4 EVILS OF DIGITAL TRANSFORMATION

A measly 2% of leaders are confident that they will achieve 80-100% of their strategy's objectives.

Our team had the advantage of working across the Management Consulting, Syndicated Research and several other industries experiencing multiple digital transformation eras; key of which are-

1. Enterprise Resource Planning (ERP) system automating your Procurement, Finance, Human Resource Management, Material Management and Logistics processes.

2. Shared Service Centers exploring economics of scale across companies, industries and geographies to optimize the cost of administrative, non-differentiating business processes.

3. Customer Relationship Management (CRM) & Electronic Channels expanding the corporate marketing, selling and service channels into the Web, Mobile, Virtual Communities and Kiosks.

4. Cross-Channel Integration and Customer Experience Engineering providing customers with a seamless and pleasant impression of a product or a service.

5. Business Intelligence and Artificial Intelligence mining data to explore new business insights and expedite decision making on complex matters.

Regardless of the specific digital transformation in question, our 2 decades of experience in the field revealed 4 evils that continue to plaque corporate executives and transformation leaders causing their strategies to fail. These 4 evils are-

- The **"Target State" is too high-level.** We will fill in the details later, if required!

- The Organization has **unlimited capacity to change**. We can add external resources and partners all the time!

- **Executives know better** and should lead change, even if these executives lack the training,

experience, knowledge and character to lead transformational changes!

- **Overreact to interim setbacks**, instead of learning from them.

At this stage, we warrant that the above evils do not present themselves in plain sight. Rather, they play insidiously across your Transformation Management Office committees, plans and activities to induce conflicts, delays and organizational rancor.

#1 - **The "Target State" Is High-level & Fluffy**

An "Operating Model" depicts the lifecycle of a product with various processes layered with management information

This step is the corner stone of the entire "Transformation Program". Waving a "Business Case" and a bunch of "Executive Approvals and Marching Orders" will not cut it! You have to translate the "Business Case" into a **Target Operating Model** that depicts how the future products, services, channels, processes and resource/skills would look like and behave at each stage of the transformation. At this point, allow us to dig our heels deep and shout from the bottom of our lungs *"No Operating Model, No Transformation Program"*.

Without a Target Operating Model, it's up to the creativity, biases, interests and preferences of each Transformation stakeholder to depict how the world would look like. Guess what, these depictions seldom align easily.
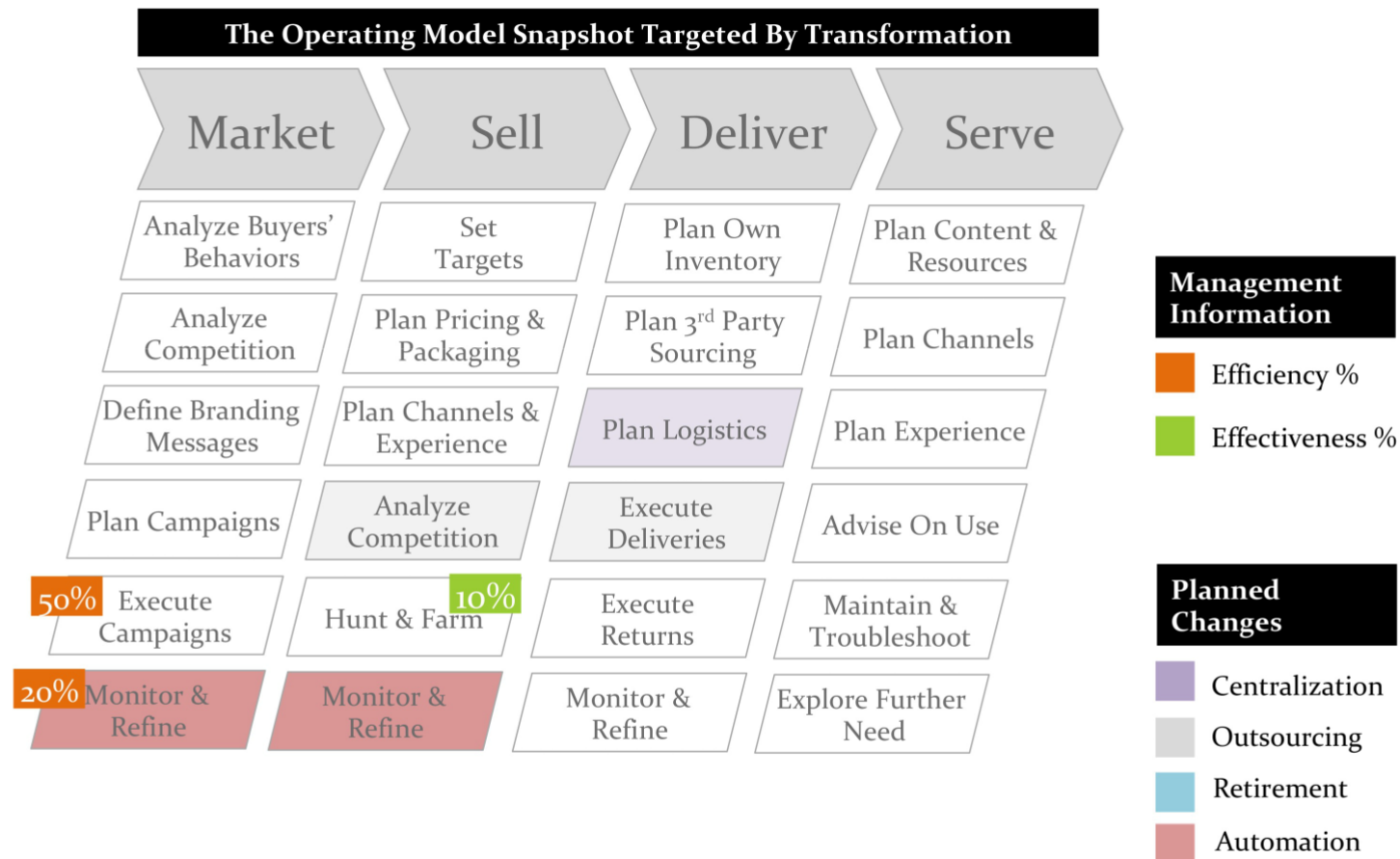
Without a Target Operating Model, How can you develop a compelling vision for change for Field Salesmen whose jobs are threatened by digital markets? How can you identify that a digital market may impact your sales managers, product managers, merchandisers, inventory controllers, logistics managers, installation engineers and marketing officers? How can you translate the expected surge in revenues into specific products upsells and cross-sells capabilities?

