

# DATA

This is how you make money

# VALUE

in the digital age

# CREATION

KEN VAN IERLANT  
FIONA VAN MAANEN



Data - value - creation

SPECIAL EDITION

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# **Data - Value - Creation**

## **SPECIAL EDITION**

**This is how you make money in the digital age**

**Ken van Ierlant, Fiona van Maanen a.o.**

# Colophon

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# It's all about the data, stupid!

We live in a paradoxical time where uncertainty, conflict of direction, society, and politics burden heavily on the manageability of society, economics and civilization. The disruption of a virus was the last thing we would want and has left a trail of destruction on all possible grounds. But at the same time this crisis does offer the opportunity to think and act outside of the box for once. Never waste a good crisis! We realize more and more that most important issues are no longer solvable through a paradigm in which traditional thinking patterns and solution directions are mostly approached by identical optics. We are confronted daily with decisions based on iterative and incremental truth-finding, in other words by advancing insights while the underlying data could have told us already that the way of solution should be in another direction, in only a fraction of the time and for substantially lower expenses. The obscurity on the administrative level to think and act holistically and data-driven is quite shocking because the necessary technology and data are amply available but not applied in the correct manner. What we don't know we fear: Therefore a digital transformation is also a sociological issue because it mobilizes all layers in an organization to see the business- and operating model against a sharp light and make the right choices using data.

The development of 'emerging technologies' has gained momentum, which cannot be kept up with on a political and company level by directors. And besides this there's talk of turmoil and panic that has originated from world powers fighting globally for technical leadership on a geopolitical level. A great lead is created only for a limited number of players, as a result of their lead in the applicability of this technology. Those left behind are in danger of being wiped out. Therefore there's a lack of a level playing field, which means that the Fortune 500 list will look completely different in five years time.

Ten years ago oil companies topped the Fortune 500 list. Nowadays it is dominated by data driven 'big tech' with their multisided platforms. At the same time we see smalltechs in the form of unicorns disrupt existing markets and wipe out incumbent players in just a few years time. And... the game has only just begun.

Europe feels cornered and is being sandwiched by the big techs in the USA and China and is trying to maintain its position through regulation. This rearguard action leads to a tremendous internal battle of directions in which the bureaucracy in Brussels is gearing up for a form of state capitalism with triads of idealistic objectives that have taken on an almost religious character. The harsh reality, on the other hand, demands ambitious entrepreneurship, innovation, a willingness to change, risking capital and a fighters-and-winners mentality from the real economy. In any case, the world has not become any clearer, with Bommel doubtfully wondering: 'Thom puss make up a ploy...' The success of the continuity of our society and business will have to come from entrepreneurship, where the government should facilitate this and not the other way around.

Data is the new oil with which a lot of value, prosperity but also well-being can be generated. But for that to happen, just like oil, it will first have to be explored upstream before it can be exploited downstream and converted into value creation. The most reassuring news is that our society thrives on data that is latent in all fibers of our society. But what good is it if you can't get to it properly so that as a result of this you lose the momentum to convert this latent wealth into financial and social equity? There is much more data than oil and this resource is also inexhaustible as long as you handle it correctly and are willing to enrich your data by combining creativity and good ideas.

We live in a time where there is a chronic lack of time and money. 75 years of thinking and acting in the producers-surplus model has saddled society, the government and the free-market economy with an unbelievable amount of legacy in thinking, doing, processes and systems, making production processes far too expensive and complex. Digitalization offers the opportunity to keep the good things from the past, but also to say goodbye to the bad things that lead to value destruction. In other words, the current model is broken and sub-optimization, goat paths, corner and cod-like twists or 'lipstick on a pig' will no longer offer a solution for this in the long term.

In other words: a change of course is called for, quickly, efficiently and effectively! Existing paradigms, management wisdom, trendy hypes and old wine in new business only lead to disillusionment and value destruction.

In a combination of various experts who have been active for many years at many companies and organizations, we have combined and recorded our knowledge and experience in this book to offer directors a way out of the challenges they now face as leaders.

This book offers a vision and approach to formulate an answer to the many challenges from a holistic perspective (and with data as the source for value development). Both on a geopolitical and macro level, but also on a corporate microlevel, the digital transformation 4.0, as described in this book, offers a clear, manageable vision and approach to give our society and economy a new boost, using data as the new source for value creation.

