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Using a Digital Services Capability Model to Assess Readiness for the Digital Consumer[1]

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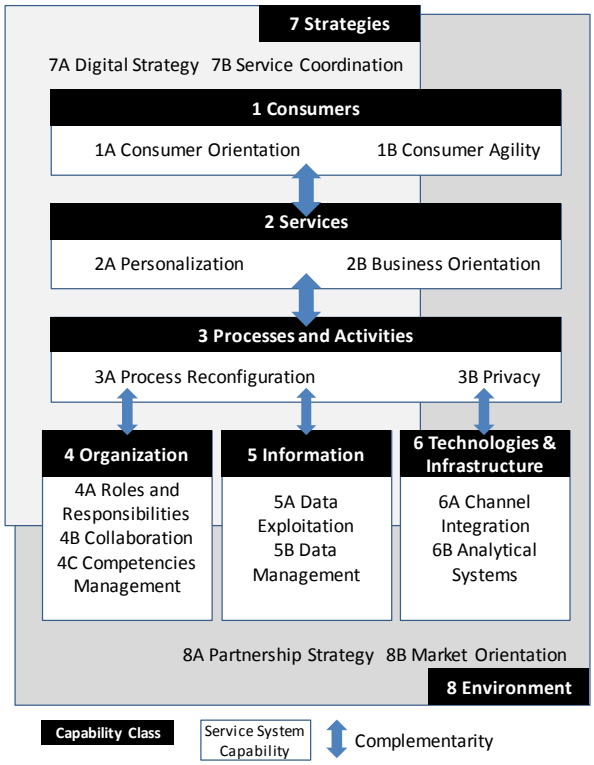
Executive Summary

New digital services in consumer-facing organizations offer novel value propositions, closer consumer relationships and higher automation of consumer-facing processes. But transforming to fully digital services requires specific capabilities. The full article presents a digital services capability model that allows an organization to assess its current capabilities and identify gaps, and illustrates its use in two case studies.

Building Blocks of Our Digital Services Capability Model



Our digital service capability model consists of 17 capabilities in eight capability classes. *Class 1* (Consumers) addresses the ultimate recipient of a digital service and covers the capabilities to make sense of how services are consumed (1A: Consumer Orientation) and to sense and respond to consumer demands (1B: Consumer Agility). *Class 2* (Services) characterizes the predominant design characteristics of a consumer-oriented value proposition and includes the capabilities to align a value proposition to consumer demands (2A: Personalization) and to monitor the performance of services (2B: Business Orientation). *Class 3* (Processes and Activities) addresses the formal and informal activities of service provision and includes the capabilities to enhance value-creating activities on the basis of digital technologies (3A: Process Reconfiguration) and to protect consumer information (3B: Privacy). *Class 4* (Organization) covers the different aspects of organizational design, which determine how work is coordinated in digital service systems and includes the capabilities to design key roles (4A: Roles and Responsibilities), to foster intra-organizational collaboration (4B: Collaboration) and to manage competencies (4C: Competencies Management). *Class 5* (Information) describes the approaches, methods and instruments for data management upon which a digital service is built. It includes the capabilities to continually assess the business potential of available data (5A: Data Exploitation) and to manage consumer data quality and accessibility (5B: Data Management). *Class 6* (Technologies and Infrastructure) addresses the IT-related aspects of service design and includes competencies to integrate channels (6A: Channel Integration) and to manage analytical systems (6B: Analytical Systems). *Class 7* (Strategies) addresses a service system's competitive positioning and includes the capabilities to align digital service objectives with the organizational strategy (7A:

1 The full article is published in the September 2017 issue of *MIS Quarterly Executive*, available online at www.misqe.org.

Digital Strategy) and to coordinate service programs (7B: Service Coordination). *Class 8* (Environment) looks at how a service system relates to institutional, competitive and regulatory framing conditions for service provision. It covers the capabilities to manage partnerships and strategic alliances (8A: Partnership Strategy) and to detect potential strategic market developments early on (8B: Market Orientation). The model also includes several practices for each of the 17 capabilities.

Case Examples of Using the Capability Model

The full article describes in detail how the model was applied in two consumer-oriented organizations (both of which are facing market disruption related to innovation in digital services) to assess the state of their capabilities for digital transformation. For each company, having first described the drivers of digital transformation, the results of the assessment are then presented. The assessment identified the capabilities that were well developed, and those that need to be improved. Each case concludes with a chart that shows, for each capability class, the average gap between the current and desired state. This chart therefore identifies the capability classes where urgent action is required, where there is a moderate need for action and where there is a low need for action.

Recommendations on How to Use the Capability Model

From applying the model in the two case (and other) companies, we have identified four distinct, but not mutually exclusive, purposes (or scenarios) for using the model—Inspiring, Establishing Trust, Forming Consensus and Communicating. These scenarios represent different objectives with different dominant model features, and apply the capability assessments from the model in different ways to create value.

1. Use the Capability Model to Inspire. Managers in this scenario want to identify their capabilities with low maturity and that therefore need to be improved, and to avoid the risk of ignoring external market experiences. They seek inspiration on how to selectively evolve their internal digital services capabilities. The model allows them to collect and accumulate examples of practices adopted by other companies to strengthen specific capabilities. The model does this through short descriptions and corresponding examples of good practices.

2. Use the Capability Model to Establish Trust. One approach to establishing trust in the effectiveness of developing digital service capabilities before the investments have begun to pay off is to point to the experiences of other organizations with more mature capabilities. By validating that a practice has been effective in other organizational settings, the model provides *a priori* evidence that the introduction of a practice makes economic sense.

3. Use the Capability Model to Build Consensus. The capability model comprises a structure of capabilities and practices, along with definitions of the capabilities and practices. As such, it provides largely unambiguous conceptualizations of digital services capabilities. These conceptualizations provide a shared language that facilitates the structured exchange of perspectives and assessments. Thus the model is an artifact that enables knowledge-sharing across structural boundaries. In addition, its semantics establish a shared language for formulating assessments and visions. The model can also contribute to a wider process for aligning different interests in an organization.

4. Use the Capability Model to Communicate. The model is a tool for capturing the state of capabilities at a specific point in time. Specifically, it identifies which capabilities to assess, suggests a methodology for evaluating capability levels and describes practices for implementing the capabilities. By capturing capability states at different points in time, the model provides the means for continuously communicating capability improvements. In using the model in this way, its primary role is to communicate the results of capability management. Thus, the model is a tool for creating internal awareness both of current capability strengths and of areas where there is an urgent need for improvement.

In summary, the full article discusses the crucial role of organizational capabilities for digital services in consumer-facing industries, and shows how a newly developed capability model can be used to identify gaps in capability levels and to provide descriptions of different organizational conditions and priorities. It also identifies four ways (or scenarios) in which the model can be used. First it can inspire organizations through the lessons learned from and experiences of other organizations. Second, it can provide arguments for justifying investments in digital services capabilities and establish trust that the investments will pay off. Third, it can create consensus and develop a shared assessment of capability levels. Fourth, it can communicate the state of digital services capabilities to the rest of the organization and raise internal awareness of them.