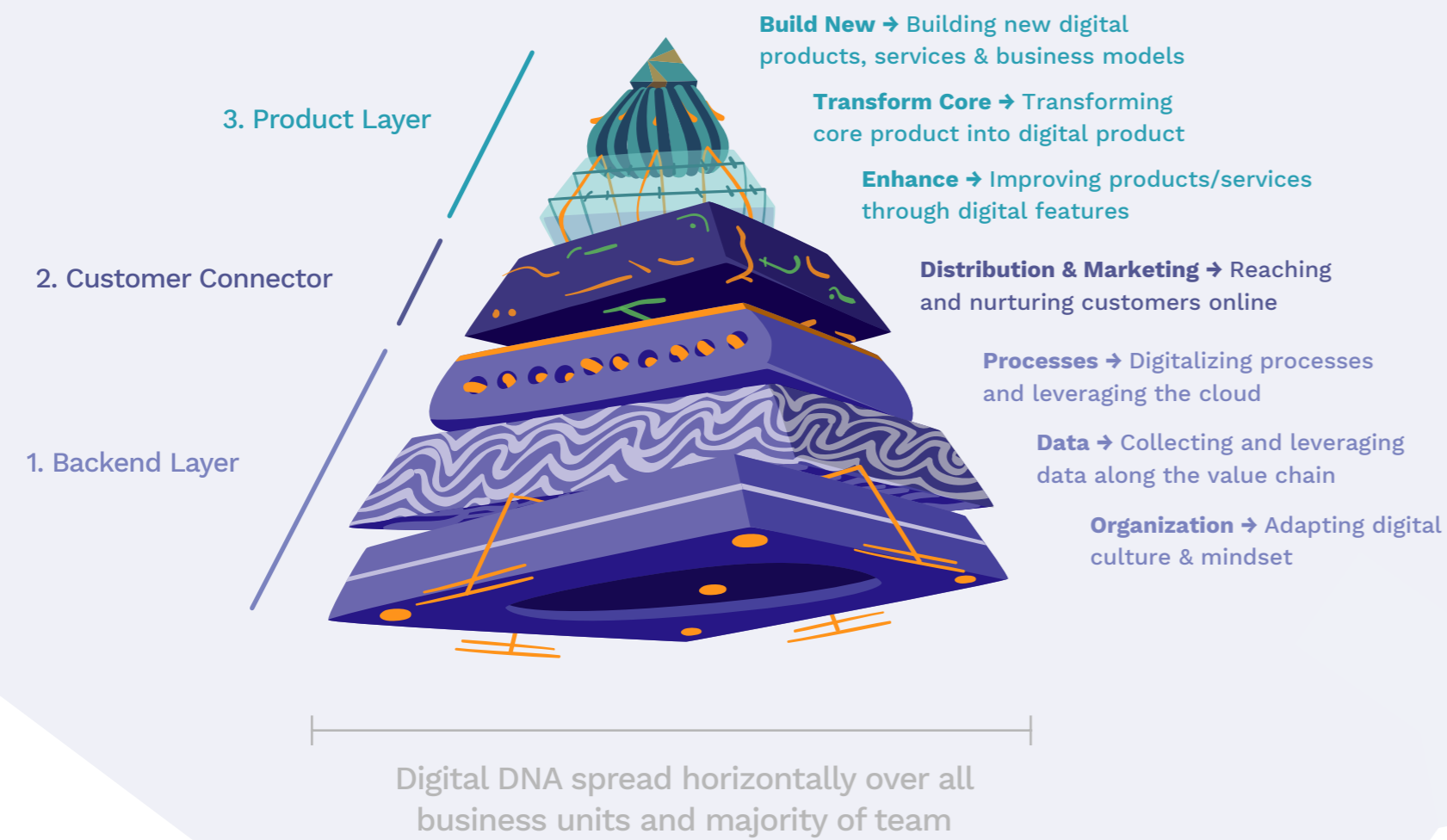


The Digital and AI Transformation Pyramid

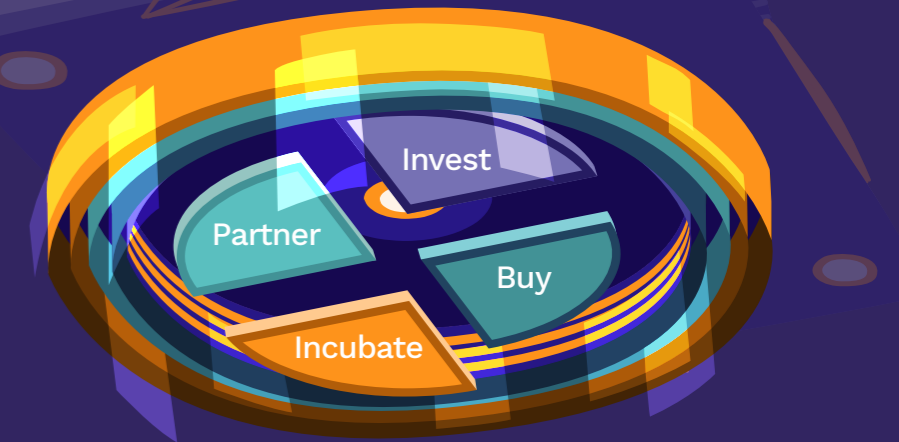
By Iskender Dirik



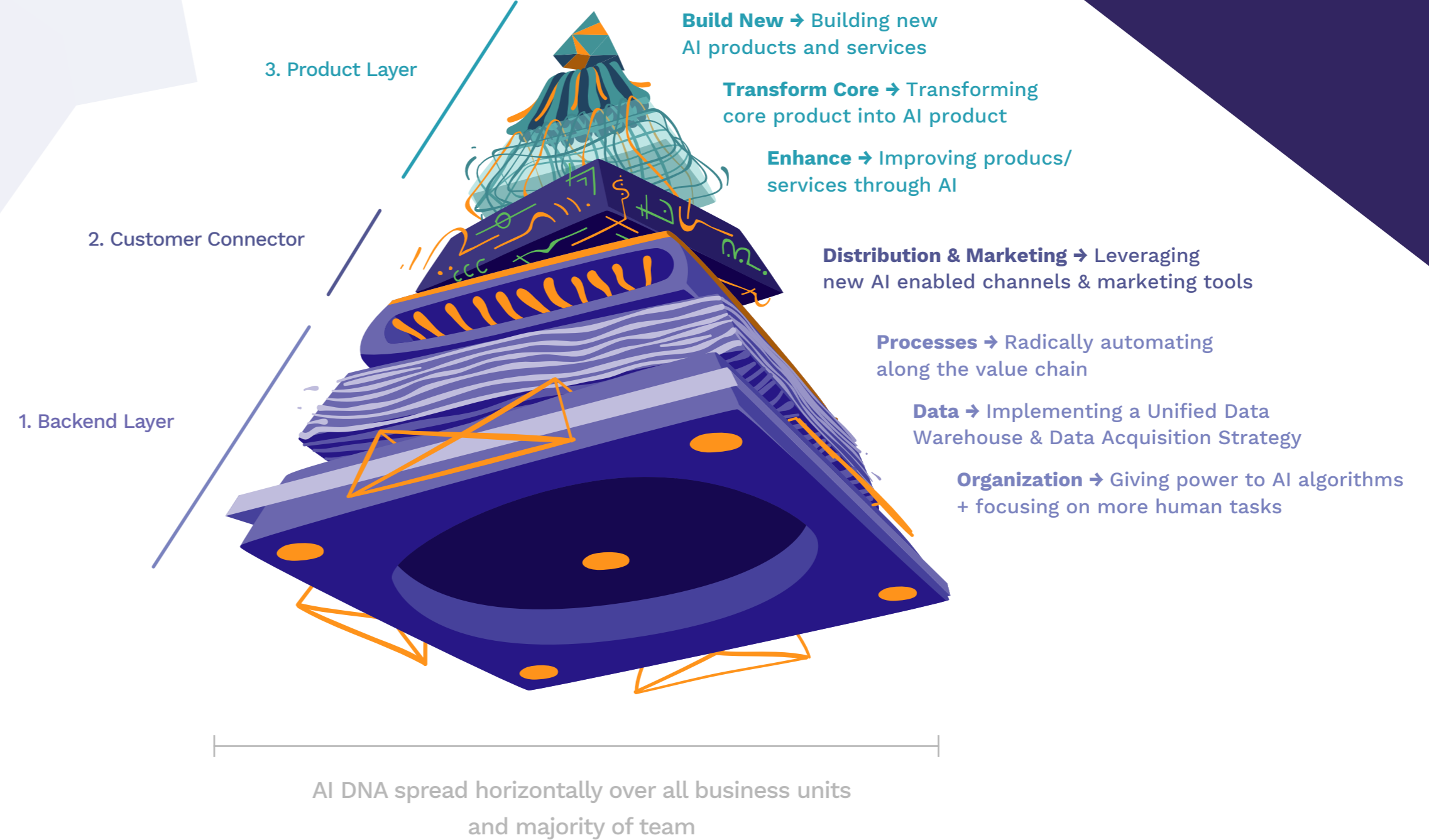
1. Digital Transformed Company



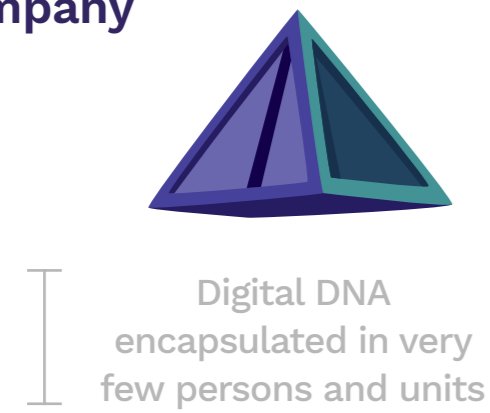
Startup Flywheel



2. AI Transformed Company

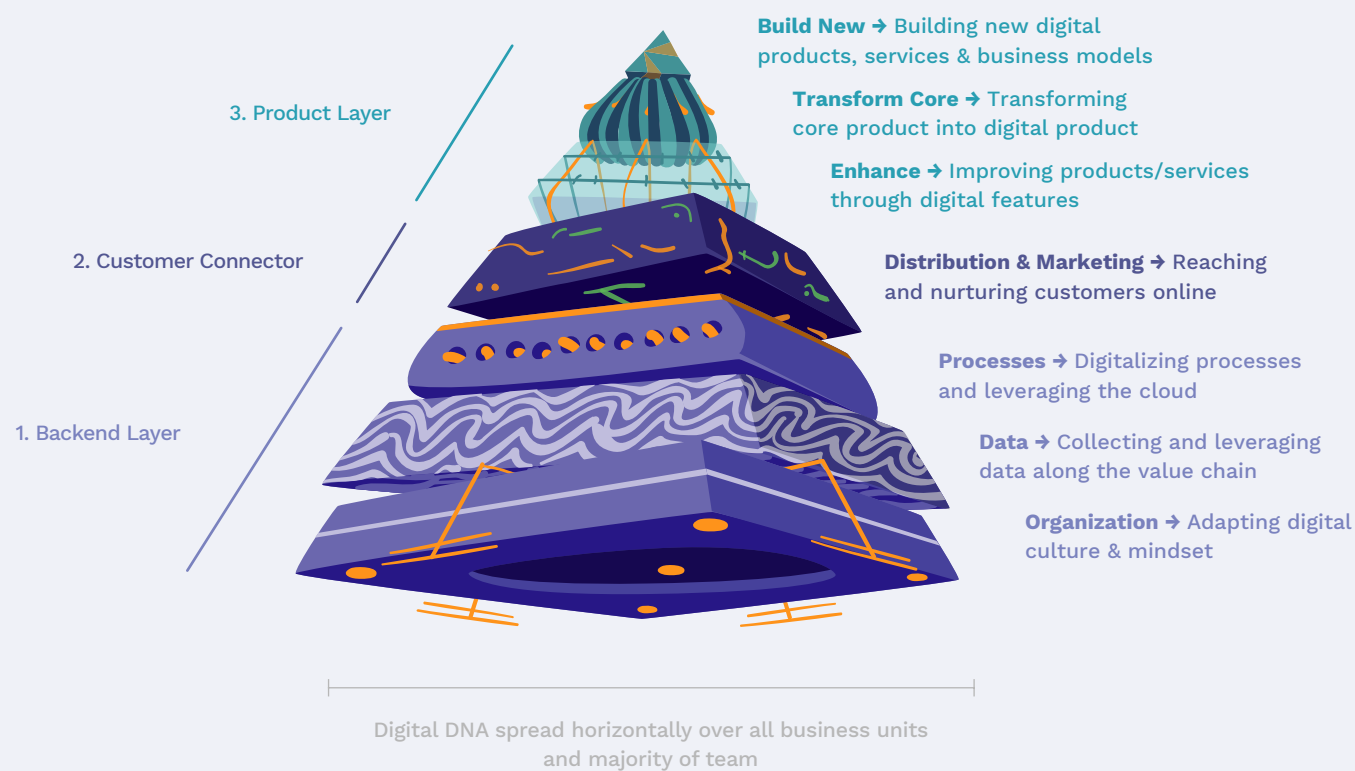


0. Old Economy Company



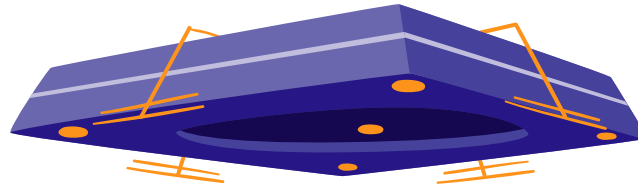
The Evolution to an AI Transformed Company

Step 1: The Digital Transformed Company



Backend Layer

Organization



Culture & Mindset

- Strong focus on establishing a modern, friendly and productive company culture.
- Learn-it-all instead of Know-it-all mentality.
- Embracing Change
- Adaptability & Flexibility
- Focusing on simplifying everything from product to processes.