Ken van Ierlant

# Table of contents

## IT'S ALL ABOUT THE DATA, STUPID! ..... V

Ken van Ierlant

## MANAGEMENT SUMMARY DATA – VALUE – CREATION .....XV

Ken van Ierlant

## 1 INTRODUCTION TO THE FUTURE OF THE ENTREPRENEURIAL NETHERLANDS 1

Bert Pijnse van der Aa and Ken van Ierlant

1.1	Digital economy 4.0 AFTER Covid-19 .....	4
1.1.1	The battle between the free market economy and the panned economy (The Great Reset) .....	4
1.1.2	Production .....	5
1.2	The post-corona world will not be radically different .....	11
	Adjiedj Bakas	
1.2.1	Artificial Intelligence (AI) & Facial Recognition (FR).....	11
1.2.2	Government more powerful than ever .....	11
1.2.3	Government must work harder and more efficiently .....	12
1.2.4	Staatskapitalisme wordt het nieuwe normaal .....	12
1.2.5	The progress Mix vs. The Great Impoverishment .....	13
1.2.6	Flying after corona.....	14
1.2.7	China versus the West: the power struggle is already decided .....	14
1.2.8	Digitalisation 4.0 .....	15
1.2.9	Times change and we change with time .....	16
1.3	Emerging Technologies .....	18
	Jolanda ter Maten	
1.3.1	Innovation through the ages .....	18
1.3.2	New technology is not an IT-party .....	20
1.3.3	Blockchain .....	20
1.3.4	Artificial Intelligence .....	21
1.3.5	Internet of Things.....	22
1.4	AI as if it were 'data fracking' .....	23
	Ken van Ierlant	
1.4.1	Convergence: where new technologies come together.....	28
1.4.2	Living and working in a Smart City .....	28
1.5	CASE: APPLICATION OF NEW TECH: IKKE .....	31
	Corjan Dasselaar	
1.5.1	IKKE (and his data) FIRST .....	32
1.6	What do I need in order to use those new technologies in my organization? .....	36
	Ken van Ierlant	
1.6.1	From application-centric to data-centric .....	36
1.6.2	The inevitable digital transformation .....	37

## 2 WHY START NOW WITH DIGITAL TRANSFORMATION 4.0? ..... 39

Ken van Ierlant

2.1	sociological paradox of new technologies and the digital transformation	44
	Ken van Ierlant	
2.1.1	The sociological issue .....	44



2.1.2	New economic laws.....	49	
2.1.3	The Psychology of the Rijnland-model .....	50	
2.1.4	Impact on business operations .....	51	
2.2	Impact by GDPR legislation .....	54	
	André Biesheuvel and Ken van Ierlant		
2.2.1	Interaction between the European General Data Protection Regulation and the Digital Transformation.. .....	56	
2.2.2	In-depth look at how the GDPR works .....	56	
2.2.3	Case The Healthcare domain.....	58	
2.3	Rise of the platforms .....	60	
2.3.1	Government case .....	62	
2.3.2	Private equity and shareholder value.. .....	65	
2.3.3	Case: Developments in the system integrations .....	66	
2.4	Technology and IT as a purpose or a tool .....	71	
	Ken van Ierlant		
2.4.1	The demystification of the IT domain is on the one hand the driver and on the other hand the biggest threat to the Digital Transformation		71
2.4.2	The advent of the personal computer .....	72	
2.4.3	IT version 4.0 .....	73	
2.4.4	The lily in the pond .....	74	
2.4.5	The New reality 4.0 .....	75	
2.4.6	The big misunderstanding.....	77	
2.4.7	The illusion of Big data, BI and The Customer Experience .....	78	
2.4.8	Game changer 4.0 .....	80	
2.4.9	Data-centrism as the only way out of this crisis .....	80	
2.4.10	The mother of all speedbumps .....	81	
2.5	The new normal in Business & IT.....	82	
	Ken van Ierlant		
2.5.1	Digital transformation is holistic .....	84	
	Marco Gianotten		
<b>3</b>	<b>DIGITAL TRANSFORMATION 4.0: USEFULNESS, NECESSITY AND REALITY .....</b>	<b>87</b>	
3.1	ANTITHESIS: WHY IS IT GOING WRONG? .....	87	
	Ken van Ierlant		
3.1.1	Our Dutch innovation theatre .....	87	
3.1.2	Producer and consumer not in sync .....	89	
3.1.3	Moonshots versus platforms.....	90	
3.1.4	Cost leadership or market leadership?.....	92	
3.1.5	The business economic side of digital transformation .....	95	
3.1.6	The consumer pays and determines: the disruptors' rule. ....	98	
3.1.7	Digitaal leiderschap: start top-down.....	100	
3.1.8	Unraveling the business problem .....	102	
3.1.9	Digital transformation = disruptive and holistic .....	103	
3.1.10	Conclusion .....	105	
3.2	The real drivers to start with a Digital transformation 4.0.....	106	
	Ken van Ierlant		
3.3	Critical succes factors in Digitale transformatie 4.0.....	108	
	Ken van Ierlant		
3.3.1	Operating costs versus investments.....	109	
3.3.2	Customer engagement, or customer approach .....	109	
3.3.3	Knowledge of the possibilities and when will it become an IT matter? .....	110	
3.3.4	Finally .....	111	
3.4	The inestimable value of change capacity .....	111	
	Marco Gianotten		

