



ALBERTA ADVISORY
ASSURED EXECUTION

Research Paper

A TRANSFORMATION MANAGEMENT OFFICE (TMO) PRIMER



TMO is your change machine to acquire and deploy and manage digital assets and practices

A TMO is your “Change Machine” through which you monitor, orchestrate and respond to all aspects of Digital Transformation. It’s your primary tool to execute your change agenda and realize your business goals.

We heartedly confess that the academic and public literatures on “Transformation Governance” are chock-full. A Program Director or an Executive Corporate Officer wading the waters of Digital Change will be inundated by the replete of Operating Principles and Governance Structures proposed. The Mantras typically include; “Create A Compelling Vision To Change”, “Screen and Analyze Stakeholders Early On”, “Consult And Do Not Dictate” and “Measure To Improve”. While the Governance Structures typically include; “Steering Committee”, “Change Catalysts”, “Change Ambassadors” and “Subject Matter Experts”.

We long studied and practiced these principles and structures to realize that while useful, they are ferociously challenged by- (i) the organization’s appetite and capacity for change, (ii) changing market conditions and (iii) every day execution complications.

In this Primer, we focus on those Mantras and Structures we found to be most useful in driving Digital Transformation, while providing practical implementation tactics and exposing common pitfalls.

For a better demonstration of our ideas, we will assume a “Digital Change Program” involving two (2) components - Migrating the sales process into own and third party digital markets and Integrating Social Media in product development and customer service processes.

STEP 1 – KNOW WHAT THE TARGET STATE LOOKS LIKE

An Operating Model is your first step to

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*



visualize how the product lifecycle will evolve in the digital world

that depicts how the future products, services, channels, processes and resource/skills would look like at a high-level.

At this point, allow us to dig our heels deep and shout from the bottom of our lungs “*No Operating Model, No Transformation Program*”. In the absence of a Target Operating Model, the Mantras of “Creating A Compelling Vision For Change”, “Change Is About People” and “Measure & Adapt At Each Stage” quickly become nothing more than glossy prints on corporate walls, abused quotations in executive e-mails and quips during elevator rides.

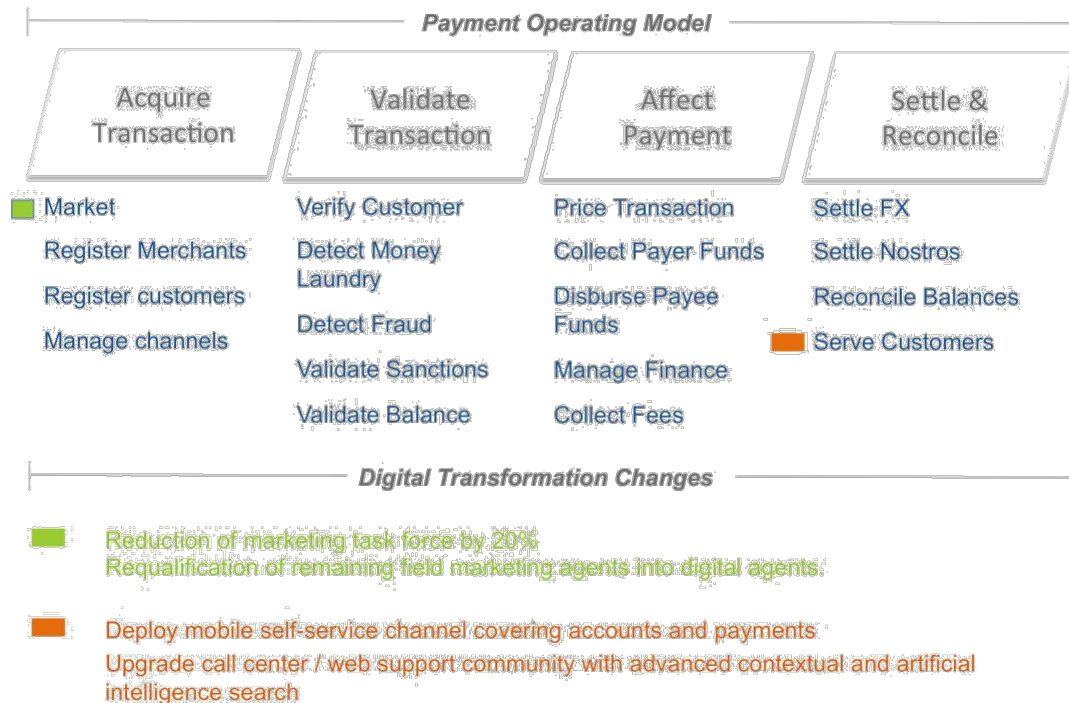
Without a Target Operating Model, How can you develop a compelling vision for change for Field Salesmen whose jobs are threatened by digital markets? How can you identify that a digital market may impact your sales managers, product managers, merchandisers, inventory controllers, logistics managers, 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: Sample Payment Operating Model Blue-Print