- Open source culture, also for knowledge/best-practices (e.g. Google re:Work).
- Failure Tolerance: encouraging people to produce failures, „Test fast, fail fast, adjust fast“ mentality.
- „Just do it“ / fast execution mentality, avoiding bureaucracy.
- High appetite for risk + courage.
- Acting fast („zoom in“) while optimizing for long term („zoom out“) value creation – with enough patience for the latter one (see Amazon’s long path to profitability).
- „Cannibalize yourself, before someone else does“ mentality.
- „Always dare to challenge the status quo“ mindset.

HR Operating Model

- Focusing on organizational learning and developing employees.
- Investing significantly in leadership development.
- Adapting „New Work“ principles:
 - Fun at work/„Live to work“
 - Flexible working hours
 - Remote work
 - Work-life balance
- Empowering team members, giving space and responsibility.
- Modern employee management concepts (e.g. OKR, Tours of Duty).
- Focusing on people. Understanding that nothing is more important than team & talent and acting accordingly.
- Continuous feedback mentality.
- Collaborative work style.
- Flexible assignments, tasks and expert roles instead of stiff job descriptions.
- Digital DNA as must-have for recruiting 1) leaders and 2) employees.
- Cultural fit as core hiring priority.
- Incentivizing key people for the long term.
- Casual mentality: Less dress code, more individual expression.
- Attracting talent through exciting challenges.
- Emphasizing employer branding.
- Distributed leadership, e.g. decentralized decision-making through developers, product managers etc.
- Flat and flexible organizational structures (e.g. Holocracy).

Product Development Mentality

- Design Thinking/User-Centered Design methodology
- Short cycle times, Continuous Deployment mentality
- Agile processes (e.g. Scrum/Kanban)
- Rapid experimentation
- Lean Startup methodology
- Minimum-Viable-Product methodology
- „Pivoting“ mentality

Backend Layer

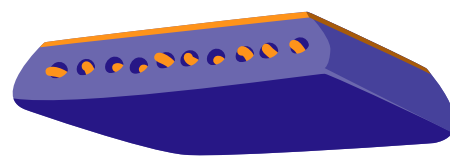
Data



- Implementing a data warehouse and digital infrastructure / [Systems of Record](#)
- Collecting and leveraging data along the value chain
- Holistic data driven decision making
- A/B Testing
- Using data extraction and visualization tools