3.4.1	Irreversible choices? .....	112
3.4.2	Experimenting as second nature.....	113
3.4.3	Adjusting is not enough.....	113
3.4.4	Winner .....	114
3.5	Everything revolves around data centrism .....	115
	Abdulmohaimen Amer and Abdullah Keteldijk	
<b>4</b>	<b>THE DIAMOND OF DIGITAL TRANSFORMATION 4.0 .....</b>	<b>123</b>
4.1	Formulating digital strategy.....	124
	Martin van den Berg, Klaas Brongers	
4.1.1	Drivers and vision.....	125
4.1.2	Business model .....	125
4.1.3	Operating model.....	126
4.1.4	Digitally skilled employees.....	128
4.1.5	Speed and courage .....	128
4.1.6	A data-centric approach .....	128
4.1.7	Governance .....	129
4.1.8	Conclusion.....	131
4.2	Business model and IT operating model .....	131
	Ken van Ierlant	
4.2.1	The impact of the change on the balance sheet .....	134
4.2.2	Why is this data-centric architecture preconditional?.....	135
4.3	Financial re-engineering of the balance sheet.....	136
	Ken van Ierlant	
4.3.1	Data-centric entrepreneurship.....	137
4.4	Governance, risk and compliance .....	142
	Ken van Ierlant	
4.4.1	Digital transformation and the law .....	144
	Ernst Jan Louwers and Natascha van Duuren	
4.4.2	Legal dilemmas in digital transformation projects .....	144
4.4.3	Legal points for attention in digital transformation projects: a step-by-step plan .....	145
4.4.4	Checklist for directors .....	150
4.5	Leadership in digital organisations .....	151
	Jeroen Aalbers	
4.5.1	Business aspects of data-driven organizations.....	152
4.5.2	A leadership model .....	156
4.5.3	Leading change; "Knowing is not doing!" .....	160
4.6	Leaders conduct in Digital transfoamtion .....	162
	Ron Brummans	
4.6.1	Leader behavior when there is organizational inertia .....	163
4.6.2	Behavior of leaders in ambidextrous organizations.....	166
4.6.3	The digital leader.....	168
4.7	Social innovation.....	170
4.7.1	Developing skills for a lifetime.....	172
4.7.2	The new jobs: future jobs.....	173
<b>5</b>	<b>THE HOW-TO OF DIGITAL TRANSFORMATION 4.0 .....</b>	<b>175</b>
	Ken van Ierlant	
5.1	The core of Digital transformation 4.0.....	176
5.2	Enterprise architecture is changing .....	180
	Peter de Haas	
5.2.1	Agile architecture .....	180
5.2.2	Focus on value creation; use architecture principles.....	181
5.2.3	The value is locked in your data .....	183

