



Developing the digital transformation roadmap

wanstor

No one company has yet completed a digital transformation, one that fully harnesses the power of digital technology to rethink every aspect of their business or organisation. But a number of business and not for profit organisations are making remarkable progress, indicating the direction that others should take.

The future of industry in the UK will be digital; that much is certain. Many organisations have started deploying digital strategies, but have had an ad-hoc approach to execution. This means that for many organisations, the impact of digital has been relatively slow, and many business and not for profit organisations are not seeing value from their 'digital strategy'.

A growing number of executives, though, are facing up to this digital reality. They know that digital technology can significantly improve the performance of their current organisation. At Wanstor, we believe that for an organisation to have a successful digital transformation, they should look to follow 10 guiding steps:

Guiding Principles of Digital Transformation

Defining Value

- ① Secure Business Stakeholder Commitment
- ② Set clear targets
- ③ Secure budget

Launch & Moving Forward

- ④ Start with Pilot Projects
- ⑤ Appoint a Project Delivery Team
- ⑥ Promote agile ways of working
- ⑦ Promote a digital culture

Scaling the Digital Model

- ⑧ Have a clear initiatives plan
- ⑨ Build digital capabilities
- ⑩ Adopt the new digital operating model into business as usual

Defining Value

To set digital transformation on the right course, an organisation must place it at the core of the agenda, and take the time to understand the magnitude of it. It is not for the fainthearted, but CEOs are heading in the right direction if they grasp the fundamental importance of management commitment, and are willing to make significant investments, along with setting clear, ambitious targets.

Secure business stakeholder commitment

Any digital transformation is destined to fail if it does not have the commitment of relevant business stakeholders, the CEO, and the leadership team. This may seem a negative to start with, but from Wanstor's experience it is best to be honest about the reality of involving people up front.

The CEO cannot simply sanction a digital transformation; he or she must communicate a vision of what needs to be achieved, along with why, in order to demonstrate that digital is a top priority.

This includes ensuring leaders are accountable, and making it harder to backtrack if things go wrong with the digital transformation programme.

With the vision set, results are then achieved through relentless daily engagement. Peter Lukes, Managing Director, Wanstor, says CEOs undertaking digital transformation programmes need to be "single-minded and aggressive" about driving the transformation.

"There is no way you can do digital transformation without full commitment from across the organisation", he comments. "For a successful digital transformation programme to take place, CEOs need to be active about the programmes of work at all times.

It's not enough to have only CEO sponsorship. It needs to be provocative, disruptive, ambitious and often uncomfortable sponsorship, in order to be successful."

“ It's not enough to have only CEO sponsorship. It needs to be provocative, disruptive, ambitious and often uncomfortable sponsorship, in order to be successful. ”

Peter Lukes, Managing Director, Wanstor IT

Set clear targets

To set the organisations sights at the right level, investments need to be linked to clear, ambitious targets. This helps on three fronts. Firstly, it signals the magnitude of what digital technology can deliver.

Without targets, people who find it hard to accept that the old ways of doing things were massively inefficient might be content to sign up for a ten percent improvement in cycle time, for example, when one hundred percent is possible.

Secondly, setting clear targets at the outset prevents the project going backwards or of delivery dates being missed when the transformation programme of work is in full swing.

Thirdly, it imposes discipline on the process of deciding which initiatives to pursue for maximum impact.

Wanstor suggests targets are needed for each source of value creation: cost savings, revenues, improved performance of front of house staff along with satisfaction of employees and customers, as well as new ways of working and new capability requirements.

Secure budget

Digital transformation will require significant investment. Wanstor's experience suggests that in IT alone, companies who consider themselves in the late majority of IT maturity might need to double their current spending over a three year investment period.

That investment is likely to result in lower profits for a period, but without it, there is a serious risk to profits in the longer term, as the competition will be spending to execute their own digital programmes of work and may steal a first mover advantage.

Importantly, companies and not for profit organisations will need to allocate investment both to improve the current organisation and to build new business models as their organisational model evolves.