Backend Layer

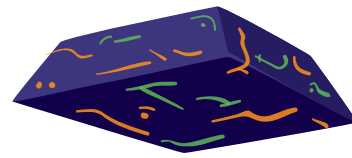
Digital Processes



- Digitalizing and automating all relevant processes along the value chain, especially [CRM](#), [HCM](#), [ERP](#), [ITSM](#) and the production line.
- Transition from paper to Excel to specialized cloud tools, automating basic tasks (e.g. approval processes for purchasing orders, vacation requests etc).
- Using up-to-date productivity tools.
- Leveraging the cloud for data management, processing, storage.

Customer Connector

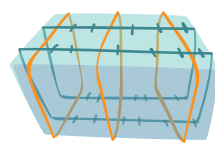
Online Distribution & Marketing



- Heavy use of digital distribution channels:
 - 3rd party marketplaces
 - Own website
 - Own online-shop
- Leveraging online marketing potentials:
 - Search-Engine-Optimization
 - Search-Engine-Marketing
 - Performance-Marketing
 - User Targeting + Personalization
 - Social Media Marketing
 - Newsletter-Marketing
 - CRM
 - Viral Marketing

Product Layer

Enhance



- Enhancing existing products with digital features (e.g. smart fridge by Siemens).

Product Layer

Transform Core



- Transforming the core product and business model to digital (e.g. Microsoft from Office licence model to Office 365 in the cloud, New York Times with its Digital Subscription).