STEP 2 – GAUGE CORPORATE’S APPETITE AND CAPACITY FOR CHANGE

Be specific on what digital change will take place so your organization can respond transparently and accurately

No two Corporates are the same and no two Lines of Business are the same. As your Target Operating Model crystalizes, you need to chart your stakeholders terrain and measure the culture and attitudes towards the *anticipated* change – not just any change -. At your disposal there is a plethora of measurement mechanisms including direct staff surveys, discussions with focus groups, review of past customer satisfaction surveys and analysis of Industry Analysts reports on how the market and competition perceive your Corporate.

As you scout who are the stakeholders, what their attitude towards change and how the decisions are made within the Corporate fabric, we strongly recommend that you observe the following-

- ❖ Avoid blind adoption of generic off-the-shelf and

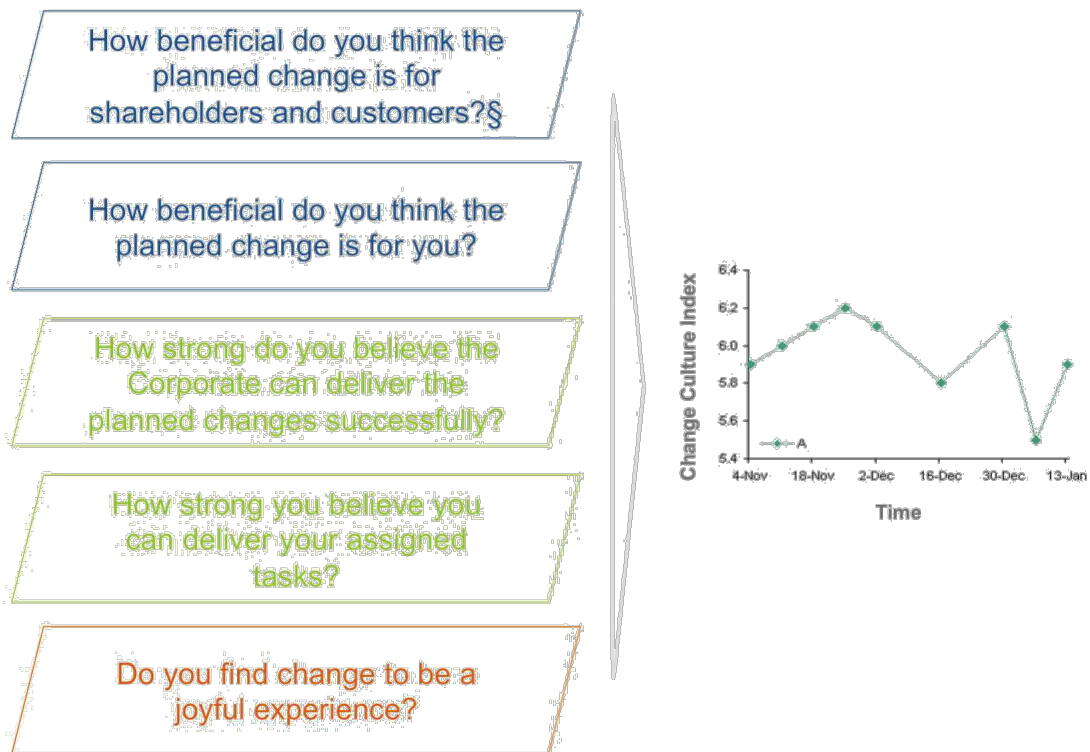


industry-agonistic change management surveys. Take on such surveys and re-phrase them to align with your Target Operating Model and the anticipated areas of change. For example, instead of asking a Customer Service Officer *“How frequently do you change your procedures to match clients’ requirements?”*, you may want to ask him/her *“How frequently do you engage with your clients on Social Media?”*.