To acquire expertise in new fields and keep abreast of innovation, for instance, many businesses will need to invest in partnerships or a venture capital arm, perhaps both, as well as in their own innovation schemes.

Launch and Moving Forward

All senior managers know it is easy to launch change initiatives. The hard part is maintaining these and letting them evolve naturally.

Often companies decide to fund several change initiatives at once, assign people, and even set up separate units. But then the initiatives fail to take off, and the old ways of doing business continue much the same, at which point senior managers usually (wrongly) conclude there is no urgency as the market is not ready for change.

To make sure early efforts thrive and build momentum, companies and not for profit organisations should consider carefully which projects to start with, and to support these with the necessary resources.

At Wanstor, we believe larger organisations (Those with 500+ employees) should recruit a launch team with a track record for project delivery, and this team should be led by a Chief Digital Officer (CDO).

Start with pilot projects

To win early support, organisations should start with projects that offer the potential for significant rewards with manageable risk.

Such projects include front of house efficiency improvements, so that staff can serve customers better, or a re-design of how customers can book and use your services online.

By tackling projects like these which need minimal investment but have maximum impact, customers will be delighted, and staff will start to see the real value of digital transformation early in the programme of work lifecycle.

This in turn will give the project team confidence and set them up nicely for the rest of the project.

Appoint a project delivery team

The importance of securing a high quality project delivery team working under a Chief Digital Officer (CDO) cannot be overstated.

A CDO can prove invaluable in coordinating a transformation - an example of this would be avoiding duplication by devising a methodology for the redesign of customer journeys that could be replicated across the business as digital efforts are extended.

He or she can also make sure the appropriate technology and skills are in place, decide the sequence of the transformation, monitor progress against targets, and make sure that tactical day-to-day priorities get the attention they need. The role of CDO is, however, a temporary one, and should only be employed whilst the organisation is going through this period of digital transformation.

At Wanstor, we believe that for a digital transformation programme to be successful, the key recruits to the project delivery team should include customer experience designers, data scientists, scrum masters and developers who can work in a modern IT environment.

Digital transformation is not just about tipping everything upside down, reinventing products and disrupting value chains. It is partly about balancing old and new, and integrating fresh talent with more experienced hands.

Promote new ways of working

The way a company or not-for-profit organisation arranges itself is key to a successful digital transformation launch. Setting up an independent digital unit promotes new ways of working essential to digital success, covering agile product development, test-and-learn methods that speed progress and maintain customer focus, and cross functional teams pooling specific types of expertise.

A digital unit can also help attract and retain specialists whilst offering support from like-minded colleagues and freedom from organisational constraints of incumbents.

If such people are simply parachuted into existing structures, they can become bored and frustrated at the pace of change. These individuals need empowerment to make a swift impact, which often means giving them authority to make their own decisions.

Separating a digital component from the organisation is not entirely the answer, however - newcomers may bulldoze valuable information whereas incumbents can possess important operational knowledge. Many established companies in your sector have been around for so long because they excel at what they do.

New ways of working through digital become a balancing act. Get it wrong, and the old ways of working will remain; get it right, and the organisation becomes more agile and ready to respond to new market developments and customer needs.

Embrace a digital culture

In this article, we have already touched upon how digital ways of working and thinking - fast, collaborative and empowered - will be the default method of delivery from new recruits with digital skills. These methods also need to take hold across your organisation, and now is the time to embrace them.

So much needs to change - a focus on customer needs rather than process and procedure, continuous customer feedback, comfort with testing and learning (and hence occasional failure), and collaboration - all of these elements are vital.

But CEOs can be made to feel they are being asked to discard the things that have made them successful, and adopt an untested culture. They are not of course being asked to abandon these traits, but to renew their heritage with innovative ways of thinking and working.

There are relatively easy ways to kick-start change and to gain support - always insisting, for example, that the starting point for this change is a question:

"How does this create value for the customer or the end user of our services?"