5.2.4	Take the step from an application-centric to a data-centric approach.....	183
5.2.5	Make the move from an application-centric to a data-centric enterprise architecture.....	184
5.2.6	What does this mean for your organization? .....	186
5.3	The power of information .....	187
	Martin Grasdijk and Edward Flink	
5.3.1	From artificially complex to naturally simple .....	187
5.3.2	Zooming in brings simplicity .....	188
5.3.3	Information-centric automation .....	189
5.3.4	The power of information.....	191
5.4	Data discovery .....	191
	Derived form a tekst by Abdulmohaimen Amer and Klaas Brongers	
5.4.1	Finding the right data.....	193
5.4.2	Data-exploration .....	195
5.4.3	Data-indexing .....	195
5.4.4	Data cleaning .....	196
5.4.5	Conclusion.....	197
5.5	Digital transformation 4.0: how?.....	198
	Ken van Ierlant	
5.5.1	Work according to a transparent script.....	201
5.6	Approaching Digital transformation 4.0 .....	203
	Ken van Ierlant	
5.6.1	The analysis phase .....	203
5.6.2	The delivery-phase .....	205
5.6.3	The management phase .....	208
5.6.4	The exploitation-phase.....	210
	<b>IT'S ALL ABOUT DATA STUPID.....</b>	<b>213</b>
	Ken van Ierlant	
	<b>APPENDIX 1 RECOMMENDATIONS.....</b>	<b>215</b>
	<b>APPENDIX 2 ABOUT THE AUTHORS .....</b>	<b>221</b>
	<b>APPENDIX 3 READ MORE .....</b>	<b>227</b>
	<b>APPENDIX 4 EMERGING TECH EXPLAINED IN MORE DETAIL.....</b>	<b>229</b>

# Management summary Data – Value – Creation

*Ken van Ierlant*

Digital Transformation 4.0. The term probably leads to questions: Aren't we skipping 2.0 and 3.0? Isn't this pointless inflation? The answer is: no. Precisely if we had stepped up a gear, precisely if we had opted for a title with '2.0', we would not do justice to reality. Subsequently we would have suggested that we see digital transformation as a gradual adjustment, as a number of small, incremental steps forward that make your company just that little bit more efficient. That's definitely not what we're aiming for.

That is why we are not advocating a digital transformation such as you would see with an average bank of some size. There they develop all kinds of ways to offer existing services to even more customers. But in fact it is always about the 'old way' of service provision. Same business model, same operating model. All those shiny gadgets they present, all those apps and new payment methods... It's lipstick on a pig.

Because digital transformation - real digital transformation - represents a total break with the past. That's why we don't opt for add-ons and cosmetic solutions, we focus directly on the operating model. With true digital transformation 4.0, you ensure that the costs of that model go down enormously, and that your organization can devise new product-market combinations that meet the needs of your customer. In other words: with digital transformation 4.0 we compare your company to fast-growing startups and scale-ups, and internet giants such as Google and Amazon. They can disrupt any market, be it foodstuffs or insurance. They have easy access to the correct data.

With that last word - data - we get to the heart of the problem. The vast majority of CEO's see digital transformation as a technical issue, something for IT. And so they dedicate this topic to the CIO, CDO, or CTO. That is not a good idea, because IT usually proves to be an obstacle. As far as they are concerned, many traditional companies struggle with their IT with so-called legacy. All their data is scattered across numerous applications that have been tied together for decades. For example, look at a well-known German car manufacturer. They have no less than seven different customer databases that are spread over six different applications, so every change has to be entered six (or seven?) times. Extremely inefficient, extraordinarily expensive, and yet IT people can't quite say goodbye to this. In fact, their entire thinking is geared to maintaining those applications, and so they make the process unnecessarily complicated.

Time for a different view of digital transformation. This is not a topic for the CIO, CO or CTO, but for the CEO, because it is not a technology issue, but a business problem. Presently in 2021, technology is a commodity. You can get it everywhere and it hardly costs any money. In fact, you don't even have to bring it into your home anymore: you can easily place it outside the door. So there is no reason to spend any more capital on IT. And certainly no reason to let IT tell you how to run your business. Well, it's just as absurd to let IT decide on a digital transformation.

So, a business issue - but definitely a complex issue. Because digital transformation forces companies to work in a different way: not application-driven but data-centric. This also means that applications and legacy are depreciated at an accelerated rate. It also means that the data in those applications must be tracked down and cleaned out. About 85% of that data is ballast, also called ROT: Redundant, Obsolete and Trivial.

A simple example: a paragraph in which one party indicates that he owes the other party 150,000 euros should definitely be kept. But the salutation and the signature of that same letter - dear sir, with kind regards - are of course less interesting. So you only want to keep that 15% clean data. This is then placed in a database of an external provider, for example Google.