- ❖ Track the scent of the Pack Leaders. It’s given that the Movers and Shakers in a Corporate are not necessarily the most Senior Executives. Every Line Of Business has a private club of veterans who are deeply rooted into the business, has the ears of the Executive team and packs a streak of past successes. These are the ones you need to uncover, tap and start with assessing.□
- ❖ Capture change culture and attitudes to change in a set of simple and meaningful Key Performance Indicators (KPIs) that can be compared over the different Program Stages (e.g. design, build, deployment, piloting), Change Phases (e.g. Awareness, Recognition, Resistance) and Change Domains (e.g. Digital Market Introduction, Social Media Incorporation). This will help you in assessing the effectiveness of your various change management activities (e.g. communication campaigns, rewards, verbal recognition) and the impact of attitudes on productivity (e.g. delays in responding to Twitter/Facebook customer complaints due to fear of public exposure). You may want to build a Change Culture Index as depicted in Figure 1 overleaf.□



Figure 2: Sample Change Culture Index



STEP 3 – SET-UP YOUR TMO STRUCTURE

Do not play solo, digital transformation is an expedition, not a race

As your “Change Machine” to affect Digital Transformation, the TMO should be able to generate the necessary power (i.e. through investments and resources), transfer the power to when and where it’s needed (i.e. through a network of partners and change agents) and control output and consumption (i.e. through plans and dashboards). These three elements are the quintessence of any TMO.

As you draft your TMO’s organization structure, resource requirements and governance framework, we strongly recommend that you observe the following-

- ❖ Leverage existing *proven* corporate capabilities such as Project Management Office, Corporate Communication, Reward Management and Vendor/Supplier Relationship Management. As a leader of Digital Transformation, you know too well that digital change does not conform to



If you
cannot
quantify
the benefits, then
do not bother
advocating them

classical corporate wisdom, monotonous operating models and rigid industry boundaries. You have seen how digital change forces Corporates to dismantle its operating models, outsource low value-add activities, differentiate through digital content and digital experience and break through industry boundaries to develop hybrid products and services. You may be tempted to take shortcuts, by ignoring legacy corporate capabilities and build your own “Digital Age-Worthy” marketing, communication and agile program management. While shortcuts have their own glory, such glory is typically short-lived as it consumes your budget prematurely; fuels resistance from sidelined departments and complicates your future integration in the corporate fabric. Rather, you should leverage the existing corporate capabilities and usher them gracefully into the “Digital Age” culture, attitudes and operations.

- ❖ Do not mix “Business Value” with “Program Deliverables”. While various teams are centered around generating the necessary Program Deliverables (e.g. Developing Product Digital Content To Be Presented On Digital Market, Integrating Web Order Management System With Inventory Management, Gauging Customer Satisfaction Through Social Media Listening Platforms), you should keep a laser sharp focus on “Business Value” derived from increased sales revenues, reduced sales cost, faster delivery lifecycle, increased customer retention, increased customer wallet share and so on. “Business Value” metrics are typically scattered across various Lines Of Business and Support Units. It’s paramount that you track, consolidate, report and analyze such metrics to ensure that the “Digital Transformation Program” is delivering the anticipated business value. This is exactly why many Corporates adopt a Piloting approach towards “Digital Transformation” where new concepts are phased into the market to be quickly validated and iteratively evolved over a 3-6 month intervals.
- ❖ Manage “Resistance To Change” through a 7-tier approach and coach your Generals to do the same. A 7-tier approach might cause a big jaw drop and spark delay anxiety, we know! Yet, we stand firm on the 7-tier approach because it works and magically turns foes into



Getting the structure right is important, but it

cannot supplant a healthy culture and clear working methods

allies – in most cases !!! -. While its prudent to observe a graceful escalation from tier to the other, you may mix and match tiers as the situation at hand mandates. Figure 3 overleaf depicts the 7-tiers approach.

- ❖ Structure your TMO organization around two (2) types of teams- Specialized Teams and Shared Teams. A Specialized Team is accountable for the end-to-end delivery of a specific “Change Domain” such as- Sales process integration into Digital Markets, or Social Media integration into Product Development and Customer Service processes. A Shared Team provides common services to various Specialized Teams such as- Program Management, Business Process Management Design Platforms or Data Planning Services. This allows you to harness the synergies and ensure alignment across various Change Domains, while preserving the accountability for delivery. Be aware that the concept of Specialized and Shared teams is not meant to prevent the set-up of cross-functional teams to deliver rough and tough pilots quickly. The interaction between the Shared and Specialized Teams could take many forms such as-
 - *Service Delivery*; where the Shared Team has a formal service catalogue with clear service level agreements. The Specialized Team requests the necessary services from the Shared Team without having to worry about Shared Team resource management and delivery details. For example, “Sales Business Process Mapping” could be a service acquired by the Specialized Team from the “Business Process Management Center Of Excellence”.
 - *Resource Assignment Or Secondment*; where the Shared Team assigns one or more of its subject matter experts for a period of time on a full time basis to the Specialized Team. In this case, the Specialized Team takes on direct responsibility for managing the assigned resource(s). For example, the “Project Management Office – PMO” could assign a project manager to the Specialized Team for a period of 6 months.