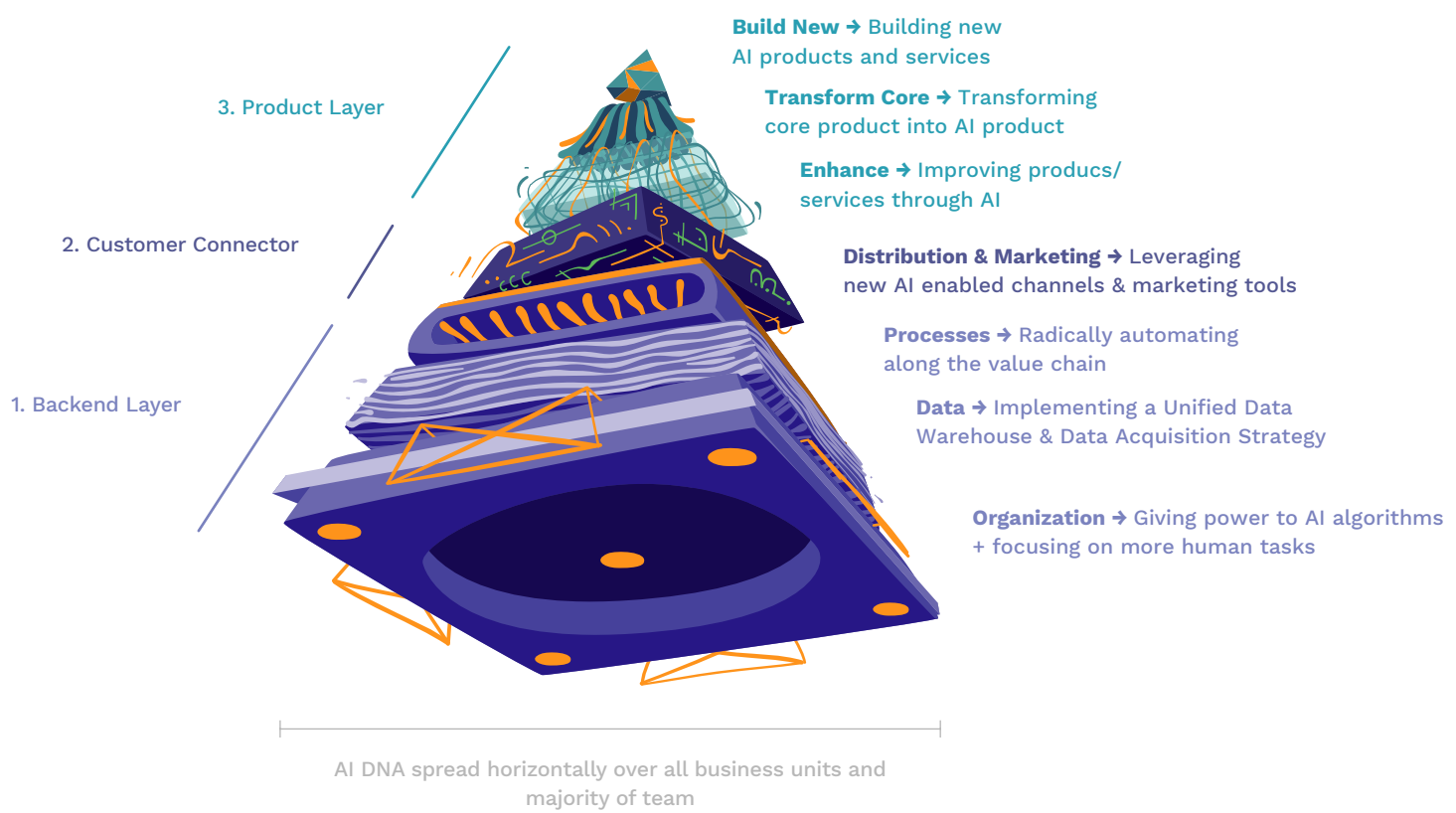
Product Layer

Build new



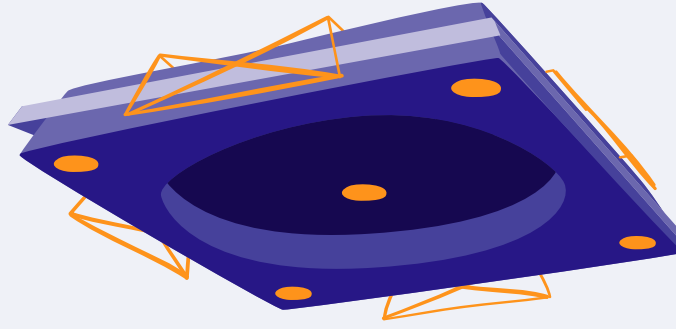
- Building (or buying) new digital products in core, adjacent or completely new markets (e.g. Microsoft with its Azure Cloud, Beats by Dre with Beats Music).

Step 2: The AI Transformed Company



Backend Layer

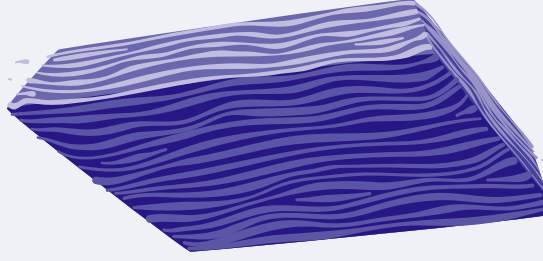
Organization



- Focusing on value creation in more human tasks
- Giving trust to machines and algorithms - machines will develop software, not engineers; machines will take and execute decisions.
- Understanding the core mechanics and ideas of AI.
- Adapting new job descriptions, e.g. product managers that focus on how to leverage data to create moats instead of creating wireframes.
- AI DNA as must-have for recruiting 1) leaders and 2) employees.

Backend Layer

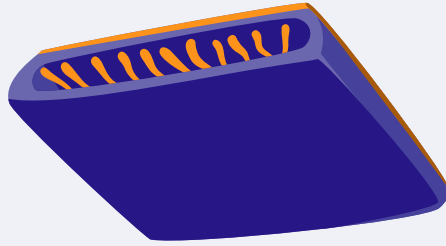
Data



- Implementing a unified and holistic data warehouse.
- Developing and implementing a data acquisition strategy to create data moats (creating USPs leading to defensibility of business model).

Backend Layer

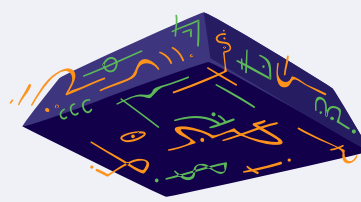
Processes



- Implementing Systems of Intelligence.
- Fully automating processes along the value chain (CRM, HCM, ERP, ITSM, production line) with AI algorithms (e.g. chatbots, predictive analytics, marketing intelligence, robots for manufacturing industry).
- Focusing on augmenting and replacing replicable human tasks with AI algorithms.
- Saving human time for more important strategic and creative tasks.