Let's be honest: that sounds like an expensive operation, especially at a time when the balance sheets of companies have been emptied at an accelerated rate. However, this is not so bad,

because the process is actually self-financing. Just think, in the current situation companies are faced with numerous applications, and therefore also expensive licenses and management costs. The moment you dispose of those applications, you free up a ton of money and time. This leaves room for focus on business and opportunities, and for new product-market combinations that meet customer needs. Add to this the fact that the entire digital transformation can be a factor of six faster than an average advisory process, and you understand that the above-mentioned money will also become available quickly.

How is it possible to make Digital transformation 4.0 work so fast? Well, we believe that in the first instance this book is important for all layers of the organization including middle management, but also for the board. It is precisely in the initial phase where you want to involve middle management in the process, despite the fact that the middle managers also have their own interests. Like the IT people, they want to maintain the existing structures. After all, everyone is used to that structure, but without support from middle management every transformation will fail.

Of course, the objections to a top-down approach are obvious. Because with such a top-down approach, do you create a support base among the employees? We think so. Let's go back to the German car manufacturer with its seven different databases. Again, the employees there are busy all day filling those databases with the exact same data. Consider what happens when you tell those people that you are going to make their work much more interesting. That from now on they will carry out tasks that actually contribute to the profitability of the organization. And that you also offer to guide them in this new way of working. Most of them will react very enthusiastically. Much more enthusiastic in any case than when such a change is initiated by the IT department. In the perception of many colleagues, they simply build a new system or a new infrastructure there, which the organization then has to learn to work with. Often little attention is paid to support.

In summary, the two key learning points in this book are:

- Why is digital transformation 4.0 a business issue and not an IT problem?
- How fast can digital transformation 4.0 be implemented from your own resources?

# 1

## Introduction to the future of the entrepreneurial Netherlands

*Bert Pijnse van der Aa and Ken van Ierland*

Just like in our personal life, entrepreneurs often think about the future. That thought about the future usually leads to questions and goals about 'more or less'. We are going to cut costs, make more turnover, serve more customers, introduce new services. However, such thoughts about the future are mainly based on knowledge and experience gained up to the present moment. The image of the future which you want to mirror your goals to is mainly based on what is already in your imagination. In other words, what you have experienced before in a possibly different context. Self or through the experiences of others. But everything that you or others have already experienced is actually no longer a real future. There is no world *after* covid-19, there is only a world *with* covid-19.

That which you cannot imagine, you cannot predict in advance. None of us can predict the future. Which entrepreneur could imagine that the covid-19 pandemic would break out beforehand? That this would lead to a new view on working from home? How valuable goals about 'more and less' are when such unpredictable situations arise? The future is full of corona viruses, black swans and other unpredictable events that will affect our business operations, figure 1.1. That will put us in a crisis.

In the words of Andy Grove, the first CEO of Intel Corporation, "Bad companies are destroyed by crisis, good companies survive them, great companies are improved by them." It is not the change or the crisis itself that affects our business. It's all in the decisions. The decisions that entrepreneurs make at crucial moments of change determine the future of the company.



Figure 1.1 Black swan

It is clear that there is now a crisis happening. Therefore it's time to make decisions about the transformation that will make the difference for the future for the organization.

When making such crucial decisions, taking a new path, or doing nothing, you are probably thinking: what has now actually changed? Disruption is a magic word in that capacity. So is tech disruption.

In fact, tech disruption is also just a moment of transformation. This means that many can and will lose, however it also means that there is much to gain for others. A new normal is never good or bad. A new normal is just the confirmation that there is no normal.

Covid-19 has taught us that no one can predict the future. Covid-19 has greatly accelerated this process of tech disruption that we are in and that forces us to make decisions. You can therefore only create in the future through the decisions you make as an entrepreneur at crucial moments.

Success has never been about predicting, successful businesses have never been created by predicting the future. They are successful because of their good understanding of the NOW. What problems need to be solved NOW, what opportunities are there NOW? If you take a good look at the current situation, can you now determine and decide what to do (NOW)?

What we can observe NOW is that there is an increased rate of change. Our bodies change every minute. Change is a constant in our lives. We can already deal with that biologically. We often don't see those changes anymore. However, speed is something that we do not easily deal with and that we have not been 'automatically and unconsciously' taught. The adoption of the car took about 67 years<sup>1</sup>. The rate of adoption of the tablet was around four years. The speed of innovation is now increasing exponentially. Thanks to digital tools, everything is moving faster and faster. Covid-19 has also given an extra boost to, for example, working from home and shopping online.

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<sup>1</sup> This is the time it took for everyone to have a car after the T-ford came to the market.