- Tools / Coaching; where the Shared Team provides a set of tools to the Specialized Team along with the necessary training and support services. It's up for the Specialized Team to use these tools properly to achieve its Change Domain. For example, the "Data Management Unit" could provide the Specialized Team with a data mart to carry out its analysis of clients' comments on social media.

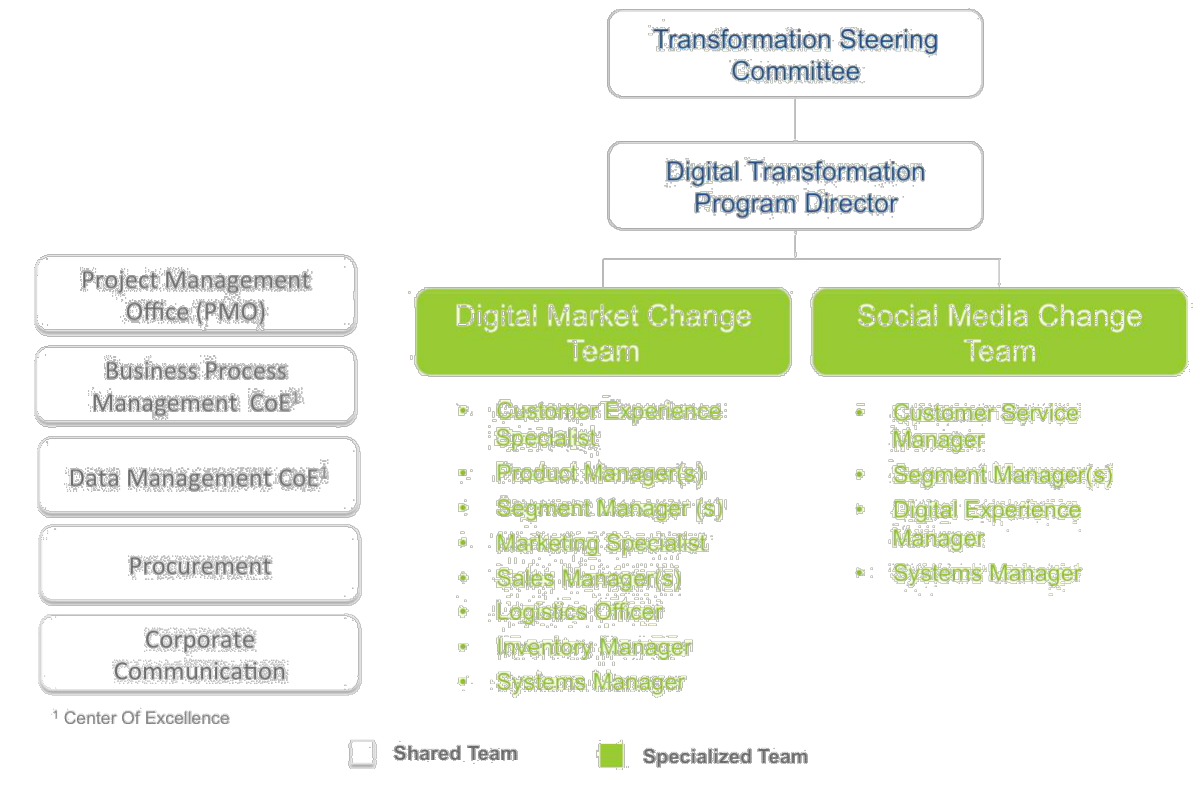
Figure 4 overleaf provides a classical organization structure of a TMO handling the "Digital Change Program" stipulated earlier.

Figure 3: 7 Tiers To Overcome Resistance To Change





Figure 4: A Typical TMO Structure



STEP 4 – PILOT AND TUNE

As your Digital Transformation Program progresses, you have to keep a close eye on “Business Value Indicators”, “Change Culture Index” and “Execution Progress”. You will be required to tune the breadth of each team to match the current status. ■



ALBERTA ADVISORY
ASSURED EXECUTION

End Of Report