You need to assemble a cross-functional team to translate your "Digital Transformation Business Case' into a "Target Operating Model" blue-print. If your cross-functional team cannot find all the answers then, you are missing other stakeholders or picked the wrong resources to start with.

Once developed, embrace the "Target Operating Model" as a plantation that will grow and strengthen as time passes by. This dynamic nature of change should never violate the business case or dramatically change the Target Operating Model. After all, you should not seed a peach tree and expect an olive harvest in a year time!

FIGURE 1: A SAMPLE OPERATING MODEL BLUE-PRINT

The Operating Model Snapshot Targeted By Transformation

Market / Sell / Deliver / Serve

Market	Sell	Deliver	Serve
Analyze Buyers' Behaviors	Set Targets	Plan Own Inventory	Plan Content & Resources
Analyze Competition	Plan Pricing & Packaging	Plan 3rd Party Sourcing	Plan Channels
Define Branding Messages	Plan Channels & Experience	Plan Logistics	Plan Experience
Plan Campaigns	Analyze Competition	Execute Deliveries	Advise On Use
50% Execute Campaigns	10% Hunt & Farm	Execute Returns	Maintain & Troubleshoot
20% Monitor & Refine	Monitor & Refine	Monitor & Refine	Explore Further Need

Management Information
- Efficiency %
- Effectiveness %

Planned Changes
- Centralization
- Outsourcing
- Retirement
- Automation

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#2 – OUR APPETITE AND CAPACITY FOR CHANGE IS UNLIMITED

Quantify your finite
change capacity by
simple metrics and
respect that
capacity throughout

Many executives think that skills, experience and change capacity can be easily bought from the market's vast population of digital consultants, free lancers and subject matter experts. Hence, they visualize an infinite capacity for transformation and change which creeps into their corporate speeches as they advocate; "*Being a Digital Leader In 1 Year*", "*Hiring A Flagship Consulting Company To Challenge Corporate Norms And Leapfrog The Competition*", or worse "*Outsourcing Transformation Governance*".