Scaling the Digital Model

At the eighteen month point within a digital transformation programme, organisations should be making good progress. They should have a handful of initiatives up and running, and be starting to capture value from these initiatives. But the point at which everything seems to be under control is also the time to scale this transformation.

The thoughtful sequencing of subsequent initiatives is key to this. Close attention also needs to be paid to building more capabilities. Finally, to reap the full rewards of a digital transformation, an entirely new business and IT operating model will be required.

Have a clear initiatives plan

Having a clear project initiatives plan with a view to quick returns is key to building scale fast. The more value a transformation captures as it progresses, the more it becomes self-funding, and the greater the support it gathers.

Often a company's approach is to undertake many initiatives in the hope that one or two will actually be successful. But this means that scarce resources are spread thin. It is imperative to pursue a manageable number of digital initiatives thoughtfully, in order to make sure performance of the core business doesn't suffer while cultivating future sources of growth.

Initiatives that are strategically important, pay back quickly, and reduce complexity are the ones for companies to prioritise.

This almost always means looking for ways to cut costs, a counterintuitive notion for many executives who tend to focus on digital technology's growth potential. But context matters.

A company's financial pressures will shape the sequencing to some degree. So will its IT, if legacy systems restrict initial choices. It could prove hard to recruit the particular people needed, while technology and customer behavior will continue to evolve.

At Wanstor we believe that tracking returns and outcomes from project initiatives is absolutely crucial in being able to demonstrate success through a digital transformation.

Build digital capabilities

By now, it should be apparent that business and not for profit organisations will have to invest in more than just digital technologies to scale up digital initiatives.

It is only by modernising core operating platforms that organisations of all sizes can externalise the data and business logic necessary to deliver a satisfying digital experience to the customer or end user of their services.

Both skills and systems will need to be improved upon - but if a company struggles to hire 5 or 10 new people for the launch team, how to go about hiring 40 or 50? Searches will likely extend to developer communities, technology conferences and similar such events. The quest for talent might even lead companies to establish partnerships with software providers. A huge internal training job will be needed as well.

Business leaders will need to understand the strategic value of IT, and this is the reason one leading UK restaurant chain has set up an IT literacy programme to educate and update business line managers, and to help them understand and capture IT's strategic value. Ultimately, however, it will be important to help all employees rethink the way they work, as the end result of a digital transformation is the establishment of a company-wide agile operating model.

Adopt the digital operating model into Business As Usual

Whatever structures a company chooses initially, it will reach the stage when only fundamental organisational re-design suffices.

Silos drawn along functional lines have always been a drag on collaboration and performance in business and not for profit organisations. In the Digital age, when organisations need to reinvent the way they work on the fly, an inability to connect all parts of the organisation to share data, expertise, and talent can be crippling.

This is why business and not for profit organisations will have to lean away from a traditional matrix structure with rigid functional boundaries if the transformation is to succeed.

They will need a network structure, designed around sources of value, with product managers empowered to make decisions with implications that cut across functions. Teams will not be permanent. They will be dissolved when they capture the value at stake, then regroup around new sources of revenue growth or cost reductions.

The fossilized organisational matrix will have to give way to a leaner, more agile one.

Conclusion

Companies and not-for-profit organisations that pursue digital transformation will meet challenges. IT projects fall behind schedule, channel conflicts arise, and unexpected regulatory concerns emerge.

Typically, companies also struggle with cultural issues and challenges in recruiting new types of talent. No set of rules will solve all of this; digital transformation is not a science. The only way forward for an organisation is to learn as it goes and apply these lessons as scale is built.

A final thought, and perhaps one that reframes the challenge: the term digital transformation puts the emphasis on technological change. But it becomes clear to anyone who understands digital technology's potential that what is happening is less of a digital transformation, and more of a fundamental rethink of the corporate mode. Sources of revenue, efficiency, and the organisation's structure are all up for scrutiny, as are talent models, which need to offer more flexible, more empowering, and more rewarding career paths.

Some executives might feel the reframing makes these challenges more daunting; Wanstor believes it makes the opportunities more exciting for everyone involved!