Customer Connector

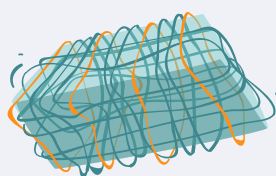
Distribution & Marketing



- Leveraging new AI enabled distribution channels to reach customers (autonomous cars, VR/AR, smart billboards etc).
- Leveraging new AI enabled marketing potentials and tools (hyper-personalization, channel-agnostic targeting, automated campaign planning and ad generation etc.).

Product Layer

Enhance



- Enhancing existing products and services with AI features (imagine an automotive manufacturer adding voice control to his cars).

Product Layer

Transform Core



- Transforming core product into AI product (imagine an automotive manufacturer developing self-driving cars).

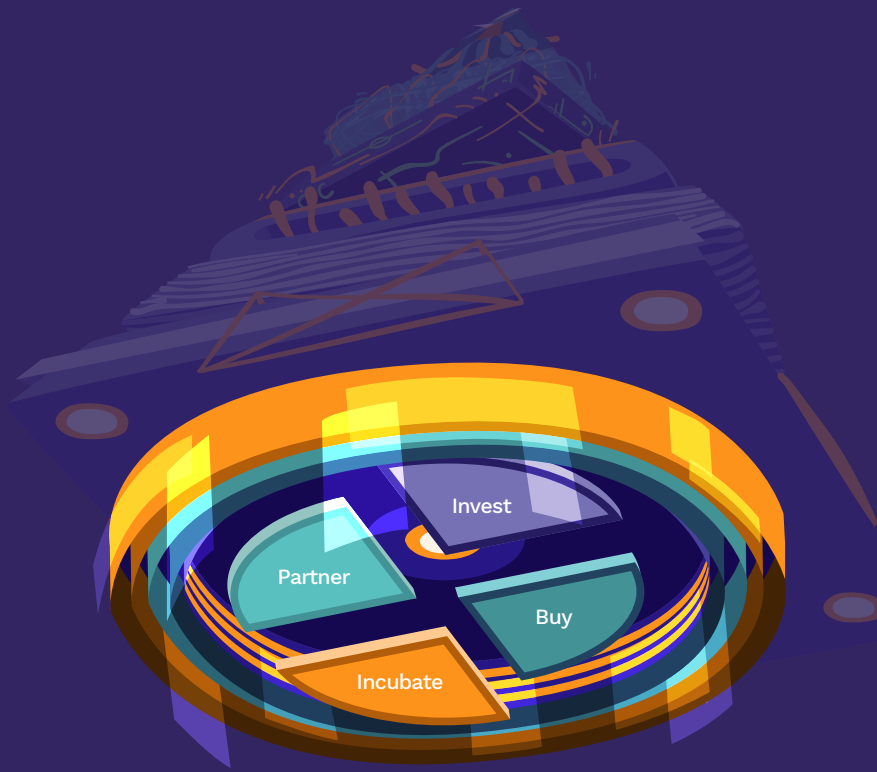
Product Layer

Build new



- Building new AI based business models/products/services (imagine an automotive manufacturer offering a taxi service with self-driving cars).

The Startup Flywheel



The startup flywheel can help on all different layers of the Digital and AI Transformation Pyramid: Expanding digital business, offering added value to customers, reaching customers more effectively, helping to digitalize processes, gaining competitive data advantages and/or transforming culture. The Startup Flywheel can accelerate the digital and AI transformation of a company. However, trying to use it as a main vehicle to transform the core business leads to false expectations and dissatisfaction on all sides.

Partner

- Integrate startup products (become a client of them)
- Co-sell with startups (do business together)

Invest

- Own direct VC investments
- Investments in VC funds
- Accelerator programs (own or in cooperation with accelerator brands like Plug'n'Play & Techstars)

Build

- Develop own ideas to startups.

Buy

- M&A: Acquire and integrate startups.

Author



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