The reality tells a different story, rarely encouraging and often scary. The reality speaks of "*It takes an external consultant 3-6 months to learn your operating model and organization structure in such proficiency to affect change*", "*External subject matter experts often have no commercial interests in delivering quickly and weaning you off their support*", "*External resources will not eventually own your client relationships and be held accountable before the Board for your organization profitability*" and "*When external resources deliver, your organization does not have the adequate resources to review the deliverable, sign if off and take it forward*".
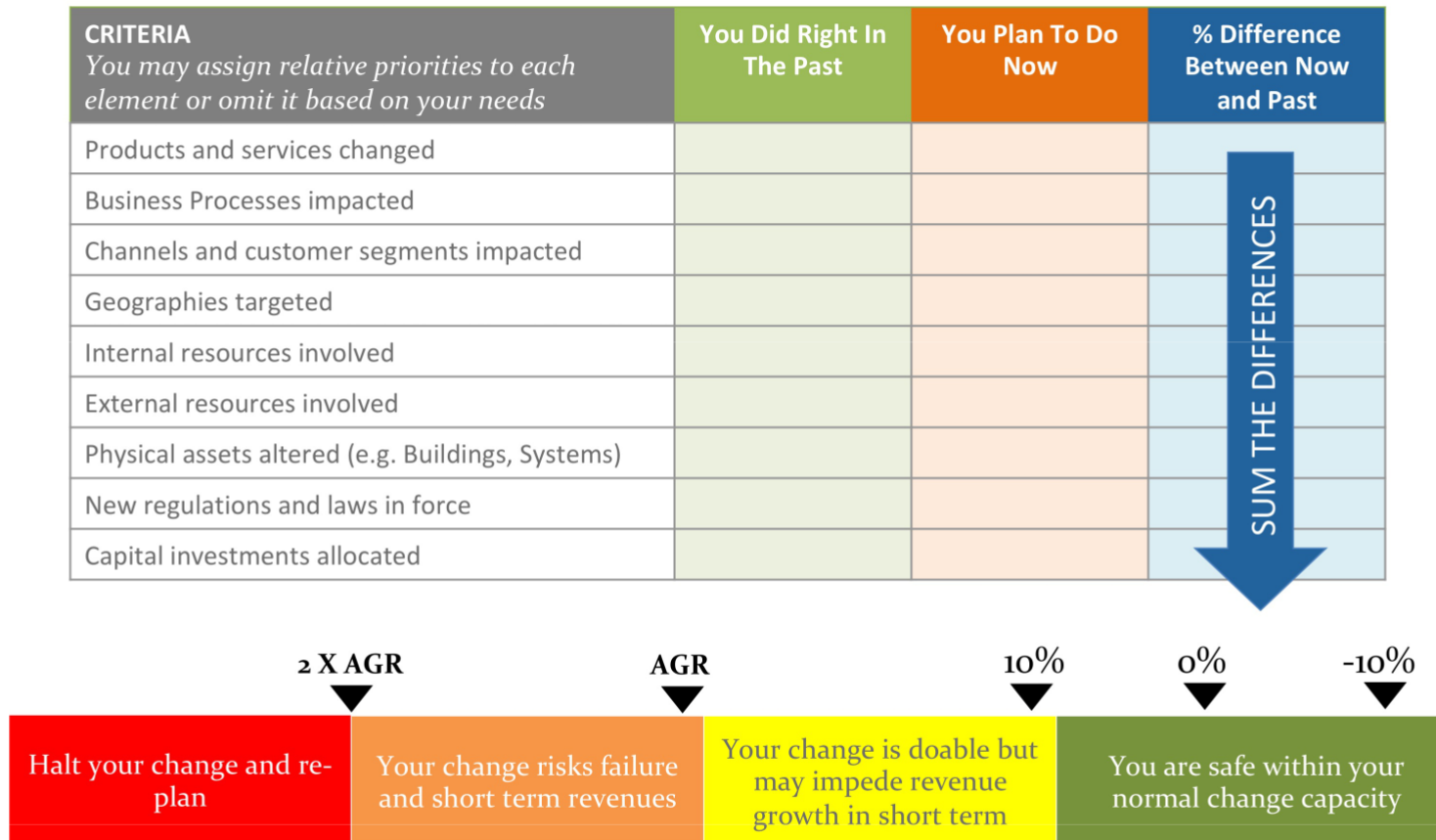
In a nutshell, you seldom see a General waging war with an army mostly made up of mercenaries, unless he or she is a pirate by profession!

Hence, it is paramount that you define the finite capacity of change in your organization in measurable terms that everyone can understand and later revere. This finite change capacity will have the most dramatic impact on your Transformation Roadmap; time-, investment- and outcome-wise.

Measuring your finite capacity is both an art and a science, with no universal way dominating the scene. One organization would express that as a capital investment ceiling that does not exceed 20% of previous successful projects. Another organization would express it in terms of the ratio of external consultants to internal project staff not exceeding a certain threshold. Figure 2 depicts our preferred way.

FIGURE 2: CHANGE CAPACITY MEASUREMENT FRAMEWORK

| CRITERIA
You may assign relative priorities to each element or omit it based on your needs	You Did Right In The Past	You Plan To Do Now	% Difference Between Now and Past
Products and services changed			
Business Processes impacted			
Channels and customer segments impacted			
Geographies targeted			
Internal resources involved			
External resources involved			
Physical assets altered (e.g. Buildings, Systems)			
New regulations and laws in force			
Capital investments allocated			SUM THE DIFFERENCES

2 X AGR ▼   AGR ▼   10% ▼   0% ▼   -10% ▼

| Halt your change and re-plan | Your change risks failure and short term revenues | Your change is doable but may impede revenue growth in short term | You are safe within your normal change capacity |

AGR = Annual Revenue Growth Rate

#3 - **executives know better**

85% of leadership teams spend less than 1 hour per month discussing strategy

Executives are surely the masters of the "Shareholders" and "Market" universes driving growth and sustainability through efficient capital allocation, industry ventures and new markets exploration. However, they cannot be the masters of all trades across the organization. Chairing a "Transformation Steering Committee" without a good understanding of the digital space, an adequate bandwidth to listen and engage and hands on program/change management experience becomes an honorary post – at best – and a gamble – at worse -.

Before you shrug off to the idea, close your eyes for a minute and replay the last 5 steering committee meetings you were in. Now ask yourself; *"Do we waste a lot of the committee's time explaining basic digital transformation concepts to the Chairman?"*, *"How often do we remind the Chairman of the transformation scope, plans and past progress?"*, *"What personal due diligence does the Chairman exercise before approving our recommendations?"* and *"How often the Chairman engaged with our teams in the field?"*. Hope this help proves our point!

Being a stellar Salesman, a pedantic Auditor or a scrupulous Operation Officer hardly qualifies to be a successful "Transformation Leader". Successful Transformation Leaders are trained, coached, challenged and tried through scores of engagements to comprehend the full picture of the business, zero on the changes required and then drive people passionately and methodically to make it happen. It's a career by itself!

In corollary, you cannot just buy a "Transformation Leader" off the shelf and enforce him/her on your organization. If the case be then, you would better use that "Transformation Leader" as a coach or shadow leader to one of your executives.

Figure 3 overleaf provides the Top 10 traits of an effective Transformation Leader.

FIGURE 3: TOP 10 TRAITS OF A TRANSFORMATION LEADER

EXPERIENCE	• Done it before in a similar or a bigger scale in terms of people, investments and
METHODS	• Hands on experience with Program / Transformation / Change management methods and tools.
INDUSTRY KNOW HOW	• Has holistic understanding of your profitability, operations and customers.
COMMUNICATION	• Fluent, passionate, yet concise communicator.
LISTENER	• Listen with both heart and mind to all levels of organization.
PEOPLE	• Connect emotionally and exude compassion.
TROUBLESHOOTER	• Invent solutions through research and collaboration.
PLANNER	• Translate objectives into measurable activities.
INTEGRITY	• Exemplify great ethics and manner, then defend them throughout.
LEARNING	• Avid learner through reading, coaches and peers.

Knowledge-related   Character-related   Skill-related

#4 – **overreact to INTERIM SETBACKS**

Everything about information and systems is iterative

Many aspects of Digital Transformation are iterative in nature where the desired outcome cannot be achieved at first shot. The examples are bountiful. Using Business Intelligence to arrive at a statistical model predicting customer's churn requires several iterations to identify the right churn indicators and weed off bad data. Running a marketing campaign through social media requires continuous changes to brand messages and product offers based on users impressions and interactions. Automating a business process through Robotics requires continuous calibration of the Robot to surrounding environment and production efficiency and quality parameters.

There is no denying that these iterations are painful in terms of the time, resource and budget expensed. Intuitively, all Executives are measured on driving solid business returns in terms of enhanced sales, optimized costs and faster service.
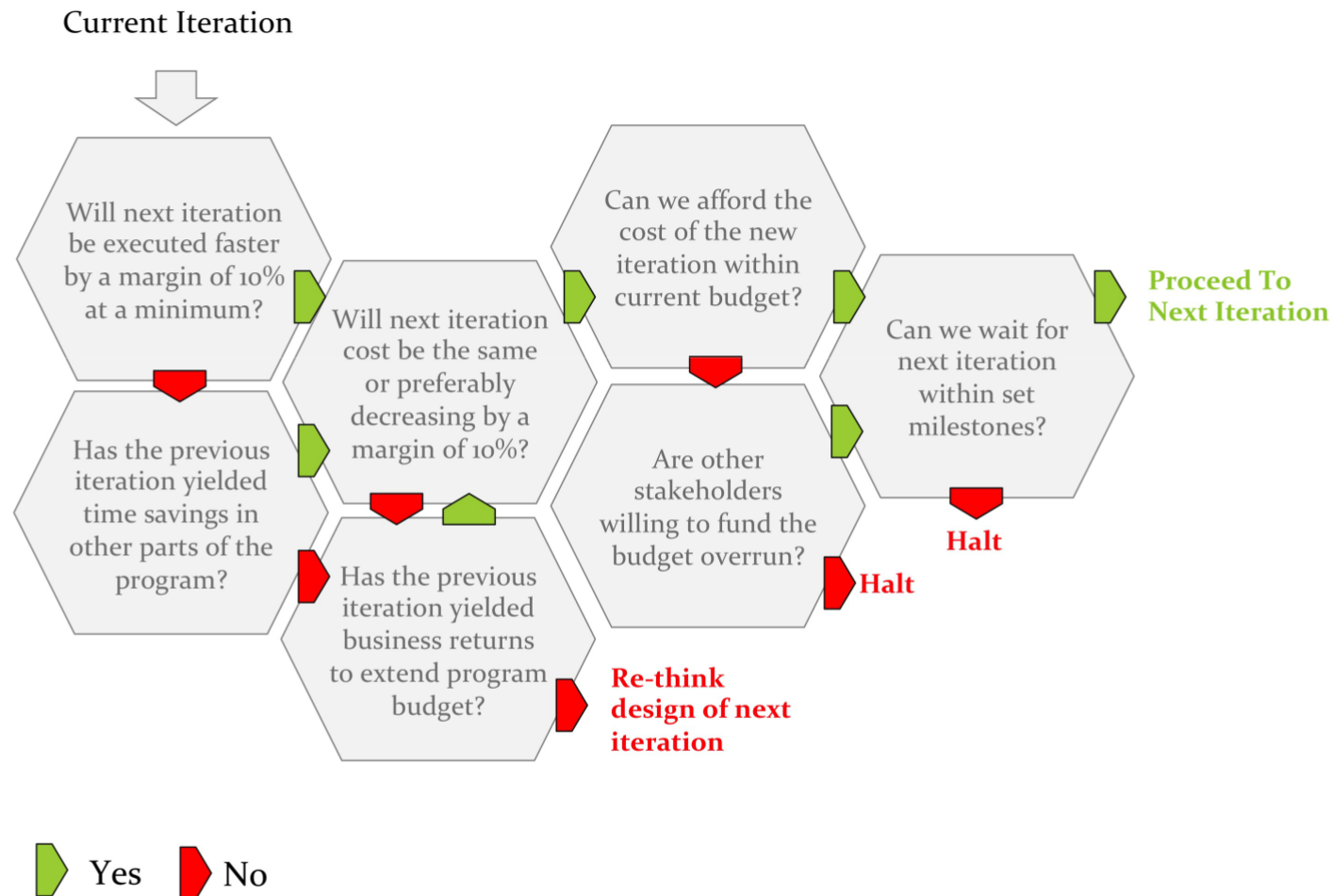
Veteran Digital Transformation Leaders realize that going through the pain of iterations yield unique insights about the customers, products and processes never imagined. These insights are delivered to you at a neck-breaking speed and it is on you to adapt or lose the game.

One organization we worked with on a Business Intelligence Program discovered that they could generate enough revenues to finance their entire BI Program by simply optimizing their financial assets and liabilities cash flows. This insight was only possible when the data was examined using advanced analytics. Another organization identified that their clients has the highest credit score upon having their second child, thwarting common wisdom that your credit score likely to deteriorate when your family obligations and liabilities increase.

In Figure 4 overleaf, we provide you with a simple, pragmatic criteria on when to bite the bullet on iterations, versus pulling the plug.

FIGURE 4: TOLERATING THE ITERATIVE NATURE OF DIGITAL TRANSFORMATION

Current Iteration

Will next iteration be executed faster by a margin of 10% at a minimum?

Has the previous iteration yielded time savings in other parts of the program?

Will next iteration cost be the same or preferably decreasing by a margin of 10%?

Has the previous iteration yielded business returns to extend program budget?

Can we afford the cost of the new iteration within current budget?

Are other stakeholders willing to fund the budget overrun?

Can we wait for next iteration within set milestones?

Proceed To Next Iteration

Halt

Halt

Re-think design of next iteration

Yes No

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Thank You